



沃得
WORLD



**Creating Value
Delivering Growth**

ANNUAL REPORT 2018



企业使命及愿景

CORPORATE MISSION AND VISION

成为中国乃至世界最具影响力的锻压行业制造商

To become the most influential stamping machine manufacturer in China and the world

为客户创造价值 为员工搭建发展平台

To create value for customers; To provide a development platform for employees

成为客户的首选品牌

To become the preferred brand of our customers

CONTENTS

Company Profile	1	Corporate Structure	20
About Us	2	Report on Corporate Governance	21
Milestones	4	Sustainability Report 2018	42
Message from Chairman and CEO	6	Financial Contents	58
Operations Review	10	Shareholders' Information	116
Board of Directors	12	Notice of Annual General Meeting	118
Key Management	14	Appendix to Notice of	
Financial Highlights	17	Annual General Meeting	122
Events / IR Activities	18	Proxy Form	
		Corporate Information	

COMPANY PROFILE

Based in Danyang City, Jiangsu Province, PRC, World Precision Machinery Limited (“World Precision”, and together with its subsidiaries, the “Group”) is a leading manufacturer of stamping machines and related metal components.

The Group manufactures both conventional stamping machines and high performance and high-tonnage stamping machines to suit the needs of a myriad of industries including automotive, home appliances, electronics, and etc.

With vertically integrated facilities, customers are assured of quality products and timely reaction to changes in their demand. The Group has established its sales network and service centres in large and medium sized cities across the PRC and its products are even exported to Southeast Asia, Europe, South America and South Africa.

The Group currently manufactures more than 300 models of stamping machines which are classified into more than 30 product series. Its stamping machines are marketed under the “World” trademark, divided into conventional, high-performance and high-tonnage stamping machines. Its latest range of products includes bending, cutting and Computer Numeric Control (“CNC”) punching machines.

The Group has very strong in-house Research and Development (“R&D”) capabilities with a team of around 200 R&D and technical staff. It is one of the few Chinese manufacturers to utilise high-precision machining equipments from PAMA Group of Italy. In 2010, it has entered into a technological alliance with Aida Engineering Ltd. (“Aida”), a global leader in capital goods from Japan, and together, the Group aims to consistently develop better and more sophisticated stamping machines for its clients.

The Group and its products have been widely recognised and have been awarded numerous awards. In particular, the Group’s wholly-owned subsidiary – World Precise Machinery (China) Co., Ltd. (“WPM (China)”) is accredited as “High Technology Enterprise” so as to enjoy a three-year preferential tax rate of 15.0% instead of the standard tax rate of 25.0% from 2017-2019. Its products were recognised as “Jiangsu Renowned Products” since 2006. The Group has been accredited with ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 for its quality management, environmental management and occupational health safety management efforts since 2003.

ABOUT US



OUR BUSINESS: KEY SEGMENTS

During the year, there was a gradual shift towards high-end stamping machines in the Group's product mix, which was in line with the Group's strategy to move up the technology ladder and raise its market share in the premium segment.



AUTOMOTIVE PARTS

According to China Association of Automobile Manufacturers (CAAM), the production and sales of automobiles in 2018 decreased by 4.2% and 2.8% year-on-year to 27,809,000 and 28,081,000 units respectively¹. The cessation of government's incentive to purchase cars with smaller engines, coupled with the slowing economy and trade war contributed to the first annual industry decline in two decades.

In FY2018, the Group's revenue contributed by the automotive sector was around RMB533.3 million and accounted for 60.0% of the Group's overall sales.



ELECTRONICS

China's demand for Consumer Electronics has grown at a fast pace in the past decade. In the next decade, both production and demand will continue to grow, especially in emerging categories such as wireless speakers, activity watch and smart wearables. With rising disposable incomes, Chinese consumers tend to seek high-quality products that offer the best in terms of user experience³.

For FY2018, the Group's revenue from the electronics sector was RMB133.3 million and accounted for 15.0% of the Group's overall sales.



HOME APPLIANCES

According to statistics from Research and Markets, China's smart home market was valued at just over US\$7.0 Billion in 2018 and is likely to fivefold by the year 2025². The demand for household appliances is expected to remain robust in China which will be mainly driven by the growing Internet of Things market, government support, increasing urbanisation and growing awareness for smart home technology.

For FY2018, the Group's revenue from the home appliances sector was RMB177.8 million and accounted for 20.0% of the Group's overall sales.



OTHERS

Others include railway industry, aircraft industry, machinery industry, hardware industry and etc. China invested RMB802.9 billion in rail fixed assets in 2018 and plans to invest in 6,800 km worth of new railway lines in 2019, a 40% jump from the length of tracks laid in 2018⁴. According to the National 13th Five-Year Plan, the national railway operating mileage will reach 150,000 km, including 30,000 km of high-speed railways by 2020⁵.

For FY2018, the Group's revenue from this sector was RMB44.5 million and accounted for 5.0% of the Group's overall sales.

¹ 2018年汽车工业经济运行情况, <http://www.caam.org.cn/xiehuidongtai/20190114/1505221202.html>

² China Smart Home Market 2018-2025: IoT, Policies & Initiatives Driving the Smart Homes Market, <https://www.prnewswire.com/news-releases/china-smart-home-market-2018-2025-iot-policies--initiatives-driving-the-smart-homes-market-300776191.html>

³ Consumer Electronics Markets in China, https://www.researchandmarkets.com/reports/223255/consumer_electronics_markets_in_china

⁴ China plans 6,800km of new rail track in 2019 amid infrastructure push, <https://www.straitstimes.com/asia/east-asia/china-plans-6800km-of-new-rail-track-in-2019-amid-infrastructure-push>

⁵ 铁路规划再修编新增一批项目今年投资或达8000亿, <http://finance.sina.com.cn/roll/2018-08-08/doc-ihhkusk4168628.shtml>

MILESTONES

MARCH 1999

Jiangsu World Machine Tool Co., Ltd. ("JWMT") acquired the stamping machine manufacturing business from Jiangsu Danyang Stamping Machine Factory.

Established production area of approximately 6,600 sqm.

AUGUST 2000

Expanded production area to approximately 14,700 sqm.

AUGUST 2002

Expanded production area to approximately 36,800 sqm.

OCTOBER 2003

Obtained ISO 9001:2000 accreditation from China Manufacture United Certification Center.

MAY 2004

Incorporation of new wholly-owned subsidiary - World Precise Machinery (China) Co., Ltd. ("WPM (China)") and acquisition of relevant business from JWMT.

FEBRUARY 2005

Acquisition of WPM (China).

JUNE 2005

Expanded production area of approximately 130,000 sqm.

APRIL 2006

Listing of Bright World Precision Machinery Limited ("BWPM") on SGX-ST Mainboard.

Expanded production area by a further 100,000 sqm.

MARCH 2007

Incorporation of new wholly-owned subsidiary - Bright World Heavy Machine Tools (China) Co., Ltd. ("BWHM") to further our foray into the high-performance and high-tonnage stamping machines.

AUGUST 2007

Joint venture and incorporation of new 60% owned subsidiary - Shanghai Shangduan Press Co., Ltd. ("SSP") to manufacture, sales of high-tonnage stamping machines as well as research and development of high-tonnage stamping machines.

2008

China Holdings Acquisition Corp. proposed acquisition of the Group.

MARCH 2009

Incorporation of new wholly-owned subsidiary - Bright World CNC Machine Tool (Jiangsu) Co., Ltd. ("BWCNC") to manufacture, develop and sell CNC-based technology products.

MAY 2009

Incorporation of new wholly-owned subsidiary - World Precise Machinery Marketing Company ("WPMM") to act as a sales platform for the Group (i.e. to manage all marketing and sales activities of the Group).

OCTOBER 2010

Incorporation of new wholly-owned subsidiary - World Precise Machinery (Shenyang) Co., Ltd. ("WPMS") to strategically increase the Group's activities in the proximity and increase sales contributions from the region.

APRIL 2011

Proposed change of name from BWPM to World Precision Machinery Limited ("WPM") to better align the Company's name with the Group's brand of stamping machines marketed under "WORLD". This is to provide a clear identity for the Company and better reflect the Company's corporate profile going forward.

MAY 2011

Company's wholly-owned subsidiary, WPMS, acquired a land use right over an industrial land located at Xi He Jiu Bei Jie situated within the Shenyang Economic and Technological Zone (沈阳经济技术开发区细河九北街) with a total land area of 364,922.74 sqm for a total consideration of RMB123.3 million.

OCTOBER 2011

Change of subsidiaries name - BWHM to World Heavy Machine Tools (China) Co., Ltd. ("WHMT") and BWCNC to World CNC Machine Tool (Jiangsu) Co. Ltd. ("WCNC").

NOVEMBER 2011

Company's wholly-owned subsidiary, WPM (China), re-accredited as High/New Technology Enterprise.





DECEMBER 2011

Increased investment in 60% owned subsidiary, SSP.

FEBRUARY 2012

Company's wholly-owned subsidiary, WCNC, accredited as High/New Technology Enterprise.

JULY 2012

Increased investment in wholly-owned subsidiary, WHMT.

SEPTEMBER 2012

Increased investment in wholly-owned subsidiary, WPMS.

DECEMBER 2012

WPMS' completion of Phase 1 of its plant.

JANUARY 2013

WHMT spin-off of assets and liabilities of parts casting segment.

Incorporation of new wholly-owned subsidiary - World Precision Machinery Parts (Jiangsu) Co., Ltd. ("WPMP") to take over part casting segment from WHMT.

FEBRUARY 2013

Increased investment in wholly-owned subsidiary, WHMT.

MARCH 2013

Company's wholly-owned subsidiary, WHMT, accredited as High/New Technology Enterprise.

APRIL 2013

Increased investment in wholly-owned subsidiary, WHMT, WPMP & WCNC.

New product launch, JX36-630.

DECEMBER 2013

Divestment of SSP.

JANUARY 2014

New product launch, JS36-250.

JUNE 2014

New product launch, JSG36-1000.

JANUARY 2015

New product launch, J31-1250.

JUNE 2015

New product launch, JX36-1000.

DECEMBER 2015

Amalgamation of PRC subsidiaries, WHMT, WCNC and WPMM amalgamated into WPM (China).

APRIL 2016

New product launch, DS1-160.

JULY 2016

New product launch, JS39-1600.

OCTOBER 2016

New product launch, JH24-200.

MARCH 2017

New product launch, NC1-110.

MAY 2017

New product launch, NC1-160.

JULY 2017

New product launch, NC1-200.

OCT 2017

New product launch, NC1-260.

NOV 2017

New product launch, JA89-1000.

MARCH 2018

New product launch, WS67K-63/2500.

MAY 2018

New product launch, WS67K-100/3200.

JULY 2018

New product launch, JH28-160.

AUGUST 2018

New product launch, JH28-200.

SEPTEMBER 2018

New product launch, JH28-400.

DECEMBER 2018

New product launch, WD-F3015L.

MESSAGE FROM CHAIRMAN AND CEO

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the annual report of World Precision Machinery Limited ("World Precision" and together with its subsidiaries, the "Group") for the financial year ended 31 December 2018 ("FY2018").

2018: YEAR IN REVIEW

China's economy grew at its slowest pace in 28 years in 2018, with gross domestic product expanding 6.6%, down 0.2 percentage point from the previous year¹. China's crackdown on high debt levels coupled with the increased trade tensions with the U.S. have taken a toll on its domestic economy. While reducing reliance on debt would benefit the economy in the long run, it likely means a far slower pace of growth for China going forward. According to the National Bureau of Statistics, China's industrial output expanded 6.2% in 2018, down 0.4 percentage point from the previous year². Industrial capacity utilisation was 76.5%, down 0.5 percentage point from a year earlier³.

Despite the slower economy, the Group's turnover increased by 10.6% to RMB888.9 million from RMB803.9 million for FY2018. This was mainly due to the increase in average selling prices of stamping machines which was partially offset by a decrease in conventional stamping machines and high performance and high tonnage stamping machines sales volume. The increase in raw material costs and a decrease in production of stamping machines which was partially offset by an increase in average selling prices of stamping machines during the year eroded the Group's gross profit margin, resulting in a 4.7 percentage point drop to 14.9%. The Group's operating expenses increased 4.6% year-on-year ("yoy") from RMB130.0 million to RMB136.0 million. As a result, the Group's net profit attributable to equity holders decreased 83.3% yoy to RMB6.1 million for FY2018, which translated into basic earnings per ordinary share of 2 Renminbi cents for our shareholders.



INDUSTRY OUTLOOK

China's economy is sailing into strong headwinds in 2019. Nonetheless, the world's second largest economy is huge and resilient with potential for growth, especially with a huge domestic market and large population of nearly 1.4 billion people. China is confident to sustain economic growth going forward despite the prevailing headwinds and will continue to streamline administrative procedures, strengthen regulations, reduce taxes on a larger scale, further ease market access and provide a business environment for fair competition.

In January 2019, the State Council issued the 2019 Domestic Consumption Policy Package to stimulate domestic consumption growth in 2019, targeting to boost consumption in the automobile, home appliance and other sectors⁴. Apart from stimulating domestic consumption growth in its bid to stave off economic slowdown and effect of trade war, the Chinese government is also spending big on infrastructure. Since December 2018, the National Development and Reform Commission has approved 16 projects worth at least RMB1.1 trillion, where the expansion of the Shanghai Urban Rail Transit alone costs a hefty RMB298.35 billion⁵.

1 China's GDP growth slows to 28-year low in 2018, <https://asia.nikkei.com/Economy/China-s-GDP-growth-slows-to-28-year-low-in-2018>

2 National Economic Performance Maintained within an Appropriate Range in 2018 with Main Development Goals Achieved, http://www.stats.gov.cn/english/PressRelease/201901/t20190121_1645832.html

3 China Industrial Capacity Utilization, <https://tradingeconomics.com/china/capacity-utilization>

4 China Revitalizes Domestic Consumption through New Policy Package, <https://www.china-briefing.com/news/china-domestic-consumption-package/>

5 China invests US\$163.2 billion in infrastructure to stave off economic slowdown and effect of trade war, <https://www.scmp.com/economy/china-economy/article/2183977/china-ramps-infrastructure-spend-stave-economic-slowdown-and>

6 Why China's electric-car industry is leaving Detroit, Japan, and Germany in the dust, <https://www.technologyreview.com/s/612566/why-chinas-electric-car-industry-is-leaving-detroit-japan-and-germany-in-the-dust/>

7 铁路规划再修编新增一批项目 今年投资或达8000亿, <http://finance.sina.com.cn/roll/2018-08-08/doc-ihhkusk4168628.shtml>



Overall, the Group has been receiving orders from its customers in various industries and it believes that the trend will sustain in the coming years. The demand for household appliances is expected to remain robust in China which will be mainly driven by the growing Internet of Things market, government support, increasing urbanisation and growing awareness for smart home technology. The global move towards electric vehicles is making steady progress and it bodes well for automobile manufacturers in China despite a decline in automobile production and sales in 2018⁶. Furthermore, China will continue to spend on rail fixed assets with the aim to achieve a national railway operating mileage of 150,000 km, including 30,000 km of high-speed railways, by 2020⁷.

While its order book remains healthy, the Group is mindful that the profitability will be affected by rising raw material and labour costs. The Group will proactively manage its inventory and lock in raw material prices with suppliers every three months while maintaining regular reviews of its operation costs to maximise productivity and efficiency. In addition, the Group is leveraging on new technologies and more advanced equipment to improve production efficiency and product quality. These will allow the Group to expand its market share at competitive prices.

Apart from focusing on the domestic market, the Group is also actively pursuing overseas market opportunities with higher margins. With its established brand name and technology expertise, the Group is well equipped to compete both domestically and internationally. It has been the Group's cornerstone strategy to invest about 3.5% of annual sales in research and development ("R&D") to sharpen its technical capabilities to launch higher value-added stamping machines. Each year, its R&D team with around 200 technical staff strives to innovate and provide new products offerings to its customers. Currently, one of the Group's subsidiaries is accredited as "High/New Technology Enterprise" ("HNTE") by Jiangsu Ministry of Science and Technology Department. This subsidiary stands to enjoy a preferential tax rate of 15.0% instead of a standard tax rate of 25.0%.

A WORD OF APPRECIATION

We would like to thank our customers and shareholders for their unwavering support for the past one year.

Last but not least, we would like to extend our appreciation to the dedication of our management team, staff and business partners. We look forward to your continued cooperation and belief in us as we strive to deliver greater value for all stakeholders.

Mr. Shao Jianjun
Executive Chairman

Mr. Ge Minglei
Chief Executive Officer

执行董事和行政总裁致词

亲爱的股东,

我们, 谨代表董事会, 很荣幸为您介绍沃得精机有限公司 (“World Precision”, 连同其附属公司统称 “本集团”) 截至2018年12月31日 (2018财年) 的年度报告。

2018年财年回顾

中国经济2018年的增长率降至近28年来最低点, 国内生产总值增长6.6%, 比上年下降0.2个百分点¹。中国打击高债务杠杆加上与美国贸易紧张局势的加剧, 对国内经济造成了影响。虽然减少对债务的依赖从长远来看有利于经济, 但这可能意味着中国未来的增长速度要慢得多。根据国家统计局的数据, 2018年中国工业产值增长6.2%, 比上年下降0.4个百分点²; 工业产能利用率为76.5%, 比去年同期下降0.5个百分点³。

尽管经济放缓, 但集团的营业额由2017财年的8.03亿元人民币增长10.6%至8.89亿元人民币。这主要是由于冲压机平均销售价格提高实现了较高的销售额, 但一部分的增长被传统冲压机和高性能和高吨位冲压机销量的下降所抵消。原材料成本增加和传统冲压机和高性能和高吨位冲压机产量的下降部分抵消冲压机平均销售价格的上涨侵蚀本集团毛利率, 下跌4.7个百分点至14.9%。本集团的营业费用同比增长4.6%, 由1.30亿元人民币增加至1.36亿元人民币。因此, 本集团于股东权益持有人的净利润同比下跌83.3%至610万元人民币, 每股普通股基本盈利为0.02元人民币。

展望未来

中国经济将在2019年迎来更大的挑战。尽管如此, 这个世界第二大经济有庞大的国内市场和近14亿人口的丰富人力资源使其能具有弹性和增长潜力。尽管存在逆风, 中国有信心继续保持经济增长, 并将继续精简行政程序, 加强监管, 大规模减税, 进一步放宽市场以及提供可公平竞争的商业环境。

2019年1月, 国务院发布2019年国内消费政策计划, 以刺激2019年国内消费增长, 旨在提振汽车, 家电等行业的消费⁴。除了刺激国内消费增长以避免经济放缓和贸易战的影响外, 中国政府也在基础设施方面投入巨资。自2018年12月以来, 国家发展和改革委员会批准了16个项目, 价值至少1.1万亿元人民币, 仅上海城市轨道交通的扩建成本就高达2,983.5亿元人民币⁵。

总体而言, 我们收到了来自不同行业客户的良好订单, 我们相信这趋势将持续几年。中国对家用电器的需求预计将保持强劲, 主要由于受到物联网市场增长, 政府支持, 城市化程度提高以及智能家居意识提升的推动。全球电动汽车的发展正在稳步推进, 尽管2018年汽车生产和销售下滑, 但这对中国汽车制造商来说是个好兆头⁶。此外, 中国将继续投入铁路固定资产, 旨在2020年实现全国铁路运营里程达到15万公里, 其中包括3万公里的高速铁路⁷。

虽然我们的订单仍处于健康水平, 但本集团注意到盈利将受到原材料和劳动力成本上升的影响。本集团将每三个月主动管理其库存并与供应商锁定原材料价格, 同时维持对运营的定期成本审查, 以最大限度地提高生产力和效率。此外, 本集团正在利用新技术和更先进的设备来提高生产效率 and 产品质量。这将使我们能够以具有竞争力的价格扩大我们的市场份额。

除了专注于国内市场之外, 本集团亦积极寻求海外市场发展对机会, 因为海外市场能提供较高的利润率。凭借我们的知名品牌和技术专长, 集团在国内和国际都有良好的竞争力。我们的基石战略是将约3.5%的年销售额投入研发, 以提高我们的技术能力, 推出更高附加值的冲压机。我们的研发团队拥有约200名技术人员, 每年致力于创新并为客户提供新产品。目前, 集团的子公司之一被江苏省科技厅认定为“高新技术企业”。该子公司享受15.0%的优惠税率, 而不是25.0%的标准税率。

致谢词

我们要感谢我们的客户和股东在过去一年中给予的坚定支持。

此外, 我们要感谢我们的管理团队, 员工和业务合作伙伴的奉献精神。我们期待您的持续配合和信念, 我们会努力 为所有利益相关者创造更大的价值。

邵建军
执行主席

葛明磊
行政总裁

1 China's GDP growth slows to 28-year low in 2018, <https://asia.nikkei.com/Economy/China-s-GDP-growth-slows-to-28-year-low-in-2018>

2 National Economic Performance Maintained within an Appropriate Range in 2018 with Main Development Goals Achieved, http://www.stats.gov.cn/english/PressRelease/201901/t20190121_1645832.html

3 China Industrial Capacity Utilization, <https://tradingeconomics.com/china/capacity-utilization>

4 China Revitalizes Domestic Consumption through New Policy Package, <https://www.china-briefing.com/news/china-domestic-consumption-package/>

5 China invests US\$163.2 billion in infrastructure to stave off economic slowdown and effect of trade war, <https://www.scmp.com/economy/china-economy/article/2183977/china-ramps-infrastructure-spend-stave-economic-slowdown-and>

6 Why China's electric-car industry is leaving Detroit, Japan, and Germany in the dust, <https://www.technologyreview.com/s/612566/why-chinas-electric-car-industry-is-leaving-detroit-japan-and-germany-in-the-dust/>

7 铁路规划再修编新增一批项目 今年投资或达8000亿, <http://finance.sina.com.cn/roll/2018-08-08/doc-ihhkusk4168628.shtml>



OPERATIONS REVIEW

EARNINGS

The Group's revenue recorded a year-on-year ("yoy") increase of 10.6% to RMB888.9 million for the fiscal year ended 31 December 2018 ("FY2018") from RMB803.9 million for the fiscal year ended 31 December 2017 ("FY2017"). The Group's overall sales increased largely due to an upward revision in the average selling prices ("ASP") of the stamping machines which was partially offset by a decrease in number of units sold in conventional stamping machines and high performance and high tonnage ("HPHT") stamping machines.

Sales of conventional stamping machines decreased by 12.6% from 4,070 units for FY2017 to 3,558 units for FY2018 while its ASP increased by 4.2% to RMB21,367 per unit for FY2018. Sales of HPHT stamping machines decreased by 0.7% from 5,041 units for FY2017 to 5,006 units for FY2018 while its ASP increased by 9.3% to RMB147,916 per unit for FY2018. In terms of change in sales mix, sales of HPHT stamping machines over the total Group's revenue decreased by 1.6 percentage points to 83.3% this year. Of the remaining sales, 8.6% came from conventional stamping machines.

The Group's gross profit for FY2018 decreased by 16.3% to RMB132.1 million from RMB157.9 million in FY2017. The gross profit margin for FY2018 decreased by 4.7 percentage point to 14.9% from 19.6% in FY2017. This was largely due to an increase in raw materials costs and a decrease in production of conventional stamping machines and high performance and high tonnage stamping machines which was partially offset by an increase in upward revision in the average selling prices of the stamping machines.

Gross profit margin for conventional stamping machines remained constant at 10.4% in FY2018 while gross profit margin for HPHT stamping machines decreased by 3.0 percentage point to 17.2% from 20.2% in FY2018.

The Group's distribution and selling expenses increased by 13.1% to RMB80.5 million from RMB71.2 million in FY2017 in tandem with the increase in revenue. As a percentage of total revenue, distribution and selling expenses increased by 0.2 percentage point to 9.1% in FY2018 from 8.9% in FY2017. Overall, the increase was mainly due to an increase in sales commission payable to sales personnel in tandem with the increase in revenue and an increase in travelling expenses, sales rebate to suppliers and sales consultation expenses which was partially offset by a decrease in transport expenses and after sales services expenses.

The Group's revenue recorded a year-on-year ("yoy") increase of 10.6% to RMB888.9 million for the fiscal year ended 31 December 2018 ("FY2018") from RMB803.9 million for the fiscal year ended 31 December 2017 ("FY2017").

In FY2018, the Group's administrative and other expenses decreased by 8.6% to RMB52.1 million from RMB57.0 million in FY2017. As a percentage of total revenue, administrative and other expenses decreased by 1.2 percentage point to 5.9% in FY2018 from 7.1% in FY2017. Overall, the decrease was mainly due to a decrease in research and development costs for stamping machines which was partially offset by an increase in administrative expenses and staff related costs.

Nevertheless, the Group continues to enhance its technical capabilities to launch higher value-added stamping machines through its research and development.

For FY2018, the Group's finance expenses recorded a decrease of 51.2% to RMB1.6 million from RMB3.3 million in FY2017 which was mainly due to a gradual decrease in bank loans which was partially offset by an interest paid for early redemption of bill receivables.

As a result of the above, the Group's net profit for FY2018 decreased by 83.3% to RMB6.1 million from RMB36.7 million for FY2017. The Group's earnings per ordinary share decreased 77.8% yoy to RMB0.02 for FY2018 from RMB0.09 for FY2017, on a consistent basis of 400,000,000 outstanding shares.



FINANCIAL POSITION

Total assets were RMB1,564.0 million as at 31 December 2018, increased by RMB56.9 million yoy from the previous fiscal year. The Group's non-current assets increased by approximately RMB38.1 million mainly due to the acquisition of property, plant and equipment and intangible assets net of the depreciation and amortisation charges. Such increase was partially offset by a decrease in prepayment for property, plant and equipment. The Group's total current assets increased by approximately RMB18.8 million from RMB601.9 million as at 31 December 2017 to RMB620.7 million as at 31 December 2018. This was attributable to an increase in inventories, trade receivables, other receivables (which was mainly due to an increase in prepayment for raw materials), amounts due from related parties (trade related) and cash and cash equivalents.

Total liabilities stood at RMB496.6 million as at 31 December 2018, representing a yoy increase of 11.4%. The Group's non-current liabilities increased by RMB0.1 million to RMB5.0 million due to an increase in deferred tax liabilities. The Group's total current liabilities increased by approximately RMB50.7 million from RMB440.8 million as at 31 December 2017 to RMB491.5 million as at 31 December 2018. This was attributable to an increase in trade payables (mainly due to slower payment to suppliers), bills payables (mainly issued to suppliers for settlement), other payables (which was mainly due to an increase in accrued for property, plant and equipment and operating expenses) which was partially offset by a decrease in contracts liabilities, settlements for amounts due to related parties (trade and non-trade related) and bank loans.

The Group is in a net current assets position as at 31 December 2018 of RMB129.1 million. Net assets value per ordinary share increased by RMB0.02 from RMB2.65 per share as at 31 December 2017 to RMB2.67 per share as at 31 December 2018.

CASH FLOW

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents were RMB12.0 million as at 31 December 2018, compared to RMB15.9 million in the previous fiscal year.

Net cash generated from operating activities was RMB100.7 million for FY2018. The reasons were discussed in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position.

Net cash used in investing activities was RMB92.6 million for FY2018. This was mainly from the acquisition of property, plant and equipment and capitalisation of research and development costs.

Net cash used in financing activities was RMB12.2 million for FY2018. This was mainly from net repayment of bank loans, net bank deposits pledged with financial institution and interest paid which was partially offset by increase in bills payables to bank.



BOARD OF DIRECTORS

MR. SHAO JIANJUN

Executive Chairman

Mr. Shao Jianjun was appointed as a director of the Company on 28 July 2004 and appointed as the Executive Chairman of the Company on 26 April 2013. He was last re-elected on 28 April 2017.

Mr. Shao is currently Executive Chairman of World Precision Machinery (China) Co., Ltd. ("WPM (China)"). Prior to that, he was the Chief Executive Officer ("CEO") of World Precision Machinery (China) Co., Ltd. ("WPM (China)") and is in charge of the overall operations of WPM (China).

Mr. Shao joined Jiangsu Danyang Stamping Machine Factory ("DSMF") as a production line worker in April 1974. He had an illustrious career in DSMF and was promoted to the position of Technical Section Leader in 1979 and further promoted to the position of Deputy General Manager in

1984. He was subsequently transferred to JWMT when JWMT acquired the assets and business of DSMF relating to the manufacturing of stamping machines. On 18 June 1999, he was appointed as the General Manager of JWMT and continued to hold this position until he was transferred to WPM (China) in June 2004. He was subsequently appointed the CEO of WPM (China).

Mr. Shao studied in the Danyang Picheng Secondary School (High School) from 1971 to 1973 and was certified as a Senior Machinery Engineer by the Science and Technology Committee in 1995. Mr. Shao participated in the Senior Executive Programme conducted by the CEIBS from September 2006 to February 2007 and obtained an Executive Masters of Business Administration from CEIBS in February 2007.

MR. WANG WEIYAO

Non-Executive and Non-Independent Director

Mr. Wang Weiyao was appointed as a director of the Company on 28 July 2004 and was last re-elected on 27 April 2018. Mr. Wang relinquished his position as the Non-Executive Chairman on 26 April 2013 and remains as a Non-Executive and Non-Independent Director of the Company.

Mr. Wang is currently the Chairman of Jiangsu World Machinery and Electronics Group Co., Ltd ("JWMEG") and Jiangsu World Machine Tool Co., Ltd ("JWMT"). From 1986 to 2000, Mr. Wang founded and served as the Chairman for Danyang Weaving Machine Accessories Factory, Danyang Fuhao Crankshaft Factory and Danyang Filter Equipment Factory. In each of the abovementioned companies which he had served or is serving as the Chairman, he is responsible for determining the overall strategic development direction, examining and approving the

development plans of each functional department and assessing and implementing the important matters and major policies of the respective companies.

Mr. Wang is a notable member of his community as evidenced by the awards which he had received, namely Danyang Top Ten Outstanding Youths, Jiangsu Top Ten Outstanding Youth Village and Town Entrepreneur as well as Zhenjiang Village and Town Entrepreneur in 2000, the 4th China Entrepreneur in 2001, Jiangsu Outstanding Youth Entrepreneur in 2004 and Zhenjiang Citizen Award in 2011. Mr. Wang participated in the CEO Programme conducted by the China Europe International Business School ("CEIBS") from September 2003 to February 2004 and obtained an Executive Masters of Business Administration from CEIBS in February 2004.



Right to left

Lim Yoke Hean, Wang Weiyao, Shao Jianjun, Phang Kin Seng (Lawrence)

MR. PHANG KIN SENG (LAWRENCE)

Lead Independent Director

Mr. Phang Kin Seng (Lawrence) was appointed as Independent Director of the Company on 28 April 2010 and appointed as the Lead Independent Director of the Company on 28 April 2013. He was last re-elected on 27 April 2018.

Mr. Phang is currently the Managing Director of Vineyard Investments Pte Ltd, a boutique investment and financial consulting company with particular emphasis on the PRC market.

Between May 2005 and September 2006, Mr. Phang was the Executive Vice President of Yanlord Land Group Limited, where he successfully led the IPO of this major PRC property developer on the SGX-ST. Mr. Phang was also Director of International Operations (China) for International Enterprise Singapore ("IE Singapore") between November 2001 and May

2005, where he was responsible for IE Singapore's operations in Southern and Western China, through its offices in Hong Kong, Guangzhou and Chengdu. Between August 1998 and August 2001, Mr. Phang was vice-president of the business development division of Singapore Technologies Telemedia Pte Ltd, where he explored investments in telecommunications projects in the Asia Pacific region.

In 1982, Mr. Phang was awarded the Colombo Plan Scholarship by the Singapore government to attend the University of Melbourne, Australia, where he graduated with First Class Honours from the Faculty of Engineering in 1985. In 2005, Mr. Phang attended an Advanced Management Training Programme at Qinghua University, Beijing.

MR. LIM YOKE HEAN

Independent Director

Mr. Lim Yoke Hean was appointed as Independent Director of the Company on 2 July 2010 and was last re-elected on 28 April 2017.

Mr. Lim has 30 years of experience in the financial sector which began as an Economist with the Monetary Authority of Singapore. He then became a Corporate Banker with DBS Bank before moving to the investment banking arena as a Senior Investment Manager with DBS Asset Management. Subsequently he spent 13 years with Merrill Lynch and left the global investment bank as one of its Managing

Directors in the Global Markets and Investment Banking Division. For 6 years to 2010, he was a Dealing Director with OCBC Securities, responsible for corporate client businesses and capital market transactions. He then took up the position of executive director and chief executive officer of Pheim Asset Management (Asia) Pte Ltd. and the advisor and director of Aljo Consults (Singapore) Pte Ltd.

Mr. Lim graduated from Singapore University in 1979 with a 1st class honours in Bachelor of Science (Mathematics).

KEY MANAGEMENT

MR. GE MINGLEI

Chief Executive Officer and General Manager of WPM (China)

Mr. Ge Minglei was promoted and has been the Chief Executive Officer of the Company and General Manager of WPM (China) and is in charge of overall operation of WPM (China) since August 2016. In March 2016, Mr. Ge Minglei was Chief Deputy General Manager of WPM (China) in charge of technical, production, quality and after sales services of WPM (China). In 2015, Mr. Ge was Deputy General Manager of WPM (China) in charge of technical support for marketing, sales and after sales services of WPM (China). He first joined Jiangsu Changchai Lianhe Shougeji Company ("JCLS") in July 1999 as a member of its computer control room team. Mr. Ge was also a member of the technology department in JCLS from January 2002 to October 2003 before he joined JWMT as its Technology Department Deputy Head in November 2003. He was appointed as Technical Manager of WPM (China) in June 2004 and is responsible for the formulation of development plans for technology, as well as supervising its implementation. Mr. Ge graduated from the Jiangsu University of Science and Technology with a Bachelor in Machinery and Electronics Engineering in June 1999.

MR. WU YUFANG

Group Vice President

Mr. Wu Yufang was appointed as a director of the Company on 1 March 2013 and appointed as the CEO of the Company on 26 April 2013. Currently, Mr. Wu is the Group Vice President. Mr. Wu stepped down as Executive Director on 28 April 2016 and CEO on 12 August 2016. Mr. Wu, since February 2013 was the CEO of WPM (China) and was in charge of overall operation of WPM (China). Mr. Wu, prior to February 2013 was the General Manager of WPM (China) and World Heavy Machine Tools (China) Co., Ltd ("WHMT") and was in charge of overall operation of WPM (China) and WHMT. Prior to that, Mr. Wu was General Manager of WPM (China) and was in charge of overall operation of WPM (China). Mr. Wu joined DSMF as a Production Line Worker in 1986 and was promoted to the position of Production Line Supervisor in 1988. He was subsequently transferred to Jiangsu Fuhao Machinery Manufacturing Co., Ltd ("JFMM") as Production Line Supervisor in June 1998 and was promoted to the position of Engineering and Manufacturing Leader in June 2004. In June 2006, he was appointed as the Deputy General Manager of WPM (China) and was in charge of overall production of WPM (China) and was promoted to the position of General Manager of WPM (China) in January 2008. Mr. Wu studied in the Danyang Picheng Secondary School (High School) from 1976 to 1978.

MR. ZHUANG GUOSHENG

Chief Deputy General Manager of WPM (China)

In March 2019, Mr. Zhuang Guosheng has been appointed as Chief Deputy General Manager of WPM (China). Mr. Zhuang is in charge of production, technical, quality control, procurement and equipment department of WPM (China). Mr. Zhuang, since March 2011, has been Deputy Chief Engineer of Jiangsu World Machinery and Electronics Group Co., Ltd. ("JWMEG") and was in charge of technology and product development of JWMEG. Mr. Zhuang has been the Deputy Production Manager of JFMM since January 2006 and was in charge of the overall production of JFMM. Mr. Zhuang studied in the Danyang Picheng Secondary School (High School) from 1985 to 1987.

MR. SHU JIANFEI

General Manager of World Precise Machinery Parts (Jiangsu) Co., Ltd.

Mr. Shu Jianfei, since December 2012, has been the General Manager of World Precise Machinery Parts (Jiangsu) Co., Ltd. ("WPMP") and is in charge of overall operation of WPMP. Prior to that, Mr. Shu has been the Casting Manager of WHMT and is in charge of overall casting operation of WHMT. Mr. Shu joined DSMF as a Foundry Wood Moulders in 1978 and was promoted to Foundry Supervisor in January 1993. He was transferred to JFMM as a Foundry Supervisor in June 1998 and was transferred to WPM (China) as a Deputy Casting Manager of WPM (China) in June 2004. He was subsequently transferred to WHMT as a Casting Manager of WHMT in January 2008. Mr. Shu studied in the Danyang Picheng Secondary School (High School) from 1971 to 1973.

MR. JIN ZHAOGUO

Deputy General Manager and Chief Marketing Officer of WPM (China)

Mr. Jin Zhaoguo is in charge of marketing and sales of the Group. In March 2019, Mr. Jin has been appointed as Deputy General Manager and Chief Marketing Officer of WPM (China). Mr. Jin, since February 2016, has been Head of after sales services department of WPM (China) and was in charge of after sales services of WPM (China). Mr. Jin joined WPM (China) as technician in 2010. He was transferred to WHMT as Head of quality inspection department in December 2013. Mr. Jin graduated from the Jiangsu Province Minda Polytechnic Institute in July 2010.

MR. GE BAOPING

Deputy General Manager and Chief Procurement Officer of WPM (China)

Mr. Ge Baoping is in charge of overall procurement and fixed asset management of the Group. In 2015, Mr. Ge has been promoted to Deputy General Manager of WPM (China) and Chief procurement Officer of the Group. Mr. Ge, since March 2015, is in charge of purchasing of raw materials and machinery equipment of WPM (China). He was the director of the Company from August 2008 to April 2010. Prio to that, Mr. Ge was Chief Marketing Officer and General Manager of WPM (China) and was in charge of marketing and sales of the Group. Prior to May 2009, he was in charge of sales and market development for WPM (China) and WHMT. Mr. Ge held the positions of Deputy General Manager (2007 to 2008) and Regional Manager (Guangdong) for sales and marketing (2005 to 2006) in WPM (China). He was with JWMT from 1998 to 2004 where he last held the position of Regional Manager. Mr. Ge studied in Yangzhou City Secondary School from 1975 to 1979.

MR. BAO GUOJUN

Chief Technology Officer and Chief Engineer of WPM (China)

Mr. Bao Guojun is in charge of technology and product development of the Group. In 2015, Mr. Bao has been promoted to Chief Engineer of WPM (China) and Chief Technology Officer of the Group. He first started with JMMT in July 2000 as a Production Line Assistant Supervisor and was promoted to Deputy Production Manager in March 2003 in charge of production line of JMMT. Shortly after, he was transferred to WPM (China) as Technical manager in April 2004. He was promoted to the position of Technical Manager of WPM (China) and WHMT in December 2010 and was placed in charge of technology and product development of WPM (China) and WHMT. Mr. Bao graduated from Nanjing University of Science and Technology with a Bachelor in Mechanical Design and Manufacturing in July 2000.

MR. NG KEONG KHOON (SAMUELL)

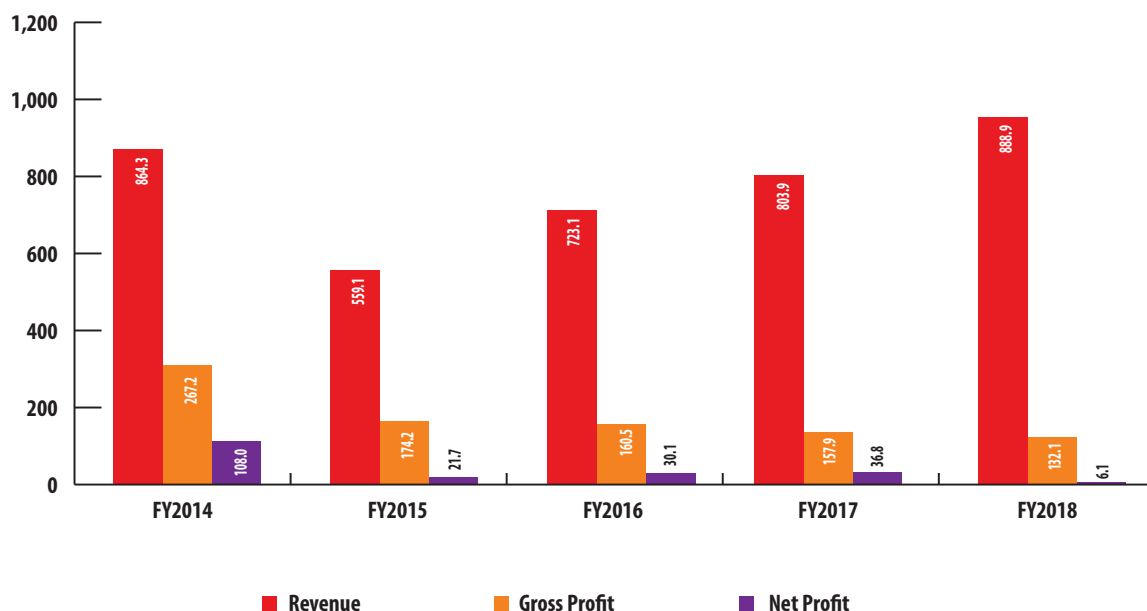
Chief Financial Officer

Mr. Ng Keong Khoon (Samuell) is the Chief Financial Officer of World Precision Machinery Limited and is responsible for directing, managing and controlling the full spectrum of accounting and financial functions of the Group. He was an Audit Assistant with K.S. Chin & Co, an audit firm, from September 2001 to May 2002 before he joined K. C. Lau & Co in June 2002 where he last held the post of Audit Senior. Mr. Ng was with Baker Tilly TFWLCL from January 2005 to June 2008 where his last designation was Audit Assistant Manager. Mr. Ng graduated from TAR College Kuala Lumpur, Malaysia in 2001 with Advance Diploma in Commerce (Financial accounting) and also completed his Association of Chartered Certified Accountants examinations. Mr. Ng is a fellow member of The Association of Chartered Certified Accountants ("ACCA"), UK and a member of Institute of Singapore Chartered Accountants ("ISCA").

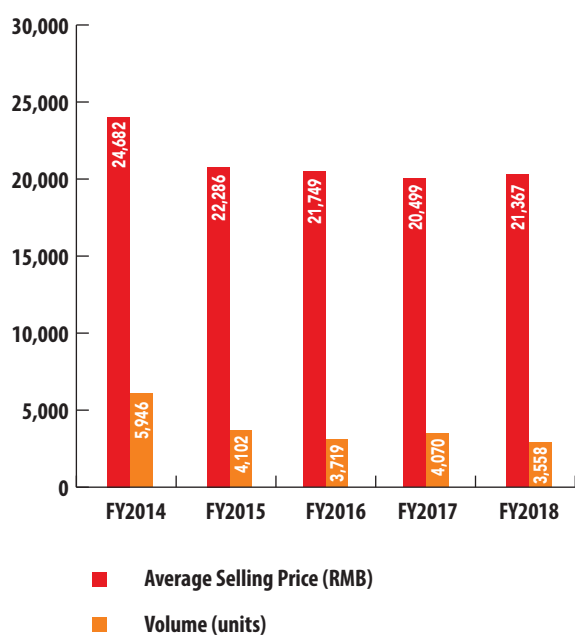


FINANCIAL HIGHLIGHTS

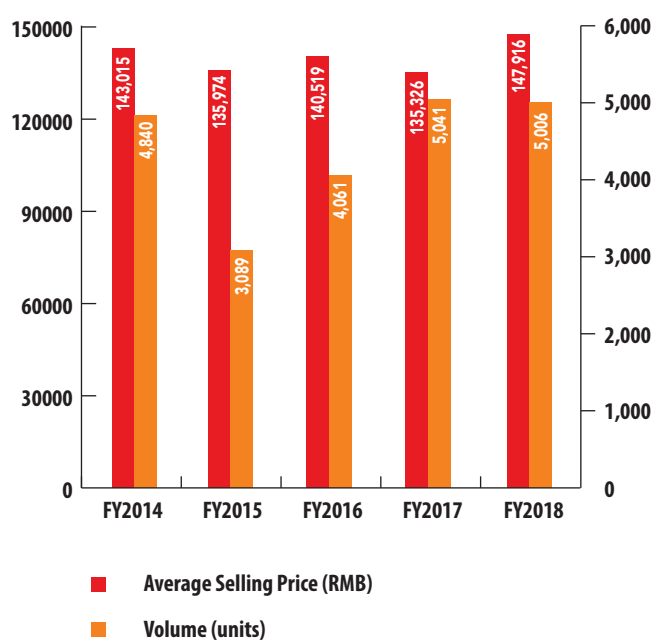
Revenue, Gross Profit and Net Profit
(RMB Million)



Conventional Stamping Machines



**High-Performance /
High-Tonnage Stamping Machines**





EVENTS / IR ACTIVITIES

World Precision seeks to enhance shareholder value not only through our focus on solid business performance and practices, but also through responsible and effective communication with its stakeholders.

World Precision has actively reached out to both individual and institutional investors through timely announcements and various investor conferences. We believe that such efforts will allow YOU, our stakeholders, to identify with our business, our people and our values, and share our growth story.

Our contact information is as follow:

World Precision Machinery Limited

Samuell Ng
Chief Financial Officer

Tel: 65-81802482

Email: saisamuelng@hotmail.com

Website: www.wpmlimited.com



11/04/2018

Annual General Meeting::
Voluntary

11/04/2018

Annual Report and Related Documents::

16/04/2018

Financial Statements and Related Announcement::
Notification of Results Release

24/04/2018

Change – Change in Corporate Information::
Increase in Investment in World Precise Machinery (China)
Co., Ltd.

27/04/2018

REPL::Annual General Meeting::
Voluntary

27/04/2018

Financial Statements and Related Announcement::
First Quarter Results

23/07/2018

Financial Statements and Related Announcement::
Notification of Results Release

13/08/2018

Financial Statements and Related Announcement::
Second Quarter and/or Half Yearly Results

26/10/2018

Financial Statements and Related Announcement::
Notification of Results Release

13/11/2018

Financial Statements and Related Announcement::
Third Quarter Results

28/12/2018

Annual Report and Related Documents::

21/02/2019

Financial Statements and Related Announcement::
Profit Guidance

27/02/2019

Financial Statements and Related Announcement::
Full Yearly Results

01/03/2019

General Announcement::
Change of Chief Deputy General Manager (“DGM”) and
DGM of World Precise Machinery (China) Co., Ltd.

01/03/2019

Change – Announcement of Appointment::
Appointment of Chief Deputy General Manager of WPMC

01/03/2019

Change – Announcement of Appointment::
Appointment of Deputy General Manager of WPMC

01/03/2019

Change – Announcement of Cessation::
Resignation of Chief Deputy General Manager of WPMC

01/03/2019

Change – Announcement of Cessation::
Resignation of Deputy General Manager of WPMC

CORPORATE STRUCTURE



REPORT ON CORPORATE GOVERNANCE

The Board of Directors ("Board") of World Precision Machinery Limited (the "Company") recognises that sound corporate governance practices are important to the proper functioning of the Company and its subsidiaries (the "Group") and enhance the interests of all Shareholders.

This report sets out the corporate governance practices that have been adopted by the Company with specific reference to the principles of the Code of Corporate Governance 2012 (the "Code") which is effective in respect of the Company's Annual Report for the financial year ended 31 December 2018 ("FY2018"). Any deviations from the guidelines of the Code or areas of non-compliance have been explained accordingly. Save for the deviations disclosed below, the Board confirms that the Company has adhered to the principles and guidelines of the Code (where they are applicable, relevant and practicable to the Group).

BOARD MATTERS

BOARD'S CONDUCT OF ITS AFFAIRS

PRINCIPLE 1: EVERY COMPANY SHOULD BE HEADED BY AN EFFECTIVE BOARD TO LEAD AND CONTROL THE COMPANY. THE BOARD IS COLLECTIVELY RESPONSIBLE FOR THE LONG-TERM SUCCESS OF THE COMPANY. THE BOARD WORKS WITH MANAGEMENT TO ACHIEVE THIS OBJECTIVE AND MANAGEMENT REMAINS ACCOUNTABLE TO THE BOARD.

The Board, in addition to its statutory responsibilities, has the duty to protect and enhance long-term Shareholders' value. It sets the overall strategy for the Group, oversees the management of the Company ("Management") to ensure proper conduct of the business, performance and affairs of the Group, and sets the values and standards (including ethical standards) to ensure that obligations to Shareholders and other stakeholders are understood and met. Board members are expected to act in good faith and exercise independent judgement in the best interests of the Group. To fulfill this role, the Board's responsibilities include:

1. Providing entrepreneurial leadership, guiding and setting strategic objectives and directions to ensure that the necessary financial and human resources are in place for the Group to achieve its objectives.
2. Approving annual budgets, key operational matters, major funding proposals, investment and divestment proposals, corporate or financial restructuring, material acquisitions and disposal of assets and interested person transactions of a material nature, dividend payment (if any) and convening of Shareholders' meetings.
3. Reviewing the processes relating to risk management systems and adequacy and effectiveness of internal controls, including financial, operational, compliance and information technology controls, identified by the Audit Committee ("AC") that are required to be strengthened for assessment and its recommendations on actions to be taken to address and monitor the areas of concern.
4. Reviewing the performance of Management and the Group towards achieving adequate Shareholders' values, including but not limited to approving announcements relating to financial results of the Group and the audited financial statements, and timely announcements of material transactions.
5. Identifying key stakeholder groups and recognising that their perceptions affect the Group's reputation.
6. Advising Management on major policy initiatives, significant issues and approving board policies, strategies and financial objectives of the Company.
7. Evaluating the performance and reviewing the compensation of directors and key management personnel.
8. Approving all Board appointments/re-appointments and appointments of key management personnel.
9. Overseeing the proper conduct of the Company's business, setting the Group's values and standards (including ethical standards), ensuring that obligations to Shareholders and other stakeholders are understood and met and assuming responsibility for corporate governance.

REPORT ON CORPORATE GOVERNANCE

The Board will consider sustainability issues such as environmental and social factors as part of its strategic formulation in line with the guidelines of the Code. To assist the Board in the execution of its responsibilities and to enhance the Group's corporate governance framework, the Board delegates specific authority to three Board Committees which comprise the AC, the Nominating Committee ("NC") and the Remuneration Committee ("RC"). All Board Committees are chaired by an Independent Director and a majority of the members are Independent Directors. These Board Committees function within clearly defined terms of reference and operating procedures which are reviewed on a regular basis to ensure their continued relevance. The effectiveness of each committee is also constantly monitored. The Board accepts that while these Board Committees with the delegated power to make decisions, execute actions or make recommendations in their specific areas respectively and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility for the decisions and actions rests with the Board.

The Board had adopted a Corporate Disclosure Policy on 11 August 2011 ("Corporate Disclosure Policy") which covers disclosure to the investment community, the press, industry consultants and other audiences (collectively, the "Public"). The Corporate Disclosure Policy forms part of the Company's internal rules and regulations, and is applicable to all of its employees and officers. The purpose of this policy is to govern the disclosure of material, non-public information in a manner designed to provide broad, non-exclusionary distribution of information so that the Public has equal access to the information and to ensure that the Company complies with applicable laws and regulations in Singapore, including, but not limited to, the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST") governing disclosure of material, non-public information to the Public.

Only authorised spokespersons may discuss material information with the institutional and individual investment communities. All meetings with members of the investment community are attended by the Chief Executive Officer ("CEO"), and/or the Chief Financial Officer ("CFO"), and/or the Lead Independent Director and/or if applicable, the Investor Relations ("IR") Manager or representative of the IR company that the Company may engage from time to time. Exceptions to the Corporate Disclosure Policy must be authorised by the Board and/or any one of the authorised spokespersons.

Examples of the types of material information that require Board's approval pursuant to the Corporate Disclosure Policy include, but are not limited to, the following:

- Quarterly, Half year and Full year results or projections;
- Long term strategic and financial plan;
- Joint venture, merger, acquisition, divestment, liquidation or other changes in the Company's assets¹;
- Management changes or changes in effective control of the Company;
- Declaration or omission of dividends or determination of earnings;
- Firm evidence of significant improvement or deterioration in near term earnings prospects;
- Subdivision of shares or stock dividends;
- Acquisition or loss of significant contract;
- Material orders that are above a certain threshold limit of RMB10 million or less than and equal to 3 accumulated orders above RMB10 million;
- Significant new product or discovery;
- Public or private sale of significant amount of additional securities of the Company;
- Changes in chief executive officer, directors and substantial shareholdings' interests – this includes becoming and cessation of substantial Shareholder and during the appointment of chief executive officer and director²;
- Share Buyback;
- Share Option or share schemes;
- Scrip Dividend Scheme;
- Interested Person Transactions³;
- Call of securities for redemption;
- Borrowing of a significant amount of funds;
- Occurrence of an event of default under debt or other securities or financing or sale agreements;
- Significant litigation;
- Significant change in capital investment plans, e.g. building of factories, increasing plant and machinery and increasing production lines;
- Significant dispute/s with sub-contractors, customers or suppliers, or with any parties;
- Material financial loss/damage caused by disaster and/or loss of credibility arising from corporate scandals and other fraudulent activities pursuant to any reports received under the Whistle Blowing Policy adopted by the Company;
- Tender offer for another company's securities; and

REPORT ON CORPORATE GOVERNANCE

- Valuation of the real assets of the Group that has a significant impact on the Group's financial position and/or performance. A copy of the valuation report must be made available for inspection at the Company's registered office during normal business hours for 3 months from the date of announcement.

Notes:

- The Company has adopted an Investment Policy wherein an Investment Committee would be formed to look into any investment/divestment to be undertaken by the Company, carry out all activities of the acquisition/divestment and submit its recommendation to the Board for approval.
- The Company has adopted a Policy for Announcement of Changes in Shareholdings to receive, track and announce information in a timely manner.
- The Company has adopted a Written Policies and Procedures for Interested Person Transaction to ensure that all transactions with an interested person are on arms' length and on terms generally available to an unaffiliated third party under the same or similar circumstances.

References are also made to Practice Note 7.1 Continuing Disclosure of the SGX-ST Listing Manual for the Board's guidance on particular situations and issues.

The Investment Policy, Policy for Announcement of Changes in Shareholdings and Written Policies and Procedures for Interested Person Transaction are also in line with the Code. The Corporate Disclosure Policy is in line with applicable laws and regulations.

The Board meets on a quarterly basis and ad-hoc Board meetings will be convened when they are deemed necessary. These meetings are scheduled in advance to facilitate the individual Director's planning in view of their ongoing commitments. In place of physical meetings, the Board and Board Committees also circulate written resolutions, when necessary, for approval by the relevant members of the Board and Board Committees. The Company's Constitution allows a Board meeting to be conducted by way of teleconference, video conference, audio visual, or other similar means of communications.

Directors may request further explanations, briefing or discussion on any aspect of the Group's operations or business from Management. When circumstances require, Board members exchange views outside the formal environment of Board meetings. The Board conducts an annual review of its processes to ensure that it is able to carry out its functions in the most effective manner.

The approval of the Board is required for any matters which are likely to have a material impact on the Group's operating units and/or financial positions as well as matters other than in the ordinary course of business as outlined above. The Board believes that when making decisions, all Directors of the Board discharge their duties and responsibilities at all times as fiduciaries and act objectively in the interests of the Company.

DIRECTORS' MEETINGS HELD IN RESPECT OF FY2018

The number of Board and Board Committees' meetings held in respect of FY2018 and the details of Directors' attendance at those meetings are summarised in the table below:

DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEES' MEETINGS

Meeting(s) of	Board	AC	NC	RC
Total meetings held in respect of FY2018	4	4	1	1
Names of Directors				
Shao Jianjun	4	N.A.	N.A.	N.A.
Wang Weiyao	3	3	0	0
Phang Kin Seng (Lawrence)	4	4	1	1
Lim Yoke Hean	4	4	1	1

REPORT ON CORPORATE GOVERNANCE

BOARD COMPOSITION AND BALANCE

PRINCIPLE 2: THERE SHOULD BE A STRONG AND INDEPENDENT ELEMENT ON THE BOARD, WHICH IS ABLE TO EXERCISE OBJECTIVE JUDGEMENT ON CORPORATE AFFAIRS INDEPENDENTLY, IN PARTICULAR, FROM MANAGEMENT AND 10% SHAREHOLDERS. NO INDIVIDUAL OR SMALL GROUP OF INDIVIDUALS SHOULD BE ALLOWED TO DOMINATE THE BOARD'S DECISION MAKING.

The composition of the Directors in the Board and Board Committees is as follows:

Name of Director	AC	RC	NC
Shao Jianjun (Executive Chairman)	–	–	–
Wang Weiyao (Non-Executive and Non-Independent Director)	M	M	M
Phang Kin Seng (Lawrence) (Lead Independent Director)	C	M	M
Lim Yoke Hean (Independent Director)	M	C	C

C – Chairman
M – Member

Presently, the Board comprises one Executive Director (i.e. the Executive Chairman) and three Non-Executive Directors, two of whom are independent. Pursuant to Guideline 2.2 of the Code, at least half of the Board is made up of Independent Directors where *inter alia* the Chairman is part of Management team and the Chairman is not an Independent Director. Accordingly, the Board complies with Guidelines 2.1 and 2.2 of the Code.

As at 31 December 2018, none of the Independent Directors have served on the Board for a period exceeding nine years from the date of his first appointment.

The size and composition of the Board is reviewed annually by the NC to ensure that the size of the Board is appropriate so as to facilitate effective decision making. The review will ensure that there is an appropriate mix of expertise and experience, which the Group may tap on for assistance in furthering its business objectives and shaping its business strategies. The NC, with the concurrence of the Board, is of the view that the current Board size of four members is adequate, taking into account the nature and scope of the Group's operations, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees.

Together, the Board and Board Committees comprise Directors who as a group provide an appropriate balance and diversity of skills, experience and knowledge of the Company. They also provide core competencies such as accounting and finance, business experience, industry knowledge, strategic planning experience and customer-based experience and knowledge. The diversity of the Directors' background allows for the useful exchange of ideas and views.

Whilst the current Board does not have gender diversity, this is an important aspect of the NC's consideration, should there be any proposed new appointment(s) of member(s) to the Board. New Directors, if any, will continue to be selected based on objective criteria set as part of the process for appointment of new Directors.

Non-Executive Directors contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group's business. When challenging Management's proposals or decisions, they bring independent judgement to bear on business activities and transactions involving conflicts of interest and other complexities.

The Non-Executive Directors (including the Independent Directors) has met periodically without the presence of Management, and/or communicated via emails or telephone discussion on issues concerning the Company and will provide feedback to the Chairman, where necessary, after such meetings or communications.

Key information regarding the Directors is set out on pages 12 and 13 in the "Board of Directors" section of the Annual Report.

REPORT ON CORPORATE GOVERNANCE

ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

PRINCIPLE 3: THERE SHOULD BE A CLEAR DIVISION OF RESPONSIBILITIES BETWEEN THE LEADERSHIP OF THE BOARD AND THE EXECUTIVES RESPONSIBLE FOR MANAGING THE COMPANY'S BUSINESS. NO ONE INDIVIDUAL SHOULD REPRESENT A CONSIDERABLE CONCENTRATION OF POWER.

Different individuals assume the roles of the Chairman of the Board and the CEO respectively. The separation of the roles of the Chairman and CEO ensures an appropriate balance of power and authority such that no one individual represents a considerable concentration of power. Mr. Shao Jianjun has been appointed as Executive Chairman since 26 April 2013 and Mr. Ge Minglei, has been promoted to CEO with effect from 12 August 2016.

Mr. Shao Jianjun and Mr. Ge Minglei are not related to each other.

As Chairman, Mr. Shao leads the Board and bears responsibility for the effectiveness of the Board. He is responsible for, amongst others, setting agenda, in particular, strategic issues and ensures that adequate time is available for discussion of all agenda items and ensuring that the Directors receive complete, adequate, timely and clear information. In addition to making sure that effective communication is achieved with the Shareholders, he acts as facilitator to Non-Executive Directors for them to effectively contribute to the Group. He is also responsible for encouraging constructive relations within the Board and between Management and the Board. The Company Secretary and/or his representative(s) assist(s) the Chairman in scheduling the Board and Board Committees' meetings with the CFO.

Mr. Shao Jianjun is also responsible for promoting high standards of corporate governance.

As the Group's CEO, Mr. Ge Minglei is responsible for the day-to-day operations of the Group and the execution of the strategic plans set out by the Board and ensures that the Directors are kept updated and informed of the Group's business.

The above is not an exhaustive description of the current or future roles of the Chairman and CEO. The roles of the Chairman and the CEO may change in line with any developments that affect the Group, and any change is required to be agreed by the Board.

As the Chairman is part of the Management team and not an Independent Director, pursuant to the guidelines of the Code, Mr. Phang Kin Seng (Lawrence), an Independent Director and the AC Chairman, was appointed as the Lead Independent Director on 26 April 2013. Mr. Phang Kim Seng (Lawrance), being one of the key contacts listed in the Group's Whistle Blowing Policy, is available to Shareholders and any other persons where they have concerns and for which contact through the normal channels of the Chairman, the CEO or the CFO has failed to resolve or is inappropriate.

The Independent Directors are in frequent contact with one another outside the Board and Board Committees' meetings and hold constant informal discussions amongst themselves. For FY2018, the Independent Directors have met periodically without the presence of other Directors and the Lead Independent Director had at each Board meeting, provided feedback of such meetings to the Chairman, if any, so as to facilitate effective discussion with the Chairman and between the Board, on strategic issues and any other issues that may arise.

BOARD MEMBERSHIP

PRINCIPLE 4: THERE SHOULD BE A FORMAL AND TRANSPARENT PROCESS FOR THE APPOINTMENT AND RE-APPOINTMENT OF DIRECTORS TO THE BOARD.

NOMINATING COMMITTEE ("NC")

The terms of reference of the NC provide that the NC shall comprise at least three Directors, the majority of whom, including the NC Chairman, shall be independent, and the Lead Independent Director, shall be a member. The composition of the NC of the Company is as follows:-

Mr. Lim Yoke Hean (Independent Director)	– NC Chairman
Mr. Phang Kin Seng (Lawrence) (Lead Independent Director)	– NC Member
Mr. Wang Weiyao (Non-Executive and Non-Independent Director)	– NC Member

REPORT ON CORPORATE GOVERNANCE

The NC is regulated by a set of written terms of reference, which are in line with the guidelines of the Code. The NC is responsible for, including but not limited to, the following key terms of reference:

- (a) making recommendations to the Board on all Board appointments and re-appointments (including Alternate Directors, if applicable), or re-elections, having regard to the directors' competencies, commitment, contribution and performance.
- (b) regularly reviewing the Board structure, size and composition and making recommendations to the Board with regard to any adjustments that are deemed necessary.
- (c) determining annually, on a discretionary basis, whether or not a director is independent, bearing in mind the circumstances set forth in the Code and any other salient factors.
- (d) in respect of a director who has multiple board representations on various companies, deciding whether or not such director is able to and has been adequately carrying out his/her duties as a director, having regard to the competing time commitments that are faced when serving on multiple boards of listed companies and other principal commitments and recommending to the Board guidelines to address competing time commitments faced by Directors, if any, who serve on multiple boards.
- (e) determining the process for search, nomination, selection and appointment of new Board members and assessing nominees or candidates for appointment or election to the Board, determining whether or not such nominee has the requisite qualifications and whether or not he is independent, including disclosure on the search and nomination process.
- (f) reviewing Board succession plans for Directors, in particular, the Chairman and CEO and progressive renewal of the Board by considering each Director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an Independent Director.
- (g) determining how the Board's performance may be evaluated and propose objective performance criteria, as approved by the Board, that allows comparison with its industry peers, and address how the Board has enhanced long term Shareholders' value.
- (h) assessing the effectiveness of the Board as a whole and its Board Committees and assessing the contribution by the Chairman and each individual Director to the effectiveness of the Board.
- (i) reviewing training and professional development programs for the Board.

The Company has in place a Process for Selection and Appointment of New Directors which provides the procedure for identification of potential candidates, evaluation of candidates' skills, knowledge and experience and assessment of candidates' suitability.

The NC in consultation with Management and the Board as appropriate, determines the qualification, skill set, competency and expertise required or expected of a new Board member taking into account the size, structure and composition of the Board. Recommendations from Board members, business associates, advisors, professional bodies and other industry players are reviewed by the NC. The criteria for assessing the suitability of any nominee or candidate are determined by the NC.

The NC would review the curriculum vitae and other particulars/information of the nominee or candidate. The NC, in evaluating the suitability of the nominee or candidate, will take into account his qualifications, business and related experience and ability to contribute effectively to the Board process. The NC will also determine if the nominee or candidate would be able to commit time to his appointment having regard to his other Board appointments, and if he/she is independent. The evaluation process would involve an interview or meeting with the nominee or candidate. Appropriate background and confidential searches would also be made.

Recommendations of the NC are then put to the Board for consideration. The Board will review the recommendation and approve the appointment as appropriate. Any appointments to Board Committees would be reviewed and approved at the same time. The appointments would be formalised by a Board resolution and the requisite announcement and notification to the authorities.

REPORT ON CORPORATE GOVERNANCE

Where and when required, the Company may also appoint professional search firms and recruitment consultants to assist in the selection and evaluation process if the appointment involves specific skill sets or industry specialisation.

Newly appointed Directors are provided with background information about the history, Group's structure, business operations, vision and values, strategic direction, policies and governance practices. They will also have the opportunity to visit the Group's operational facilities and to meet with Management so as to gain a better understanding of the Group's business operations. Directors who do not have prior experience or are not familiar with the duties and obligations required of a Director of a listed company in Singapore, will undergo the necessary trainings and briefings. No new Directors were appointed during FY2018.

The Board is updated on any amendments and requirements of the SGX-ST and other statutory and regulatory requirements from time to time, or during Board meetings by the Company Secretary and/or his representative(s). Directors may also attend relevant courses, conferences, seminars, workshops or training programs at the Company's expense to enable them to effectively discharge their duties as a Director, if required, from time to time.

The Company will provide a formal letter of appointment to newly appointed Non-Executive Directors, setting out the Director's duties and obligations and terms of appointment whereas Executive Directors will be provided with Service Agreements setting out their terms of office and terms and conditions of appointment.

The NC, which is responsible for reviewing the independence of each Director on an annual basis, has adopted the Code's definition of what constitutes an Independent Director and guidelines as to relationships which would deem a Director not to be independent. In addition, the NC requires each Non-Executive Director to assess his own independence by completing a Confirmation of Independence form which is drawn up in accordance with the guidelines of the Code and state whether he considers himself independent despite having any of the relationships identified in the Code which would deem him not to be independent, if any.

The NC had reviewed the independence of Board members with reference to the guidelines set out in the Code. Mr. Wang Weiyao, who is the controlling Shareholder of the Company, is considered not independent of the Management as contemplated by the Code. Both the NC and the Board have noted Mr. Wang's declaration and concluded that he is to be considered a Non-Executive and Non-Independent Director.

Save as disclosed, none of the other Non-Executive Directors are related and do not have any relationships with the Company, its related corporations, its substantial Shareholders with a shareholding of 10% or more, or its officers or are in any circumstances that could interfere or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Company.

The Board, with the concurrence of the NC, having considered the Confirmation of Independence forms for FY2018 submitted by Messrs. Phang Kin Seng (Lawrence) and Lim Yoke Hean, concluded that they are independent and free from any relationships outlined in the Code.

Pursuant to its terms of reference, the NC is required to determine if a Director has been adequately carrying out his duties as a Director of the Company, particularly if he has multiple Board representations in listed companies and other principal commitments. In view of this, the NC, having considered the confirmations received from Messrs. Phang Kin Seng (Lawrence) and Lim Yoke Hean, concluded that such multiple Board representations (where applicable) do not hinder each Director from carrying out his duties as Director of the Company. The NC is satisfied that sufficient time and attention have been accorded by these Directors to the affairs of the Company. The Board concurred with the NC's views.

In determining whether each Director is able to devote sufficient time to discharge his duty, the NC has taken cognisance of the Code requirement, but is of the view that its assessment should not be restricted to the number of board representations of each Director and his respective principal commitments per se. The contributions by Directors to and during meetings of the Board and Board Committees as well as their attendance at such meetings, in addition to each of their principal commitments, should also be taken into account. As such, no maximum number of listed company board representations was fixed. The NC and the Board will review the number of listed company board representations of the Directors on an annual basis or from time to time when the need arises.

REPORT ON CORPORATE GOVERNANCE

Directorships or chairmanships held by the Company's Directors in other listed companies are as follows:

Name of Director ⁽¹⁾	Date of first appointment / last re-election	Directorships in other listed companies	
		Current	Past 3 Years
Mr. Shao Jianjun (Executive Chairman)	28 July 2004 / 28 April 2017	Nil	Nil
Mr. Wang Weiyao (Non-Executive and Non-Independent Director)	28 July 2004 / 27 April 2018	Nil	Nil
Mr. Phang Kin Seng (Lawrence) (Lead Independent Director)	28 April 2010 / 27 April 2018	Nil	Nil
Mr. Lim Yoke Hean (Independent Director)	2 July 2010 / 28 April 2017	Nil	Nil

(1) The principal commitment of the Directors, if any, is set out in the "Board of Directors" section in this Annual Report

Currently, there is no alternate Director appointed on the Board.

All the Directors submit themselves for re-election at regular intervals of at least once every three years. Article 89 of the Company's Constitution requires one-third of the Board (other than the Managing Director) to retire by rotation at every Annual General Meeting. Article 88 of the Company's Constitution requires any person appointed as a Director of the Company to hold office only until the next Annual General Meeting following their appointment. The retiring Directors are eligible to offer themselves for re-election.

The NC, having considered the attendance and participation of the following Directors at Board and Board Committees' meetings, in particular, their contributions to the business and operations of the Company as well as Board processes, had recommended to the Board the re-election of Mr. Shao Jianjun and Mr. Lim Yoke Hean, who will be retiring by rotation pursuant to Article 89 of the Company's Constitution at the forthcoming Annual General Meeting.

Mr. Shao Jianjun and Mr. Lim Yoke Hean have consented to continue in office and the Board had accepted the recommendation of the NC and accordingly, Mr. Shao Jianjun and Mr. Lim Yoke Hean will be offering themselves for re-election at the forthcoming Annual General Meeting.

Mr. Lim Yoke Hean will, upon re-election as a Director of the Company, remain as Chairman of the NC and the RC and a member of the AC, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Each member of the NC had abstained from voting on any resolution and making any recommendation and/or participate in respect of his re-election, if any, as Director.

BOARD PERFORMANCE

PRINCIPLE 5: THERE SHOULD BE A FORMAL ANNUAL ASSESSMENT OF THE EFFECTIVENESS OF THE BOARD AS A WHOLE AND ITS BOARD COMMITTEES AND THE CONTRIBUTION BY EACH DIRECTOR TO THE EFFECTIVENESS OF THE BOARD.

The Company acknowledges the importance of a formal assessment of Board performance and has adopted a formal system of evaluating Board performance as a whole.

Currently, the Board does not assess the performance of each Director or at the Board Committees' level. The Board is of the view that given the Board's size, cohesiveness of Board members and attendance of Directors at Board Committees' meetings, there is no value-add in having assessments of Board Committees and individual Board members. To-date, no external facilitator has been used.

REPORT ON CORPORATE GOVERNANCE

An evaluation of Board performance is conducted annually by the NC as a form of good Board management practice. Each Director is required to complete a questionnaire approved by the Board, the contents of which are as follows:

- Size and composition of the Board;
- Information to the Board;
- Board procedures;
- Board accountability;
- Matters concerning the CEO/Management; and
- Standard of conduct.

During the year, an evaluation of the Board performance had been conducted. The evaluation exercise provided feedback from each Director, his views on the Board process and procedures as well as the effectiveness of the Board as a whole. The results of the Board performance evaluation were collated and presented to the NC for discussion with comparatives from the previous year's results.

The NC was generally satisfied with the results of the Board performance evaluation for FY2018, which indicated areas of strengths and those that could be improved further. No significant problems were identified. The NC had discussed the results with Board members, who agreed to work on those areas that could be improved further. The NC would continue to evaluate the process for such review and its effectiveness from time to time.

ACCESS TO INFORMATION

PRINCIPLE 6: IN ORDER TO FULFILL THEIR RESPONSIBILITIES, DIRECTORS SHOULD BE PROVIDED WITH COMPLETE, ADEQUATE AND TIMELY INFORMATION PRIOR TO BOARD MEETINGS AND ON AN ON-GOING BASIS SO AS TO ENABLE THEM TO MAKE INFORMED DECISIONS TO DISCHARGE THEIR DUTIES AND RESPONSIBILITIES.

Management is required to provide complete, adequate and timely information to the Board on Board affairs and issues that require the Board's decision. Information provided included background or explanations relating to matters to be brought before the Board and copies of disclosure documents, budgets, forecasts and internal financial statements. In respect of budgets, any material variance between the projection and actual results were also disclosed and explained.

The CEO keeps Board members abreast of key developments affecting the Group as well as material transactions in order that the Board is fully aware of the affairs of the Group. Management provides reports and financial statements to the Board on a regular basis. Board and Board Committees' papers are sent to Directors at least three working days before such meetings so that the Directors may have a better understanding of the matters prior to the meeting and discussions may be focused on questions that the Directors may have on these matters. Financial highlights of the Group's performance and developments are presented on a quarterly basis at Board meetings. The CEO and Management are present at these presentations to address any queries which the Board may have. All Directors have separate and independent access to Management and Company Secretary and/or his representative(s) at all times. Directors are entitled to request from Management and be provided with additional timely information as needed in order for them to make informed decisions.

The Company Secretary and/or his representative(s) attend(s) all Board and Board Committees' meetings and assist the Board and Board Committees in ensuring that Board and Board Committees' procedures and all other rules and regulations applicable to the Company are complied with. The Company Secretary also follow the direction of the Chairman to ensure that there is sufficient/pertinent information flow within the Board and its Board Committees and between Management and Non-Executive Directors, as well as to facilitate orientation and assist with professional development when required to do so. The appointment and removal of the Company Secretary are subject to approval by the Board.

The Company has in place a procedure to enable the Directors, whether as a group or individually, to obtain independent professional advice as and when necessary in furtherance of their duties at the Company's expense. The appointment of such independent professional advisor, if required, is subject to approval by the Board.

REPORT ON CORPORATE GOVERNANCE

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

PRINCIPLE 7: THERE SHOULD BE A FORMAL AND TRANSPARENT PROCEDURE FOR DEVELOPING POLICY ON EXECUTIVE REMUNERATION AND FOR FIXING THE REMUNERATION PACKAGES OF INDIVIDUAL DIRECTORS. NO DIRECTOR SHOULD BE INVOLVED IN DECIDING HIS OWN REMUNERATION.

REMUNERATION COMMITTEE ("RC")

The RC ensures the appropriateness, transparency and accountability to Shareholders on issues of remuneration of the Directors and Management.

The terms of reference of the RC provide that the RC shall comprise at least three Directors, the majority of whom, including the RC Chairman, shall be independent. The composition of the RC of the Company is as follows:-

Mr. Lim Yoke Hean (Independent Director)	– RC Chairman
Mr. Phang Kin Seng (Lawrence) (Lead Independent Director)	– RC Member
Mr. Wang Weiyao (Non-Executive and Non-Independent Director)	– RC Member

The RC is regulated by a set of written terms of reference, which are in line with the guidelines of the Code. The RC is responsible for, including but not limited to, the following key terms of reference:

- (a) reviewing and recommending to the Board a general framework of remuneration for the Board and key management personnel.
- (b) reviewing and recommending to the Board the specific remuneration packages and terms of employment for each Executive Director and key management personnel of the Group and employees related to the Directors or, controlling Shareholders of the Group.

Such remuneration package for the Executive Director and key management personnel of the Group should be aligned with the long-term interest and risk policies of the Company and should be appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company and key management personnel to successfully manage the Company. It should also be performance-related and aligned with the interests of Shareholders and promote the long-term success of the Company, symmetric with risk outcomes and sensitive to the time horizon of risks, comparable within the industry and with comparable companies and appropriate and meaningful as measures of assessing the performance of Executive Directors and key management personnel. A significant and appropriate proportion of the remuneration of Executive Directors and key management personnel should be structured so as to link rewards to corporate and individual performance.

The remuneration packages of employees related to Directors or controlling Shareholders of the Group should be in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility.

The service contracts of the Executive Directors and key management personnel should contain the following contractual provisions:

- (i) to allow the Group to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatements of financial results or of misconduct resulting in financial loss of the Group.
- (ii) to consider what compensation commitments the Executive Directors and key management personnel's contracts of service, if any, would entail in the event of termination with a view to be fair and reasonable, not overly generous and avoid rewarding poor performance.

REPORT ON CORPORATE GOVERNANCE

- (c) recommending the appropriate remuneration of the Non-Executive Directors to the level of their contribution, taking into account factors such as effort and time spent, and their responsibilities and that they should not be overly compensated to the extent that their independence may be compromised.

The RC may consider implementing schemes to encourage Non-Executive Directors to hold shares in the Company so as to better align their interests with the interests of the Shareholders.

- (d) reviewing whether the Executive Directors and key management personnel should be eligible for benefits under any long-term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith.
- (e) administering the performance-based Bonus scheme and any other share option scheme or share plan established from time to time for the Directors and key management personnel.

The recommendation of the RC for the remuneration of Directors would be submitted for endorsement by the Board and should cover all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind. No Director or member of the RC is involved in deciding his own remuneration.

The Company did not appoint any remuneration consultant. If required, the RC will seek expert advice inside and/or outside the Company on remuneration of all Directors and key management personnel.

LEVEL AND MIX OF REMUNERATION

PRINCIPLE 8: THE LEVEL AND STRUCTURE OF REMUNERATION SHOULD BE ALIGNED WITH THE LONG-TERM INTEREST AND RISK POLICIES OF THE COMPANY, AND SHOULD BE APPROPRIATE TO ATTRACT, RETAIN AND MOTIVATE (A) THE DIRECTORS TO PROVIDE GOOD STEWARDSHIP OF THE COMPANY, AND (B) KEY MANAGEMENT PERSONNEL TO SUCCESSFULLY MANAGE THE COMPANY. HOWEVER, COMPANIES SHOULD AVOID PAYING MORE THAN IS NECESSARY FOR THIS PURPOSE.

The remuneration packages are set such that the Directors are adequately but not excessively remunerated compared to other comparable companies in the industry in view of present market conditions. The remuneration policy adopted takes into account the individual's and the Company's performance.

Mr. Shao Jianjun, Executive Chairman, had entered into a service agreement with the Company which is subject to review and renewal upon expiry unless terminated during such term either as provided in the service agreement or by either party giving to the other not less than three months' written notice.

Mr. Ge Minglei, CEO, had entered into a service agreement with the Company for a period of three years commencing 12 August 2016, which is subject to review and renewal upon expiry unless terminated during such term either as provided in the service agreement or by either party giving to the other not less than three months' written notice.

There are no onerous compensation commitments on the part of the Company or its subsidiaries in the event of an early termination of the service of an Executive Director. The RC would review the Company's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service. The RC aims to be fair and avoid rewarding poor performance.

Although there is no contractual provisions in the service agreements of the Executive Director and key management personnel to allow the Company to reclaim incentive components of remuneration where there have been exceptional circumstances of misconduct or misstatement of financial results in loss to the Company, the Company retains half of their bonus in the Company for a period of one year, which would be forfeited in the event of such breach of their duties.

The RC will carry out an annual review of the Executive Director and key management personnel's remuneration packages to ensure that their remuneration commensurate with their performance, giving due regard to the financial health and business needs of the Group. For FY2018, the RC is satisfied with the Executive Director and key management personnel's remuneration packages and recommended the same for Board approval. The Board had approved the RC's recommendation accordingly.

REPORT ON CORPORATE GOVERNANCE

The RC, with the concurrence of the Board, is of the view that the current remuneration of the Non-Executive Directors is appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors. They are not over-compensated to the extent that their independence may be compromised. Other than Directors' fees, which have to be approved by Shareholders at every Annual General Meeting, the Independent Directors do not receive any other forms of remuneration from the Company.

Directors' fees amounting to S\$180,000 for the financial year ending 31 December 2019 have been proposed for payment in arrears on a quarterly basis. This recommendation has been endorsed by the Board and will be tabled at the forthcoming Annual General Meeting for Shareholders' approval.

No Director is involved in deciding his or her own remuneration.

The RC does not see any value-add on implementing share option or long-term incentive scheme in view of the low liquidity in the trading of the Company's shares and its stagnant share price.

The RC would consider implementing schemes to encourage Non-Executive Directors to hold shares in the Company so as to better align the interests of such Non-Executive Directors with the interests of Shareholders.

DISCLOSURE ON REMUNERATION

PRINCIPLE 9: EVERY COMPANY SHOULD PROVIDE CLEAR DISCLOSURE OF ITS REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION, AND THE PROCEDURE FOR SETTING REMUNERATION, IN THE COMPANY'S ANNUAL REPORT. IT SHOULD PROVIDE DISCLOSURE IN RELATION TO ITS REMUNERATION POLICIES TO ENABLE INVESTORS TO UNDERSTAND THE LINK BETWEEN REMUNERATION PAID TO DIRECTORS AND KEY MANAGEMENT PERSONNEL, AND PERFORMANCE.

Directors and CEO

A breakdown of the level and mix of the remuneration of the Directors and CEO for FY2018 is as follows:

	Salary %	Variable/ Performance- related Income/ Bonus %	Benefits in Kind %	Fees %	Total %
Below S\$250,000:					
<u>Directors</u>					
Shao Jianjun	100	–	–	–	100
Wang Weiyao	–	–	–	100	100
Phang Kin Seng (Lawrence)	–	–	–	100	100
Lim Yoke Hean	–	–	–	100	100
<u>CEO</u>					
Ge Minglei	21	79	–	–	100

REPORT ON CORPORATE GOVERNANCE

Key management personnel

The top five key management personnel of the Group (in terms of remuneration) for FY2018 are Messrs. Zhuang Guosheng, Ng Keong Khoon (Samuell), Bao Guojun, Jin Zhaoguo and Shu Jianfei.

A breakdown of the level and mix of the remuneration of each of the key management personnel for FY2018 is as follows:-

	Salary	Variable/ Performance- related Income/ Bonus	Benefits in Kind	Total
	%	%	%	%
Below S\$250,000:				
Zhuang Guosheng	1	99	–	100
Ng Keong Khoon (Samuell)	100	–	–	100
Bao Guojun	17	83	–	100
Jin Zhaoguo	25	75	–	100
Shu Jianfei	41	59	–	100

The aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO) is approximately RMB2.76 million to include CPF.

There are no termination, retirement and post-employment benefits that may be granted to Directors, the CEO and the top five key management personnel (who are not Directors or the CEO) for FY2018. Due to the confidentiality and commercial sensitivity attached to remuneration matters, in particular those of our top five key management personnel, given the highly competitive environment the Group operates in, the Company does not fully disclose the remuneration of each individual Director and the key management personnel. Instead, the disclosures had been provided in applicable bands of S\$250,000 as above, with a breakdown in percentage of the remuneration earned through fees, variable or performance-related income/bonus and/or benefits in kind.

For FY2018, there are no employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds S\$50,000.

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

PRINCIPLE 10: THE BOARD SHOULD PRESENT A BALANCED AND UNDERSTANDABLE ASSESSMENT OF THE COMPANY'S PERFORMANCE, POSITION AND PROSPECTS.

In presenting the annual financial statements and quarterly announcements to Shareholders, it is the aim of the Board to provide the Shareholders with a balanced and understandable assessment of the Group's financial performance, position and prospects, with detailed analysis and explanations.

For the financial year under review, the CEO and the CFO have provided assurance to the AC that to the best of their knowledge and belief, nothing has come to the attention of the Management which may render the quarterly results of the Group to be false or misleading in any material aspect. In addition, in line with the requirements of the SGX-ST, negative assurance statements were issued by the Board to accompany the Group's quarterly financial results announcements, confirming to the best of the Board's knowledge that nothing had come to the Board's attention which could render the Company's results announcements to be false and misleading. The Company is not required to issue negative assurance statements for its full year results announcement.

REPORT ON CORPORATE GOVERNANCE

Analysis on the performance of the Group was provided on the results and performance to the Board to ensure they effectively discharge their duties. The CEO will also update the Board on the Group's operations during Board Meetings. As and when there are other developments in between meetings, the Board will be provided and supplemented with the relevant information with respect thereto, whether by email circulation or informal teleconference.

The Company has also procured undertakings from all its Directors and Executive Officers in compliance with Rule 720(1) of the SGX-ST Listing Manual.

RISK MANAGEMENT AND INTERNAL CONTROLS

PRINCIPLE 11: THE BOARD IS RESPONSIBLE FOR THE GOVERNANCE OF RISK. THE BOARD SHOULD ENSURE THAT MANAGEMENT MAINTAINS A SOUND SYSTEM OF RISK MANAGEMENT AND INTERNAL CONTROLS TO SAFEGUARD SHAREHOLDERS' INTERESTS AND THE COMPANY'S ASSETS, AND SHOULD DETERMINE THE NATURE AND EXTENT OF THE SIGNIFICANT RISKS WHICH THE BOARD IS WILLING TO TAKE IN ACHIEVING ITS STRATEGIC OBJECTIVES.

The Board acknowledges that it is responsible for the overall internal control framework and maintains a sound system of risk management and internal controls to safeguard the Shareholders' interests and the Company's assets.

Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant control policies and procedures and highlights all significant matters to the Directors and AC. To assist the Board in carrying out its responsibility of overseeing the Group's risk management framework, processes and policies, it has delegated the authority to the AC for overseeing the Risk Management Committee ("RMC") established by Management with effect from FY2015. For the purpose of the RMC, the head of Finance has been appointed as the Risk Compliance Officer. He will work with Nexia TS Risk Advisory Pte. Ltd. ("Nexia TS Risk Advisory") on their findings and report any risk matters to the CEO. The RMC comprises the CEO, the CFO and the Risk Compliance Officer.

For FY2018, the RMC, had reported to the AC on a quarterly basis, and the AC had in turn reported its finding(s) and/or recommendation(s) to the Board for its information and/or approval, if required. No known significant deficiencies or lapses in risk management and internal controls systems were noted in FY2018.

The Company has outsourced its internal audit function to Nexia TS Risk Advisory. In addition, Nexia TS Risk Advisory has also been commissioned to assist Management in the Group's Enterprise Risk Management ("ERM") to complement the Group's existing internal audit plan and thereafter to follow up with an annual Control Self Assessment ("CSA") based on the risks identified from the ERM exercise. The objectives of the ERM and CSA services are to identify and manage strategic, operational, compliance and financial risks related to the achievement of the Group's objectives and to better respond to the changing business environment. The process encourages increased risk awareness and enhanced risk understanding among both the participants and the recipients of the assessment. A report which documents the Group's risk management profile summarising the material risks faced by the Group and the countermeasures in place to manage or mitigate those risks is submitted to the RMC and AC on an annual basis.

The AC, with the assistance of the Internal and External Auditors, reviews the adequacy and effectiveness of the Group's internal financial controls, operational, information technology and compliance controls, and risk management policies and internal controls systems established by Management on an annual basis.

The Internal and External Auditors have, during the course of their audits, carried out a review of the effectiveness of key internal controls within the scope of their audits. Any material non-compliance and internal control weaknesses noted during their respective audits and their recommendations are reported to the AC. The AC has reviewed the CSA report and Internal and External Auditors' comments to ensure that there are adequate internal controls in the Group and follow up actions from the last audit reviews have been implemented. The AC will ensure that recommendations by the CSA report and Internal and External Auditors, arising from the FY2018 audits be followed up and implemented by Management at the next audit review or within the timeline stipulated in the respect audit reports for FY2018.

In line with the Code, the AC, with the concurrence of the Board, had adopted a Management Assurance Confirmation Statement ("Management Assurance Statement"). For FY2018, the CEO and the CFO had provided a Management Assurance Statement confirming that:

REPORT ON CORPORATE GOVERNANCE

- (i) Management is aware of their responsibilities for establishing, maintaining and evaluating the effectiveness of the risk management and internal control systems of the Group;
- (ii) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances;
- (iii) to the best of their knowledge, nothing has come to their attention as Management, which would render the interim financial statements to be false or misleading in any material aspect; and
- (iv) Management has updated the AC that there are no known significant deficiencies or lapses in risk management and internal controls systems relating to the Group's financial, operational, compliance and information technology controls which could adversely affect the Group's ability to record, process, summaries or report financial data, or any fraud, whether material or not that involves Management or other employees who have a significant role in the Group's internal controls.

The Board recognises that no internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The review of the Group's internal control system is a concerted and continuing process.

As recommended by the SGX-ST, an opinion of the Board with the concurrence of the AC on the adequacy and effectiveness of the internal controls, addressing financial, operational, compliance and information technology risks, and risk management policies is set out in the Directors' Statement under page 61 of the Annual Report.

The Group's financial risk management is disclosed under Note 32 of the Notes to the Financial Statements on pages 106 to 114 of this Annual Report.

AUDIT COMMITTEE ("AC")

PRINCIPLE 12: THE BOARD SHOULD ESTABLISH AN AUDIT COMMITTEE ("AC") WITH WRITTEN TERMS OF REFERENCE WHICH CLEARLY SET OUT ITS AUTHORITY AND DUTIES.

The AC is regulated by a set of written terms of reference, which are in line with the guidelines of the Code.

The terms of reference of the AC provide that the AC shall comprise at least three members, all of whom shall be Non-Executive Directors and a majority of whom, including the AC Chairman, shall be independent. The composition of the AC of the Company is as follows:-

Mr. Phang Kin Seng (Lawrence) (Lead Independent Director)	– AC Chairman
Mr. Lim Yoke Hean (Independent Director)	– AC Member
Mr. Wang Wei Yao (Non-Executive and Non-Independent Director)	– AC Member

The Board is of the view that at least 2 members, including AC Chairman are appropriately qualified, having the necessary recent and relevant accounting and/or related financial management expertise or experience as the Board interprets such qualification in its business judgement, to discharge their responsibilities. None of the AC members were former partners or Directors of the Company's External Auditors firm, Messrs. Baker Tilly TFW LLP, within the last twelve months or hold any financial interest in the External Auditors firm.

The AC meets at least four times a year to discuss and review the following where applicable, on the following key terms of reference:

- (a) with the Internal and External Auditors the audit plans, their evaluation of the system of internal controls, audit reports, letters to Management and Management's response respectively.
- (b) the quarterly and annual financial statements and balance sheet and profit and loss accounts before submission to the Board for approval so as to ensure the integrity of the Company's financial statements, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements.

REPORT ON CORPORATE GOVERNANCE

- (c) annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management policies.
- (d) where deficiencies in internal controls have been identified, to ensure that appropriate and prompt remedial attention is taken by Management.
- (e) the internal controls and procedures to ensure co-ordination between the Internal and External Auditors and co-operation from Management and assistance given to facilitate their audit and problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of Management where necessary).
- (f) with the External Auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and Management's response.
- (g) the scope and results of the internal audit programme/procedures and review at least annually the adequacy of effectiveness of the Group's internal audit function including ensuring it is staffed with persons with the relevant qualifications and experience and has appropriate standing within the Group.
- (h) annually the scope and results of the audit and its cost effectiveness as well as independence and objective of the External Auditors.
- (i) co-ordination between the Internal and External Auditors.
- (j) the appointment or re-appointment of the Internal and External Auditors and matters relating to resignation or dismissal of the auditors.
- (k) arrangements by which staff of the Group and any other persons may in confidence, raise concerns about possible improprieties in financial reporting or, other matters.
- (l) interested person transactions falling within the scope of Chapter 9 of the SGX-ST Listing Manual on a quarterly basis.
- (m) potential conflicts of interests, if any.
- (n) such other reviews and projects as may be requested by the Board and will report to the Board its findings from time to time on matters arising and requiring the attention of the AC and generally undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.

The AC has the explicit powers to conduct or authorise investigations into any of the abovementioned matters. The AC has full access to and co-operation by Management and also full discretion to invite any Director or executive officer to attend its meetings as well as reasonable resources to enable it to discharge its function properly.

The AC meets with the Group's Internal and External Auditors and Management to review accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained in the Group. For FY2018, the AC has met four times and:

- (i) met up with the Internal and External Auditors, without the presence of Management, to discuss their findings set out in their respective reports to the AC. Both the Internal and External Auditors had confirmed that they had received the full co-operation of Management and no restrictions were placed on the scope of the respective audits;
- (ii) conducted a review of the non-audit services provided by the External Auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the External Auditors as well as the cost effectiveness of the audit before confirming their re-nomination. The following fees amounting to S\$121,700 were approved:

Audit fees	S\$120,000
Non-Audit fees	S\$1,700

The External Auditors had also confirmed their independence in this respect;

REPORT ON CORPORATE GOVERNANCE

- (iii) confirmed that Company had complied with Rule 712 of the SGX-ST Listing Manual in relation to the appointment of a suitable auditing firm to meet its audit obligations. Messrs. Baker Tilly TFW LLP, the appointed auditors of the Group, is registered with the Accounting and Corporate Regulatory Authority ("ACRA") in Singapore.

Together with the audit engagement partner and his team assigned to the audit of the Group, the AC was satisfied that the resources and experience of Messrs. Baker Tilly TFW LLP, the Audit Engagement Partner and his team assigned to the audit were adequate to meet their audit obligations, given the size, nature, operations and complexity of the Group.

- (iv) confirmed that the Company had complied with Rule 715 of the SGX-ST Listing Manual in relation to the appointment of the same auditing firm based in Singapore to audit its accounts, and its foreign-incorporated subsidiaries. The Group's subsidiaries are disclosed under Note 12 of the Notes to the Financial Statements on pages 95 and 96 of this Annual Report.

The Company has on 26 February 2019 received a notice from a Shareholder, World Sharehold Limited, nominating KPMG LLP as the Company's Auditors in place of the retiring Auditors, Baker Tilly TFW LLP. As part of ongoing good corporate governance initiatives and to enable the Company to benefit from fresh perspectives and views of another professional accounting firm, thereby enhancing the value of the audit, the AC is of the view that it would be timely to effect a change of external Auditor with effect from the financial year ending 31 December 2019.

Accordingly, the AC has recommended to the Board that KPMG LLP be selected for the proposed appointment, after having reviewed and deliberated on the proposal received from KPMG LLP and taking into consideration the audit quality indicators introduced by the ACRA and the criteria for the evaluation and selection of the external auditors contained in the Guidebook for Audit Committees in Singapore, including factors such as the adequacy of the resources and experiences of the auditing firm to be selected and the audit engagement partner to be assigned to the audit, the audit firm's other engagements, the size and complexity of the Group and the number and experience of supervisory and professional staff to be assigned.

The Board has taken into account the AC's recommendation, including the factors considered in their evaluation, and is satisfied that KPMG LLP will be able to meet the audit requirements of the Company. Accordingly, an ordinary resolution in respect of the proposed appointment of KPMG LLP in place of the retiring Auditors, Baker Tilly TFW LLP, would be tabled at the forthcoming Annual General Meeting for Shareholders' approval.

The External Auditors and/or the CFO will update the AC on the changes to accounting standards and issues which have a direct impact on financial statements from time to time. In addition, the AC is entitled to seek clarification from Management, the External Auditor and/or the Internal Auditor or independent professional advice, or attend relevant seminars, informative talks at the Company's expense from time to time to apprise themselves of accounting standards/financial updates.

The Company has put in place a Whistle Blowing Policy which provides well-defined and accessible channels in the Group through which employees and any other persons may in confidence, raise their concerns about possible improprieties, fraudulent activities, malpractices within the Group in a responsible and effective manner in matters of financial reporting or other matters. The objective of the policy, a copy of which has been uploaded on the Company's website, is to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. No reports on whistle-blowing incidents were received in FY2018.

INTERNAL AUDIT

PRINCIPLE 13: THE BOARD SHOULD ESTABLISH AN EFFECTIVE INTERNAL AUDIT FUNCTION THAT IS ADEQUATELY RESOURCED AND INDEPENDENT OF THE ACTIVITIES IT AUDITS.

The Group has also outsourced its internal audit function to Nexia TS Risk Advisory as its Internal Auditors. The Internal Auditors, staffed with persons of relevant qualifications and experience, carry out its audit taking guidance from the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors and they report directly to the AC on internal audit matters and to the CEO on administrative matters.

REPORT ON CORPORATE GOVERNANCE

The role of the Internal Auditors is to support the AC in ensuring that the Group maintains a sound system of risk management and internal controls by monitoring and assessing the adequacy and effectiveness of key controls and procedures, conducting in-depth audits of high risk areas and undertaking investigations as directed by the AC.

The hiring, removal, evaluation and compensation of the Internal Auditors or corporation to which the internal audit function is outsourced was approved by the AC. The Internal Auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

The AC will also review the adequacy and effectiveness of the internal audit function annually to ensure that the internal audit function is sufficiently resourced and is able to perform its function effectively and objectively. For FY2018, the AC is satisfied that Nexia TS Risk Advisory has adequate resources and experience to meet its internal audit obligations.

SHAREHOLDER RIGHTS AND COMMUNICATION WITH SHAREHOLDERS

PRINCIPLE 14: COMPANIES SHOULD TREAT ALL SHAREHOLDERS FAIRLY AND EQUITABLY, AND SHOULD RECOGNISE, PROTECT AND FACILITATE THE EXERCISE OF SHAREHOLDERS' RIGHTS, AND CONTINUALLY REVIEW AND UPDATE SUCH GOVERNANCE ARRANGEMENTS.

PRINCIPLE 15: COMPANIES SHOULD ACTIVELY ENGAGE THEIR SHAREHOLDERS AND PUT IN PLACE AN INVESTOR RELATIONS POLICY TO PROMOTE REGULAR, EFFECTIVE AND FAIR COMMUNICATION WITH SHAREHOLDERS.

PRINCIPLE 16: COMPANIES SHOULD ENCOURAGE GREATER SHAREHOLDER PARTICIPATION AT GENERAL MEETINGS OF SHAREHOLDERS, AND ALLOW SHAREHOLDERS THE OPPORTUNITY TO COMMUNICATE THEIR VIEWS ON VARIOUS MATTERS AFFECTING THE COMPANY.

In line with continuous disclosure obligations of the Company and pursuant to the SGX-ST Listing Manual, the Board's policy is that Shareholders are informed of all major developments that impact the Group. The Company is mindful of the need for regular and proactive communication with its Shareholders. In conjunction with this purpose, the Board has adopted a Corporate Disclosure Policy as mentioned in Principle 1 of this Corporate Governance Report.

Information is communicated to Shareholders on a timely basis. Communication is made through annual reports or circulars that are prepared and issued to all Shareholders as well as quarterly and full year announcements, containing a summary of the financial information and affairs of the Group for the period, notices and explanatory notes of Annual General Meetings and Extraordinary General Meetings, other announcements and press releases that are issued via SGXNET. Shareholders can also access the Group's website at www.wpmlimited.com for the aforementioned information on the Group. Where there is inadvertent disclosure made to the Company, the Company will make the same disclosure publicly to all others promptly.

The notice of the Annual General Meeting is despatched to Shareholders, together with explanatory notes or a circular on items of special business, at least fourteen days before the meeting for ordinary resolutions and twenty-one days before the meeting for special resolutions.

There are separate resolutions on each distinct issue at the general meetings.

The Board has also taken steps to solicit and understand the views of the Shareholders through results briefings from time to time. In addition, Shareholders are invited and encouraged to attend the general meetings of Shareholders to have the opportunity to participate effectively in and vote, to ensure a high level of accountability and to stay informed of the Group's strategy and goals. Shareholders may vote in person or in absentia by way of proxy forms deposited, in person or by mail, at the registered address of the Company at least 48 hours before the meetings.

Currently, the Board has not implemented any voting methods to allow Shareholders to vote by way of electronic mail or facsimile. However, pursuant to Article 73 of the Constitution of the Company, the Directors may, at their sole discretion, approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow Shareholders who are unable to vote in person at any general meeting the option to vote in absentia, including but not limited to voting by electronic mail or facsimile. A member, who is not a relevant intermediary (the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.), is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting. A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

REPORT ON CORPORATE GOVERNANCE

The Company would conduct its votings in general meetings by poll where Shareholders are accorded rights proportionate to the shareholding and all votes are counted. For cost effectiveness, the Company currently uses paper polling instead of electronic polling. Electronic polling would be considered, if necessary. The Board believes that this will enhance transparency of the voting process and encourage greater Shareholder participation. Results of the general meetings are announced within the stipulated timelines prescribed by the SGX-ST.

The Annual General Meeting is the principal forum for dialogue with Shareholders. The Board welcomes questions from Shareholders who have an opportunity to raise issues or seek clarifications either informally or formally before or at the Annual General Meeting. The minutes of every Annual General Meeting which included substantial and relevant queries from Shareholders relating to the agenda of the meeting and responses from the Board will be made available to Shareholders upon their request.

The Chairmen of the AC, NC and RC will normally be available at the Shareholders' meetings to attend to the queries by Shareholders relating to the work of these committees. The External Auditors of the Company will also normally be present to address Shareholders' queries about the conduct of audit and the preparation and content of the auditor's report.

Other than communicating with Shareholders at Annual General Meetings, the Shareholders may contact the Company's CFO on any investor relations matters at saisamuelng@hotmail.com.

The Company does not have a policy on payments of dividends. The form, frequency and amount of dividends declared each year will take into consideration the group's profit growth, cash position, positive cash generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. The Company endeavours to pay dividend and where dividends are not paid, the Company will disclose its reason(s) accordingly.

For FY2018, the Board did not recommend payment of dividends due to capital expenditure investment of RMB112.8 million in FY2018 and to reserve funds for future capital expenditure requirements.

SECURITIES TRANSACTIONS

The Group has adopted a set of Code of Best Practices on Securities Transactions to provide guidance to its officers regarding dealings in the Company's securities, in compliance with Rule 1207(19) of the SGX-ST Listing Manual. In accordance with the said rule, the officers of the Company shall not deal in the Company's securities during the periods commencing two weeks before the release of the Company's quarterly results and one month before the release of the Company's full year results and ending on the date of announcement of the relevant results. In addition, the officers of the Company are discouraged from dealing in the Company's securities on short-term considerations and when they are in possession of any unpublished material price-sensitive information of the Group. The Directors are required to notify the Company of any dealings in the Company's securities (outside the applicable closed window period mentioned above) within two business days of the transactions.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that such transactions are reviewed and approved by senior executives, AC and/or the Board, as the case may be, based on the transaction amount and had been conducted on an arm's length basis in accordance with prescribed procedures. When a potential conflict of interest arises, the Director concerned will not participate in discussions and will abstain from voting on such transaction.

The AC and the Board had reviewed the proposed mandate for IPTs to be tabled for renewal, subject to Shareholders approval at the forthcoming Annual General Meeting. Details of the proposed IPT mandate are enumerated in the Circular accompanying the Notice of Annual General Meeting.

REPORT ON CORPORATE GOVERNANCE

Save as disclosed below, there are no interested persons transactions between the Company or its subsidiaries and any of its interested persons during the financial year under review:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920 of the Listing Manual)	Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S\$100,000)
	RMB'000	RMB'000
Jiangsu World Machinery and Electronics Group Co., Ltd.		
Processing fees received, sale of raw materials, part and machineries.	-	4,436
Processing fees paid and purchase of raw materials and scrap materials.	-	1,580
Jiangsu World Plant-Protecting Machinery Co., Ltd.		
Processing fees received, sale of raw materials, parts and machineries.	-	338
Purchase of scrap materials.	-	873
Jiangsu World Agriculture Machinery Co., Ltd.		
Processing fees received, sale of raw materials, parts and machineries.	-	33,103
Processing fees paid and purchase of raw materials and scrap materials.	-	8,883
Jiangsu World Agriculture Machinery & Parts Manufacturing Co., Ltd.		
Processing fees received, sale of raw materials, parts and machines.	-	11,047
Processing fees paid and purchase of raw materials and scrap materials.	-	4,365
World Agriculture (Shenyang) Co., Ltd.		
Sales of raw materials, parts and machineries and rental income of factory.	-	7,966
World Heavy Industry (China) Co., Ltd.		
Processing fee received and sale of raw materials and parts.	-	2,832
Processing fee paid, purchase of raw materials and equipment.	-	25,810
Jiangsu World Crane Co., Ltd.		
Purchase of equipment.	-	670
Jiangsu World Precise Machinery Co., Ltd.		
Land rental paid.	-	686
Jiangsu World Furniture Co., Ltd.		
Sale of raw materials, parts and machineries.	-	269
Jiangsu World High End Agriculture Equipment Co., Ltd.		
Processing fee received and sale of raw materials, parts, machineries and equipment.	-	6,975
Purchase of scrap materials and raw materials.	-	4,688
Jiangsu World Construction Machinery Sales Co., Ltd.		
Processing fee paid.	11	-

REPORT ON CORPORATE GOVERNANCE

MATERIAL CONTRACTS

Save for the following, there were no material contracts still subsisting during the financial year as required to be reported under Rule 1207(8) of the SGX-ST Listing Manual:

- (i) Service Agreement entered with Mr. Shao Jianjun (as disclosed in the Company's Prospectus dated 19 April 2006) which was renewed for another three (3) years, expiring 26 April 2021.
- (ii) Service Agreement entered with Mr. Ge Minglei, the CEO, for a period of three (3) years commencing 12 August 2016, which will expire on 12 August 2019.
- (iii) Purchase Agreement dated 30 December 2006 in relation to the acquisition of the land-use rights for the setting up of a new production facility in Danyang, China.
- (iv) Purchase Agreement dated 26 May 2011 in relation to the acquisition of the land-use rights for the setting up of a new production facility in Shenyang, China.

SUSTAINABILITY REPORT 2018

Table of Content

Content	Page Number
Message from the Board	43
About this Report	43
Organisational Profile	44
Stakeholder's Engagement	48
Materiality Assessment	49
Material Topics	49
Economic Performance	50
Occupational Health and Safety	51
Employment	52
Consumption and Management of Energy, Water and Gas	53
Training and Education	53
Socioeconomic Compliance	54
Global Reporting Initiative (GRI) Content Index	55

MESSAGE FROM THE BOARD

MR. SHAO JIANJUN

Executive Chairman

Dear Shareholders, on behalf of the Board of Directors (the “Board”), I am pleased to announce the publication of our 2018 Sustainability Report that is in compliance with the Global Reporting Initiative (GRI), in relation to the financial year ended 31 December 2018 (“FY2018”).

Sustainability has become a critical success factor for companies to ensure long-term value creation. World Precision Machinery Limited (the “Company” or “WPM”, together with its subsidiaries, the “Group”) recognises the importance and virtuous cycle of improvement of sustainability reporting.

As part of our strategic formulation process, the Board oversees the management and governance of sustainability, and selection of material factors during the assessment of Environmental, Social, and Governance (“ESG”) impacts.

For our second sustainability report, we have identified and selected 6 ESG issues to focus on, 4 from the previous year and 2 more new topics this year. These issues have been carefully selected, and have the greatest impact on our key stakeholders.

ABOUT THIS REPORT

Report Background

The Company has always adhered itself to the rules 711A and 711B of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”). Sustainability is paramount in the Group’s direction to move forward, and thus this report serves as a form of transparency to its relevant stakeholders.

This sustainability report focuses on the period from 1 January 2018 to 31 December 2018 across the Group, where its businesses are mainly focused in Danyang City, Jiangsu Province, the People’s Republic of China (“PRC”).

Risk management procedures are in place to identify major business risks and Management regularly reviews the Group’s strategic position, operational, financial and compliance risk through careful checks.

The Group has also designed processes to collect and/or estimate, assess and report on the data for this Sustainability Report and it plans to continue to report on its progress annually. No external assurance has been sought for FY2018.

Reporting Boundaries and Standards	<p>Materiality: focusing on issues that impact business growth and are of utmost importance to stakeholders;</p> <p>Stakeholder Inclusiveness: responding to stakeholder expectations and interests;</p> <p>Sustainability Context: presenting performance in the wider context of sustainability; and</p> <p>Completeness: including all information that is of significant economic, environmental and social impact to enable stakeholders to assess the Group’s performance.</p>
Report Period and Scope	<p>Unless otherwise stated, this report covers data and information from 1 January 2018 to 31 December 2018 and discusses the Group’s achievements and performances towards ESG issues.</p>
Accessibility & Feedback	<p>The Group continues to print only limited copies of this sustainability report as part of our environmental conservation efforts. Current electronic edition can be obtained from the Group’s website or at SGX.</p> <p>The Group is committed to listening to its stakeholders and look forward to their feedback. Please send your feedback through the Group’s website.</p>

SUSTAINABILITY REPORT 2018

ORGANISATIONAL PROFILE

Company Background

The Company was incorporated in Singapore in year 2004 and was listed on the Main Board of SGX-ST (stock code of B49) in year 2006. The Group's principal place of business is based in Danyang, PRC and the Group has three wholly-owned subsidiaries, as shown below:

Corporate Structure



The subsidiaries provide and contribute related products such as machinery parts and accessories, as well as precision components. Our products are widely used in many different countries from China to South Africa, and in industries such as automotive parts, home appliances, electronics, railways, aeroplane, hardware, machinery, etc.

Corporate Mission and Vision

The Group endeavours to become the most influential stamping machine manufacturer in the PRC and the world. We want to create value for customers and to provide a development platform for employees. Lastly, we want to become the preferred brand of our customers.

Supply Chain Management

The Group's suppliers are extensively sourced and stringently evaluated to ensure that they meet the relevant specific guidelines that is in place, following the core values and vision of the Group. We aim to source only from consistent, reliable and cost-effective suppliers and minimise the potential disruptions in the supply chain.

The Group also ensures that its Directors, substantial shareholders or any of their associates are independent of the major suppliers. It also ensures that no Directors and Executive Officers are materially dependent on any industrial, commercial or financial contract with any supplier.

ORGANISATIONAL PROFILE

Geographical Expansion and Growth

Within the domestic market, the Group has expanded its footprint in Jiangsu, Shanghai, Zhejiang, Guangdong and Bohai Rim. Geographic expansion aims to tap into huge markets with potential customers from different regions. With the expansion into the Bohai Rim, we are able to lower our material and transportation costs, and thus passing these cost savings to our customers.

At the same time, Chinese home appliances and electronics are gaining increasing traction among European consumers because of the price advantage and product innovation. Hence, moving forward, the Group intends to leverage on these favourable trends by continuously innovating and enhancing its product offerings to capture the emerging international market.

In 2018, representatives of the Group have attended several domestic exhibitions, including those held in Nanjing, Shenzhen, Guangdong and Shenyang, as well as international exhibitions held in Indonesia, Russia and Turkey.

Governance Structure

BOARD OF DIRECTORS

Shao Jianjun (*Executive Chairman*)
Wang Weiyao (*Non-Executive and Non-Independent*)
Phang Kin Seng (Lawrence) (*Lead Independent*)
Lim Yoke Hean (*Independent*)

NOMINATING COMMITTEE

Lim Yoke Hean (*Chairman*)
Phang Kin Seng (Lawrence)
Wang Weiyao

AUDIT COMMITTEE

Phang Kin Seng (Lawrence) (*Chairman*)
Lim Yoke Hean
Wang Weiyao

REMUNERATION COMMITTEE

Lim Yoke Hean (*Chairman*)
Phang Kin Seng (Lawrence)
Wang Weiyao

External Initiatives

In response to the national environmental control policy of the PRC, the Group has invested a large number of air and water treatment equipment for environmental protection in the past two years. Equipment such as retractable folding, grinding rooms and oil film spraying rooms are being created to reduce pollution and achieve environmental protection purposes.

The Group prioritises the hiring of locals in Jiangsu Province. As of September 2018, there were 2,028 employees working for the Group, of which, 1350 were local staff hired from the Jiangsu province and 678 were non-local/foreigners. This initiative of promoting the employment of a larger number of locals in the Group will reduce the local unemployment rate and hence its related social consequences.

ORGANISATIONAL PROFILE

Certificates of Enterprise Awards



ORGANISATIONAL PROFILE

Certificates of Enterprise Awards



ISO 9001:2008
(Quality Management Systems)



ISO 14001:2004
(Environmental Management Systems)



OHSAS 18001:2007
(Occupational Health and Safety Management Systems)

SUSTAINABILITY REPORT 2018

ORGANISATIONAL PROFILE

Governance and Sustainability

The Board recognises that sound corporate governance practices are important to the proper functioning of the Group and enhance the interests of all shareholders. The Group will always strive to do its best in safeguarding against fraud with the aim to protect stakeholders' interests, and to minimise its environmental footprint on the environment. The Company has also established policies for issues such as Conflict of Interests, and Whistleblowing and Fraud.

Conflict of Interest Policy

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee and that such transactions are reviewed and approved by senior executives, Audit Committee and/or the Board, as the case may be, based on the transaction amount and had been conducted on an arm's length basis in accordance with prescribed procedures. When a potential conflict of interest arises, the Director concerned will not participate in discussions and will abstain from voting on such transaction.

Whistleblowing

The Group has in place a culture to highlight any inappropriate behaviour among its employees in order to maintain high ethical standards of accountability, reliability and honesty for its stakeholders at all times.

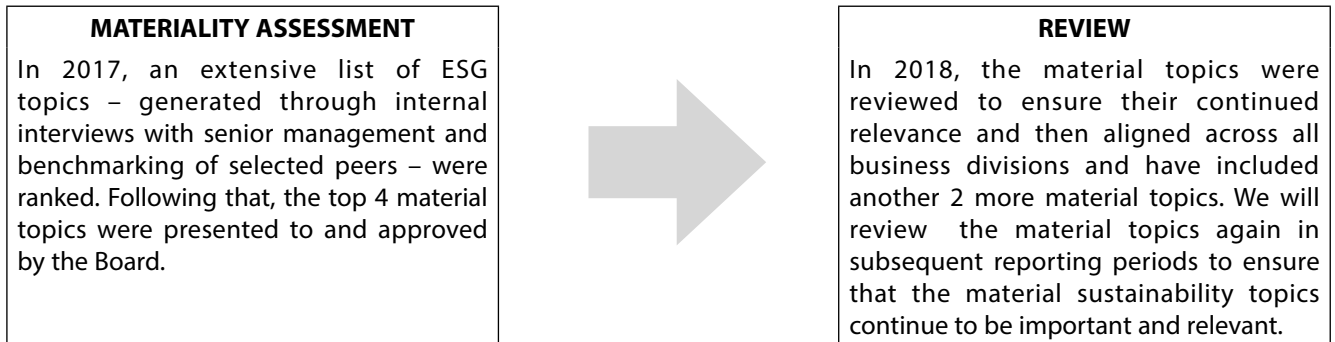
STAKEHOLDER'S ENGAGEMENT

Stakeholders' Participation

As we embark on our sustainability journey to further enhance our continuous growth, we encourage feedback from our stakeholders and will incorporate them into our corporate strategies if they are appropriate and relevant. We also consider the risks that and opportunities that are associated with the different group of stakeholders, and will mitigate and explore these options accordingly.

Stakeholder's Group	Engagement Activities	Stakeholder's Expectations
Customers	<ul style="list-style-type: none">• Customer helpdesk• Hosting of customer feedback sessions	<ul style="list-style-type: none">• Pleasant and efficient customer support
Suppliers	<ul style="list-style-type: none">• Maintain and develop current and new business dealings• Fair and appropriate quotations	<ul style="list-style-type: none">• Consistent and reliable communication between both parties• Ethical sourcing of raw materials• Feedback from suppliers
Employees	<ul style="list-style-type: none">• Induction and Orientation Programme• Employee surveys• Staff appraisals	<ul style="list-style-type: none">• Staff welfare and benefits• Employee rights
Investors and Shareholders	<ul style="list-style-type: none">• Annual general meetings• Circulation of annual reports and financial statements	<ul style="list-style-type: none">• Transparency from Board and Management
Government and Regulators	<ul style="list-style-type: none">• Maintain a good working relationship with authorities and regulators	<ul style="list-style-type: none">• Compliance with all law and regulation guidelines• Timely reporting of issues

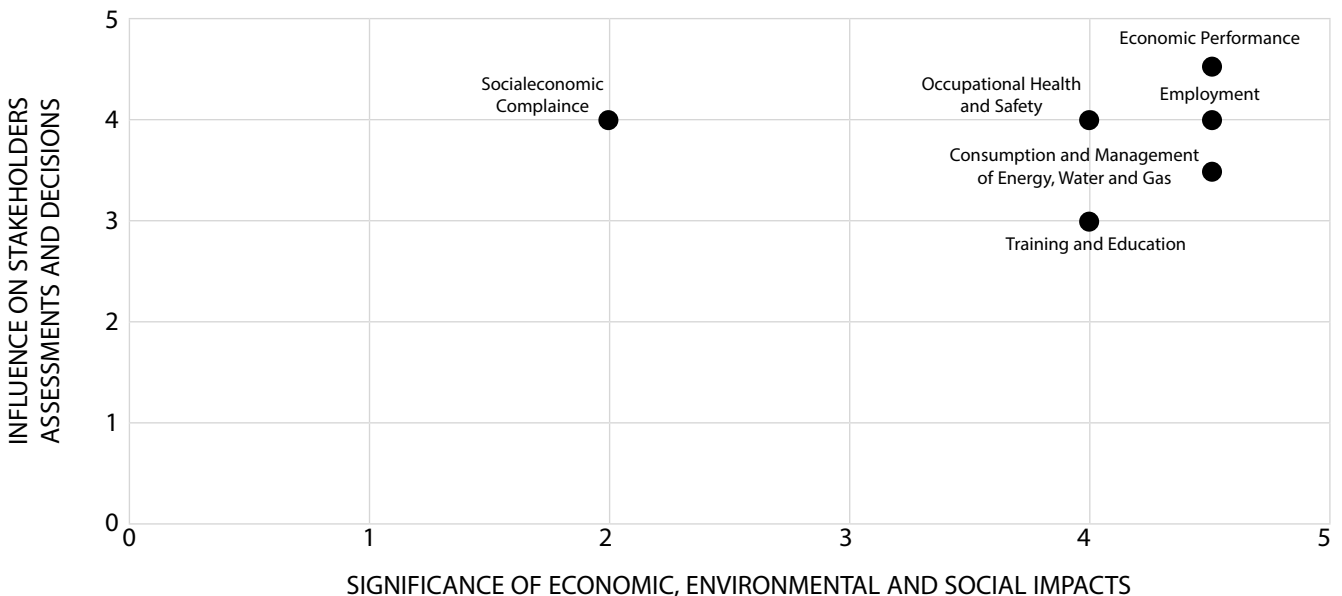
MATERIALITY ASSESSMENT



MATERIAL TOPICS

The material topics identified are based on the GRI framework and the degree of significance on our stakeholders. We have a Materiality Determination Process in and a step by step guide in which we identify, rate, prioritise and validate the material factors. After gaining insightful feedback from our stakeholders such as sustainability and changes in global outlook, we have identified these factors we believe are material and should be prioritised. These topics and their corresponding performance, commitments and targets will continue to be reviewed periodically to ascertain its relevance to our business.

In addition to the material topics listed below, the Group has considered the environmental impact generated as it procures its business. The Group takes effort to ensure that we have an environmental-friendly business approach and timely reporting and resolution of environmental issues to the relevant authorities. For FY2018, in addition to the 4 material topics chosen, we have selected another 2 Sustainability topics to disclose and cover and they are Training and Education and Socioeconomic Compliance.



The Sustainability Topics for FY2018 selected are:

- Economic Performance
- Occupational health and safety
- Employment
- Consumption and Management of Energy, Water and Gas
- Training and Education
- Socioeconomic Compliance

SUSTAINABILITY REPORT 2018

ECONOMIC PERFORMANCE

Financial Highlights

FY2018 has been a challenging year for the Group and its entities. In FY2018, the Group's revenue continues to record year-on-year increase of revenue, at 10.6% to RMB888.9 million from RMB803.9 million in FY2017. Sales of conventional stamping machines decreased by 8.9% while sales of high performance and high tonnage stamping machines increased by 8.5%. An upward revision in the average selling prices of stamping machines contributed to the overall increase in turnover.

Despite this, the Group's gross profit margin decreased by 16.3% to RMB132.1 million from RMB157.9 million in FY2017, mainly due to an increase in raw material costs and decrease in production of conventional stamping machine and high performance and high tonnage stamping machines which was partially offset by an increase in upward revision in the average selling prices of the stamping machines.

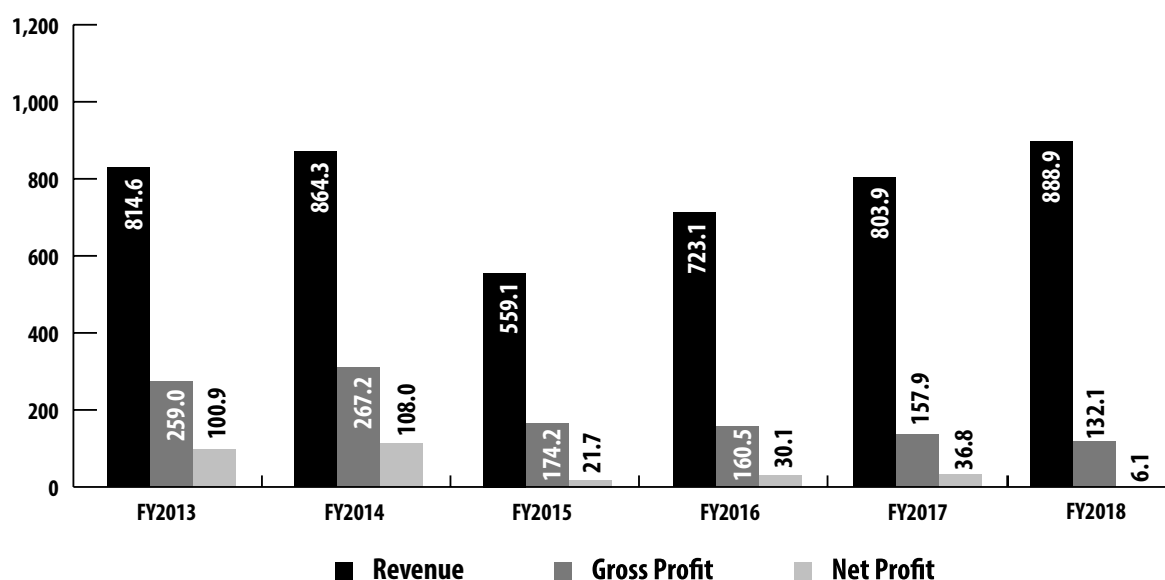
In FY2018, the Group's finance expenses recorded a decrease of 51.2% to RMB1.6 million from RMB3.3 million in FY2017. This was mainly due to a gradual decrease in interest expenses relating to a gradual decrease in bank loans which was partially offset by an interest paid for early redemption of bill receivables.

Overall, the Group still managed to record a net profit figure of RMB6.1 million in FY2018, a decrease of 83.3% from RMB36.7 million in FY2017.

The Group continues to strive to be the forerunner in the production of stamping machines to its customers, and integrate its cutting edge R&D developments into its current and future work plans. As such, the Group will be able to achieve more cost-saving and efficiency in an ever-changing and dynamic industry.

Moving forward, we aim to procure new technologies and methodology to expand our business to generate value and growth for our stakeholders for FY2019 and beyond.

REVENUE, GROSS PROFIT AND NET PROFIT



OCCUPATIONAL HEALTH AND SAFETY

The Group has always strived to reinforce health and safety, which is of the highest paramount. It is always committed to upholding the stringent and rigorous standards of Occupational Health and Safety (OHS), and ensuring that a culture of health and safety is integrated throughout the Group and its stakeholders.

Organisation Safety

The Group's OHS-related policies set out to create a healthy and safe environment for all its employees to work in. At the Group level, WPM has adopted policies such as fire protection, hygiene and sanitation in handling equipment to ensure that there will be no cross contamination in its products. The Group strives to conform to international recognised standards and codes such as OHSAS 18001 as well as comply with local legislation relating to health and safety.

We also place great importance to accident reports. Any injury suffered by employee, no matter how serious it is, must be immediately reported to their manager or supervisor. The manager or supervisor will assess the severity of the accident and will decide on the appropriate action to be taken. It is compulsory for all incidents to be documented, reported and submitted to Management.

We are pleased to announce that during FY2018, there were no instances of serious injuries, industrial death, paralysis or the loss of limbs suffered by our employees and staffs within the past 2 years. Moving forward, we hope to report similar results for FY2019 and beyond. Please refer to table below for number of occupational accidents in the FY2018 and FY2017:

No	Types of Injuries	FY2018		FY2017	
		Number of Employees	Percentage (%)	Number of Employees	Percentage (%)
1	Lacerations / cuts	33	17.74	57	23.65
2	Sprains/ strains	6	3.23	8	3.32
3	Fractures	47	25.27	36	14.94
4	Burns (heat)	41	22.04	63	26.14
5	Others	59	31.72	77	31.95
Total		186	100.00	241	100.00
Monetary Compensation Payout (RMB) arising from these incidents		301,818		506,287	

SUSTAINABILITY REPORT 2018

EMPLOYMENT

Diversity and Fair Practices

Our employees are the most valuable asset in our Group. They contribute to the growth of our business by fulfilling our customers' diverse needs and meeting our operational targets. As such, we take into great care and are mindful of our people's well-being and strive to create a conducive and pleasant working environment for all.

Our Workforce

The table below shows the change in employees' statistics from FY2017 to FY2018

Year	FY2018 (No.)	FY2017 (No.)
Former Employees	1,789	1,699
New Hire	453	328
Resigned/Terminated	214	238
Existing Employees	2,028	1,789
Change (Percentage)	13.35%	5.30%

Our success would not have been possible without the efforts of our dedicated employees, and strong collaborative relationships between employees and staff. We recruit dynamic individuals with diverse backgrounds and are committed to providing our employees with equal opportunities to achieve their full potential.

Appraisals and Evaluation

All employees and staff will go through an annual appraisal for assessment and evaluation, so that the Group is able to recognise the contributions and talents of its employees and staff. This is to acknowledge the talents of its staff, and to further develop their skills and holistic well-being via trainings, promotion or workshops.

The Group treasures talent, and hope to retain productive employees with the necessary skills and the right attitude.

Diversity and Fair Practices

The Group hires employee based on talent rather than class privilege and wealth. The Group employs the best talent for the job, and also ensures that there is a healthy mix of men and women in the workplace.

Gender Ratio

Year	Males		Females	
	Percentage (%)	No.	Percentage (%)	No.
2018	80.6	1,634	19.4	394
2017	77.7	1,390	22.3	399

The Group also maintains a two-way communication with all its employees and staff through emails and phone calls in order to acknowledge any feedback from its staff and employees, and vice versa, so that it can improve from these feedbacks/suggestions and build a better working environment for all.

The Group aims to foster an excellence culture. Our employees are passionate, committed, and excel in what they do. In return, we recognise their efforts and encourage a culture of collaboration. The talent and motivation of our employees across our various business units are the foundations for our success. Implementing a strong, common culture and purpose across the Group remains the main priority of our management team.

We are pleased to announce that due to our workplace benefits and appreciation of our employees, our turnover rate has decreased from FY2017 to FY2018, and our talent pool has also increased from 1,789 to 2,028 staff and employees. Moving forward, we will continue to uphold our strong morals and unbiased judgement for our employment practices for FY2019 and beyond.

CONSUMPTION AND MANAGEMENT OF ENERGY, WATER AND GAS

The table below shows the usage and consumption of resources from FY2017 to FY2018. The increase in the consumption of energy for FY2018 as compared to FY2017 is the direct result of the Group's increasing production activities as a result of increased sales in FY2018.

Source	2018	2017
Water (m3)	174,069	177,500
Electricity (kWh)	55,418,000	53,100,900
Gas (m3)	1,392,528	1,355,600

Electricity is mainly used as a source of light for operations and management of the production equipment, while water is also used for the Group's production activities and employee consumption. Lastly, gas is also used mainly for the Group's production activities.

The Group seeks to source energy that generates minimal impact on the community and the environment. It is committed to engaging with the relevant authorities and the local communities to acquire different forms of energy to power its businesses. In addition, the Group is also looking forward to increase its reliance on renewable sources in the future. It is not only committed to the procurement of new sources of energy but also to the use of cleaner and environmentally friendly sources of energy such as solar energy and also the use of energy-saving lamps. The Group is also committed to creating a green workplace for its employees and the local communities, and to reduce its future dependence on non-renewable energy.

TRAINING AND EDUCATION

At WPM, we believe in ensuring that our employees are adequately trained and kept relevant of any updates and advances in their specific and relevant job positions. Every new employee must go through an orientation programme to familiarise themselves with their job position and embrace the Group culture. This ensures that they are able to perform their jobs efficiently and effectively.

We have developed human resource policies that promote planned and comprehensive training for all employees so that they can meet and exceed performance standards. The Group also encourages its employees to take ownership of their skills development and learning. We set aside a fund for our employees to attend courses and seminars to improve their personal and work skills. Our employees also undergo regular performance feedback and guidance with their supervisors and managers during the course of their employment to allow their supervisors to highlight areas for improvement and to commend employees where they have excelled.

Managers and management routinely send staff for training workshops to upgrade or to reinforce their specific skill sets in anticipation in the ever-changing and dynamic industry.

As our employees are our greatest assets, we also believe that employee wellbeing is essential towards the daily functionality of the Group. We believe that our employees must be healthy and happily engaged at work for them to maximise their potential and productivity. Our employees enjoy a comprehensive work benefit package which includes health screenings and medical insurance coverage.

SUSTAINABILITY REPORT 2018

TRAINING AND EDUCATION

The table below shows the number of employees and the type of training that they have attended for FY2018:

Date	Training Program/Seminar Type	Required Employees	Number of Employees
5 February 2018	Problem Handling Methods	All Service Employees	62
8 March 2018	New Employee Training Program	New Frontline Employees	108
10 April 2018	Level 3 Document Content Training	All Relevant Production Managers	45
4 May 2018	Product Advantage, Sales Signing Process and Sales Skills	All Salesmen	135
26 July 2018	Quality, Environment, Occupational Health and Safety System	All Key Personnel	20

SOCIOECONOMIC COMPLIANCE

The Group adheres to the law and regulations on social and economic aspects that are in place by the local authorities. We believe that the honesty, integrity and vigilance of our employees evidences the effectiveness of our training and responsible culture. The Group is committed to work closely with government agencies and regulators to comply with the statutory and regulatory requirements in the regions which the Group operates.

Management is committed to make regular periodic reports and update to the relevant local and foreign government authorities in the regions that the Group operates.

We have zero tolerance for any financial crime including corruption and bribery. We seek to conduct our business in a responsible manner by ensuring that our policies and code of conduct are implemented and communicated to all our employees, business partners and board members consistently throughout our entire global operations.

We are proud to announce that in FY2018, we have no reported instances of corruption activities and non-compliance with laws and regulation on social and economic aspects across our different business divisions.

Moving forward, we aim to continue to closely monitor existing and new laws and regulations, to ensure zero incidence of material non-compliance with laws and regulations

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

GRI Standard/ Disclosure	Page Reference and Reasons for Omission, if applicable
GENERAL DISCLOSURE	
Organizational Profile	
102-1 Name of the organisation	Page 43
102-2 Activities, brands, products, and services	Page 44
102-3 Location of headquarters	Page 44
102-4 Location of operations	Page 44
102-5 Ownership and legal form	Page 44
102-6 Markets served	Page 44-45
102-7 Scale of the organisation	Page 45, 50
102-8 Information on employees and other workers	Page 52
102-9 Supply chain	Page 44
102-10 Significant changes to the organisation and its supply chain	No significant changes
102-11 Precautionary principle or approach	Page 44
102-12 External initiatives	Page 45
102-13 Membership of associations	Page 46-47
Strategy	
102-14 Statement from senior decision maker	Page 43
Ethics and Integrity	
102-16 Values, principles, standards, and norms of behaviour	Page 44
Governance	
102-18 Governance structure	Page 45
Stakeholder Engagement	
102-40 List of stakeholder groups	Page 48
102-41 Collective bargaining agreements	No collective bargaining agreements
102-42 Identifying and selecting stakeholders	Page 48
102-43 Approach to stakeholder engagement	Page 48
102-44 Key topics and concerns raised	Page 50-54
Reporting Practice	
102-45 Entities included in the consolidated financial statements	Page 44
102-46 Defining report content and topic boundaries	Page 43
102-47 List of material topics	Page 49
102-48 Restatements of information	Not applicable, no information was restated
102-49 Changes in reporting	Not applicable, no significant change in reporting
102-50 Reporting period	Page 43
102-51 Date of most recent report	28 December 2018
102-52 Reporting cycle	Page 43
102-53 Contact point for questions regarding the report	Page 43
102-54 Claims of reporting in accordance with the GRI Standards	Page 43
102-55 GRI content index	GRI content index
102-56 External assurance	Not applicable

SUSTAINABILITY REPORT 2018

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

GRI Standard/ Disclosure	Page Reference and Reasons for Omission, if applicable
MATERIAL TOPICS	
GRI 201: Economic Performance	
103-1 Explanation of the material topic and its boundaries	
103-2 The management approach and its components	
103-3 Evaluation of the management approach	
201-1 Direct Economic value generated and distributed	Page 50
201-2 Financial implications and other risk and opportunities due to climate change	
201-3 Defined benefit plan obligations and other retirement plans	
201-4 Financial assistance received from government	
GRI 403: Occupational Health and Safety	
103-1 Explanation of the material topic and its boundaries	
103-2 The management approach and its components	
103-3 Evaluation of the management approach	
403-1 Workers representation in formal joint management-worker health and safety committees	
403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Page 51
403-3 Workers with high incidence or high risk of diseases related to their occupation	
403-4 Health and safety topics covered in formal agreements with trade unions	
GRI 401: Employment	
103-1 Explanation of the material topic and its boundaries	
103-2 The management approach and its components	
103-3 Evaluation of the management approach	
401-1 New employee hires and employee turnover	Page 52
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	
401-3 Parental leave	
GRI 302: Energy	
103-1 Explanation of the material topic and its boundaries	
103-2 The management approach and its components	
103-3 Evaluation of the management approach	
302-1 Energy consumption within the organization	Page 53
302-2 Energy consumption outside of the organization	
302-3 Energy intensity	
302-4 Reduction of energy consumption	
302-5 Reduction in energy requirements of products and services	

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

GRI Standard/ Disclosure	Page Reference and Reasons for Omission, if applicable
MATERIAL TOPICS	
GRI 404: Training and Education	
103-1 Explanation of the material topic and its boundaries	
103-2 The management approach and its components	
103-3 Evaluation of the management approach	
404-1 Average hours of training per year per employee	Page 53-54
404-2 Programs for upgrading employee skills and transition assistance programs	
404-3 Percentage of employees receiving regular performance and career development reviews	
GRI 419: Socioeconomic Compliance	
103-1 Explanation of the material topic and its boundaries	
103-2 The management approach and its components	
103-3 Evaluation of the management approach	Page 54
419-1 Non-compliance with laws and regulations in the social and economic area	

FINANCIAL CONTENTS

Directors' Statement	59
Independent Auditor's Report	62
Consolidated Statement of Profit or Loss and Other Comprehensive Income	67
Statements of Financial Position	68
Statements of Changes in Equity	69
Consolidated Statement of Cash Flows	70
Notes to the Financial Statements	72

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of World Precision Machinery Limited (the "Company") and its subsidiary corporations (the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2018.

Opinion of the directors

In the opinion of the directors:

- (i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 67 to 115 are properly drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2018 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International); and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are:

Shao Jianjun	(Executive Chairman)
Wang Weiyao	(Non-Executive and Non-Independent Director)
Phang Kin Seng (Lawrence)	(Lead Independent Director)
Lim Yoke Hean	(Independent Director)

Arrangements to enable directors to acquire benefits

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' and chief executive officer's interests in shares and debentures

The directors and chief executive officer ("CEO") of the Company holding office at the end of the financial year had no interests in the shares and debentures of the Company and/or related corporations as recorded in the Register of Directors' and Chief Executive Officer's Shareholdings kept by the Company under Section 164 of the Act, except as follows:

Name of directors, CEO and companies in which interest are held	Number of ordinary shares					
	Shareholdings registered in their own names			Shareholdings in which a director/CEO is deemed to have an interest		
	At	At	At	At	At	At
	1 January 2018	31 December 2018	21 January 2019	1 January 2018	31 December 2018	21 January 2019

The Company

Directors

Wang Weiyao	200,000	200,000	200,000	295,391,000	295,391,000	295,391,000
Shao Jianjun	—	—	—	54,100,000	54,100,000	54,100,000
Lim Yoke Hean	—	—	—	200,000	200,000	200,000

DIRECTORS' STATEMENT

Directors' and chief executive officer's interests in shares and debentures (cont'd)

Name of directors, CEO and companies in which interest are held	Number of ordinary shares					
	Shareholdings registered in their own names			Shareholdings in which a director/CEO is deemed to have an interest		
	At 1 January 2018	At 31 December 2018	At 21 January 2019	At 1 January 2018	At 31 December 2018	At 21 January 2019

The Company

CEO

Ge Minglei	–	–	–	648,000	648,000	648,000
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Ultimate holding corporation

World Sharehold Limited

Wang Weiyao	50,000	50,000	50,000	–	–	–
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The director, Wang Weiyao, by virtue of Section 7(4) of the Act is deemed to have an interest in the shares held by the Company in its wholly-owned subsidiary corporations.

Share options

No option to take up unissued shares of the Company or its subsidiary corporations was granted during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations whether granted before or during the financial year.

There were no unissued shares of the Company or its subsidiary corporations under option at the end of the financial year.

Audit Committee

The members of the Audit Committee ("AC") during the financial year and at the date of this statement, comprises three non-executive directors, majority of which are independent, as follows:

Phang Kin Seng (Lawrence)	(Chairman)
Lim Yoke Hean	(Member)
Wang Weiyao	(Member)

The AC carried out its functions in accordance with Section 201B(5) of the Act. Their functions are detailed in the Report on Corporate Governance in the Annual Report 2018.

In performing its functions, the AC met with the Company's independent and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The AC also reviewed the following:

- assistance provided by the Company's management to the internal and independent auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the Singapore Exchange Listing Manual).

Audit Committee (cont'd)

The AC is satisfied with the independence and objectivity of the independent auditor, Baker Tilly TFW LLP, for financial year ended 31 December 2018. The AC has made its recommendations to the Board of Directors ("Board") and the Board is satisfied with the proposed appointment of KPMG LLP as external auditor of the Company in place of the retiring auditor, Baker Tilly TFW LLP, at the forthcoming Annual General Meeting.

Compliance with Rule 1207(10) of the Listing Manual of the Singapore Exchange Securities Trading Limited

Nexia TS Risk Advisory Pte. Ltd., the internal auditors of the Group, has been commissioned to assist management in the Group's Enterprise Risk Management ("ERM") to complement the Group's existing internal audit plan and thereafter to follow up with an annual Control Self-Assessment ("CSA") based on the risks identified from ERM exercise. The AC has reviewed the overall scope of the internal and external audits and the assistance given by management to the internal and independent auditors. The AC had also met once with the Company's internal and independent auditors for the financial year ended 31 December 2018 ("FY2018") to discuss the results of their respective examinations and their evaluation of the Group's system of internal accounting controls without the presence of management. Details on the duties and functions carried out by the AC, adequacy and effectiveness of the internal controls and internal audit during FY2018 are set out under the Report on Corporate Governance in the Annual Report 2018.

Based on the review of the key risks identified through the ERM process, internal controls established and maintained by the Group, work performed by the internal and independent auditors, assurances from the CEO and Chief Financial Officer and reviews carried out by management, various Board Committees and the Board, the AC and the Board are of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology risks, and risk management systems, were adequate and effective as at 31 December 2018.

Independent auditor

The independent auditor, Baker Tilly TFW LLP, will not be seeking re-appointment at the forthcoming Annual General Meeting. KPMG LLP has expressed its willingness to accept appointment as auditor.

On behalf of the Board of Directors

Shao Jianjun
Director

Wang Weiyao
Director

25 March 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of World Precision Machinery Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of World Precision Machinery Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 67 to 115, which comprise the statements of financial position of the Group and the Company as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

To the Members of World Precision Machinery Limited

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

1. Inventory valuation

As disclosed in Note 15 to the financial statements, the Group has inventories of RMB391,167,000 (2017: RMB384,119,000), which accounted for 25% (2017: 25%) of the Group's total assets as at 31 December 2018. As disclosed in Note 3 to the financial statements, inventories are stated at the lower of cost and net realisable value. Management applied their knowledge of the business to identify the slow-moving and obsolete inventories and also estimating the net realisable value for such inventories by taking into consideration the current economic condition, historical sales record, ageing analysis, alternative uses and subsequent selling prices of the inventories.

The write-down to net realisable value for slow-moving and obsolete inventories is considered a key audit matter, as it requires management to exercise judgement in identifying slow-moving and obsolete inventories and making estimates of the net realisable value to determine the appropriate level of write-down required.

Our procedures to address the key audit matter

We obtained an understanding of management's process of identifying inventories that are estimated to be sold below cost.

We attended and observed management's physical inventory counts process at material inventories locations, including management's identification of slow-moving and obsolete inventories. We also observed the physical conditions of those inventories aged more than 2 years on a sample basis.

We have reviewed and tested the inventories ageing report which is used by management to identify slow-moving and obsolete inventories.

We have corroborated management's assessment of the estimated net realisable value of inventories, by considering amongst others, factors such as actual selling price after the reporting date, historical sales record and historical gross margin, the expected demand and any alternative uses of the inventories.

We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Members of World Precision Machinery Limited

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

2. Allowance for expected credit losses of trade receivables

As disclosed in Note 16 to the financial statements, the carrying amount of the Group's trade receivables is RMB180,165,000 (2017: RMB176,852,000) after deducting allowance for expected credit losses of RMB20,211,000 (2017: RMB19,190,000) as at 31 December 2018, which represented 29% (2017: 29%) of the Group's current assets.

Management determines the expected credit losses ("ECL") of trade receivables by applying the simplified approach and using the provision matrix to measure the lifetime ECL for trade receivables. The Group categorises its trade receivables by its past due status and segregates debtors regarded as credit-impaired where one or more credit impairment events have occurred. The ECL rates for each category of debtors are estimated based on historical credit loss experience adjusted as appropriate to reflect current conditions and forecasts of future economic conditions. The measurement of allowance for ECL for trade receivables is considered to be a key audit matter as it requires management to exercise judgement and make assumptions with respect to past events, current conditions and forecasts of future economic conditions as disclosed in Notes 3 and 32(b) to the financial statements.

Our procedures to address the key audit matter

We obtained an understanding and evaluated the Group's processes and ECL assessment for trade receivables. We assessed the reasonableness of management's judgement and assumptions applied in the ECL model such as management's determination of historical credit loss rates, the application of respective ECL rates for each category of past due status of debtors and debtors regarded as credit-impaired, and management's consideration of current conditions and forecast economic conditions specific to its trade receivables. We checked the arithmetic accuracy of management's computation of ECL and tested management's categorisation of debtors by their past due status.

We also reviewed the adequacy of disclosures relating to the ECL assessment of trade receivables and the Group's credit risk made in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2018, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

To the Members of World Precision Machinery Limited

Report on the Audit of the Financial Statements (cont'd)

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

To the Members of World Precision Machinery Limited

Report on the Audit of the Financial Statements (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Lim Kok Heng.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

25 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

		Group	
		2018	2017
	Note	RMB'000	RMB'000
Revenue	4	888,863	803,883
Cost of sales		(756,719)	(645,944)
Gross profit		132,144	157,939
Other income and gains	5	12,358	17,235
Distribution and selling expenses		(80,532)	(71,228)
Administrative and other expenses		(52,095)	(56,976)
Net impairment losses on financial assets		(3,421)	(1,800)
Finance expenses	6	(1,635)	(3,348)
Profit before tax	7	6,819	41,822
Tax expense	9	(693)	(5,073)
Profit for the year		6,126	36,749
Other comprehensive loss for the year, net of tax:			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Currency translation differences arising on consolidation		(115)	(33)
Total comprehensive income for the year		6,011	36,716
Profit for the year attributable to:			
Equity holders of the Company		6,126	36,749
Total comprehensive income for the year attributable to:			
Equity holders of the Company		6,011	36,716
Earnings per share for profit for the year attributable to equity holders of the Company			
Basic and diluted (RMB per share)	10	0.02	0.09

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

At 31 December 2018

	Note	Group			Company		
		31.12.2018	(Restated) 31.12.2017	(Restated) 1.1.2017	31.12.2018	31.12.2017	1.1.2017
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets							
Property, plant and equipment	11	783,146	737,820	700,810	–	–	–
Investments in subsidiaries	12	–	–	–	812,892	780,669	769,293
Land use rights	13	122,397	125,435	128,366	–	–	–
Intangible assets	14	36,924	33,802	36,318	–	–	–
Other receivables	17	815	8,106	10,723	–	–	–
Total non-current assets		943,282	905,163	876,217	812,892	780,669	769,293
Current assets							
Inventories	15	391,167	384,119	353,545	–	–	–
Land use rights	13	3,003	3,003	3,003	–	–	–
Trade receivables	16	180,165	176,852	250,866	–	–	–
Other receivables	17	25,082	21,416	21,783	14	14	14
Due from a subsidiary (non-trade)	18	–	–	–	25	–	105
Cash and cash equivalents	19	21,261	16,510	10,166	366	249	375
Total current assets		620,678	601,900	639,363	405	263	494
Total assets		1,563,960	1,507,063	1,515,580	813,297	780,932	769,787
Non-current liabilities							
Deferred tax liabilities	21	5,018	4,885	3,300	–	–	–
Current liabilities							
Contract liabilities	22	77,869	79,110	37,575	–	–	–
Trade payables	23	248,315	206,259	214,221	–	–	–
Bills payables	24	9,125	520	27,936	–	–	–
Other payables	25	127,858	116,663	108,259	766	559	758
Due to related parties (non-trade)	18	981	243	587	–	–	–
Due to a subsidiary (non-trade)	18	–	–	–	1,012	1,565	1,840
Income tax payables		–	–	1,035	–	–	–
Borrowings	20	27,400	38,000	98,000	–	–	–
Total current liabilities		491,548	440,795	487,613	1,778	2,124	2,598
Total liabilities		496,566	445,680	490,913	1,778	2,124	2,598
Net assets		1,067,394	1,061,383	1,024,667	811,519	778,808	767,189
Equity							
Share capital	26	250,660	250,660	250,660	250,660	250,660	250,660
Retained earnings		581,157	576,607	543,919	537,542	534,407	534,131
Currency translation reserve	27	9,786	9,901	9,934	23,317	(6,259)	(17,602)
Statutory reserves	28	128,694	127,118	123,057	–	–	–
Capital reserve	29	97,097	97,097	97,097	–	–	–
Total equity		1,067,394	1,061,383	1,024,667	811,519	778,808	767,189

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Share capital RMB'000	Retained earnings RMB'000	Currency translation reserve RMB'000	Statutory reserves RMB'000	Capital reserve RMB'000	Total equity RMB'000
Group						
Balance at 1.1.2017	250,660	543,919	9,934	123,057	97,097	1,024,667
Profit for the year	–	36,749	–	–	–	36,749
<i>Other comprehensive loss</i>						
Currency translation differences arising on consolidation	–	–	(33)	–	–	(33)
Total comprehensive income/(loss) for the year	–	36,749	(33)	–	–	36,716
Transfer to statutory reserve fund	–	(4,061)	–	4,061	–	–
Balance at 31.12.2017	250,660	576,607	9,901	127,118	97,097	1,061,383
Profit for the year	–	6,126	–	–	–	6,126
<i>Other comprehensive loss</i>						
Currency translation differences arising on consolidation	–	–	(115)	–	–	(115)
Total comprehensive income/(loss) for the year	–	6,126	(115)	–	–	6,011
Transfer to statutory reserve fund	–	(1,576)	–	1,576	–	–
Balance at 31.12.2018	250,660	581,157	9,786	128,694	97,097	1,067,394

Share capital RMB'000	Retained earnings RMB'000	Currency translation reserve RMB'000	Total equity RMB'000
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Company

Balance at 1.1.2017	250,660	534,131	(17,602)	767,189
Profit for the year	–	276	–	276
Other comprehensive income				
Currency translation differences arising from translation into the presentation currency	–	–	11,343	11,343
Total comprehensive income for the year	–	276	11,343	11,619
Balance at 31.12.2017	250,660	534,407	(6,259)	778,808
Profit for the year	–	3,135	–	3,135
Other comprehensive income				
Currency translation difference arising from translation into the presentation currency	–	–	29,576	29,576
Total comprehensive income for the year	–	3,135	29,576	32,711
Balance at 31.12.2018	250,660	537,542	23,317	811,519

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Group	
	2018	2017
Note	RMB'000	RMB'000
Cash flows from operating activities		
Profit before tax	6,819	41,822
Adjustments for:		
Impairment loss of financial assets	7,568	7,711
Amortisation of intangible assets	10,363	9,930
Amortisation of land use rights	3,038	2,931
Depreciation of property, plant and equipment	53,600	51,039
Interest expense	1,501	3,312
Interest income	(50)	(38)
(Gain)/loss on disposal of property, plant and equipment	(19)	326
Property, plant and equipment written off	1	5
Write down of inventories	–	761
Operating cash flow before working capital changes	82,821	117,799
Changes in operating assets and liabilities:		
Inventories	(6,969)	(31,335)
Receivables	(9,335)	66,858
Payables and contract liabilities	40,147	41,888
Currency translation adjustments	(217)	(26)
Cash generated from operations	106,447	195,184
Interest received	50	38
Withholding tax paid	(198)	(152)
Income tax paid	(5,574)	(4,559)
Net cash from operating activities	100,725	190,511
Cash flows from investing activities		
Purchases of property, plant and equipment	A (81,005)	(90,391)
Additions of intangible assets	(12,244)	(6,073)
Proceeds from disposal of property, plant and equipment	669	3,019
Net cash used in investing activities	(92,580)	(93,445)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Note	Group	
		2018 RMB'000	2017 RMB'000
Cash flows from financing activities			
Repayments of bank loans		(48,000)	(98,000)
Proceeds from bank loans		37,400	38,000
Bank deposits released from pledge		570	–
Bank deposits pledged		(9,296)	–
Interest paid		(1,501)	(3,312)
Increase/(decrease) in bills payables to bank		8,605	(27,416)
Net cash used in financing activities		(12,222)	(90,728)
Net (decrease)/increase in cash and cash equivalents		(4,077)	6,338
Cash and cash equivalents at beginning of the year		15,940	9,596
Effect of exchange rate changes on cash and cash equivalents		102	6
Cash and cash equivalents at end of the year	19	11,965	15,940
Note A:			
Total additions to property, plant and equipment	11	100,897	92,740
(Less)/add: Changes in unpaid portion		(12,601)	268
Less: Changes in prepayments		(7,291)	(2,617)
Purchases of property, plant and equipment per consolidated statement of cash flows		81,005	90,391

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. Corporate information

World Precision Machinery Limited (the “Company”) (Co. Reg. No. 200409453N) is domiciled and incorporated in Singapore and listed on the Main Board of the Singapore Exchange Securities Trading Limited.

The principal place of business of the Group is at Picheng Town, Danyang City, Jiangsu Province, the People’s Republic of China (“PRC”) and the registered address of the Company is at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623.

The immediate and ultimate holding company of the Company is World Sharehold Limited, incorporated in the British Virgin Islands. The ultimate controlling party of the Group is Mr. Wang Weiyao.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 12.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) (“SFRS(I)”). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The financial statements are presented in Chinese Renminbi (“RMB”) and all financial information presented in RMB are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

The preparation of financial statements in conformity with SFRS(I) requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

Use of estimates and judgements

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3.

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

(a) Basis of preparation (cont'd)

New and revised standards

In December 2017, the Accounting Standards Council ("ASC") issued the SFRS(I). SFRS(I) comprises the standards and interpretations that are identical to the International Financial Reporting Standards. As required by the listing requirements of Singapore Exchange ("SGX"), the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the financial year ended 31 December 2018 are the first set of financial statements of the Group prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards ("SFRS").

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of SFRS(I)*.

Under SFRS(I), these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

The Group has also presented statement of financial position as at 1 January 2017, which is the date of transition to SFRS(I).

In addition to the adoption of the new framework, the Group also concurrently applied all new and revised SFRS(I) and SFRS(I) Interpretations ("SFRS(I) INT") that are effective for the current financial year. The application of these new and revised SFRS(I) and SFRS(I) INT do not have a material effect on the financial statements, except for SFRS(I) 15 *Revenue from Contracts with Customers* and SFRS(I) 9 *Financial Instruments*.

Summary of quantitative impact

The following reconciliations summarise the impacts on initial application of SFRS(I), SFRS(I) 15 and SFRS(I) 9 on the Group's and the Company's financial position as at 1 January 2017, 31 December 2017 and 1 January 2018. There were no material adjustments to the Group's profit or loss and other comprehensive income and consolidated statement of cash flows for the financial year ended 31 December 2017 arising on transition to SFRS(I).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

(a) Basis of preparation (cont'd)

Consolidated statement of financial position

Note	31 December 2017			1 January 2018	
	FRS framework	SFRS(I) 15	SFRS(I) framework	SFRS(I) 9	SFRS(I) framework
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	737,820	–	737,820	–	737,820
Land use rights	125,435	–	125,435	–	125,435
Intangible assets	33,802	–	33,802	–	33,802
Other receivables	8,106	–	8,106	–	8,106
Total non-current assets	905,163	–	905,163	–	905,163
Current assets					
Inventories	384,119	–	384,119	–	384,119
Land use rights	3,003	–	3,003	–	3,003
Trade receivables	176,852	–	176,852	–	176,852
Other receivables	21,416	–	21,416	–	21,416
Cash and cash equivalents	16,510	–	16,510	–	16,510
Total current assets	601,900	–	601,900	–	601,900
Total assets	1,507,063	–	1,507,063	–	1,507,063
Non-current liabilities					
Deferred tax liabilities	4,885	–	4,885	–	4,885
Current liabilities					
Contract liabilities	B –	79,110	79,110	–	79,110
Trade payables	206,259	–	206,259	–	206,259
Bills payables	520	–	520	–	520
Other payables	B 195,773	(79,110)	116,663	–	116,663
Due to related parties (non-trade)	243	–	243	–	243
Borrowings	38,000	–	38,000	–	38,000
Total current liabilities	440,795	–	440,795	–	440,795
Total liabilities	445,680	–	445,680	–	445,680
Net assets	1,061,383	–	1,061,383	–	1,061,383
Equity					
Share capital	250,660	–	250,660	–	250,660
Retained earnings	576,607	–	576,607	–	576,607
Currency translation reserve	9,901	–	9,901	–	9,901
Statutory reserves	127,118	–	127,118	–	127,118
Capital reserve	97,097	–	97,097	–	97,097
Total equity	1,061,383	–	1,061,383	–	1,061,383

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

(a) Basis of preparation (cont'd)

Consolidated statement of financial position (cont'd)

Note	1 January 2017		
	FRS framework RMB'000	SFRS(I) 15 RMB'000	SFRS(I) framework RMB'000
Non-current assets			
Property, plant and equipment	700,810	–	700,810
Land use rights	128,366	–	128,366
Intangible assets	36,318	–	36,318
Other receivables	10,723	–	10,723
Total non-current assets	876,217	–	876,217
Current assets			
Inventories	353,545	–	353,545
Land use rights	3,003	–	3,003
Trade receivables	250,866	–	250,866
Other receivables	21,783	–	21,783
Cash and cash equivalents	10,166	–	10,166
Total current assets	639,363	–	639,363
Total assets	1,515,580	–	1,515,580
Non-current liabilities			
Deferred tax liabilities	3,300	–	3,300
Current liabilities			
Contract liabilities	B –	37,575	37,575
Trade payables	214,221	–	214,221
Bills payables	27,936	–	27,936
Other payables	B 145,834	(37,575)	108,259
Due to related parties (non-trade)	587	–	587
Income tax payables	1,035	–	1,035
Borrowings	98,000	–	98,000
Total current liabilities	487,613	–	487,613
Total liabilities	490,913	–	490,913
Net assets	1,024,667	–	1,024,667
Equity			
Share capital	250,660	–	250,660
Retained earnings	543,919	–	543,919
Currency translation reserve	9,934	–	9,934
Statutory reserves	123,057	–	123,057
Capital reserve	97,097	–	97,097
Total equity	1,024,667	–	1,024,667

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

(a) Basis of preparation (cont'd)

A. SFRS(I)

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, subject to certain mandatory exceptions and optional exemptions under SFRS(I) 1. The application of SFRS(I) did not have any significant impact on the financial statements.

B. SFRS(I) 15

SFRS(I) 15 replaces FRS 18 'Revenue', FRS 11 'Construction contracts' and other revenue-related interpretations. It applies to all contracts with customers, except for leases, financial instruments, insurance contracts and certain guarantee contracts and non-monetary exchange contracts. SFRS(I) 15 provides a single, principle-based model to be applied to all contracts with customers. An entity recognises revenue in accordance with the core principle in SFRS(I) 15 by applying a 5-step approach.

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. The entity is required to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model; to contracts with their customers. The standard also specifies the accounting for incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted SFRS(I) 15 using the full retrospective approach. The Group has elected the practical expedient to apply the standard to contracts that are not completed at the date of initial application.

The impact upon the adoption of SFRS(I) 15, including the corresponding tax effects, are described below.

Presentation of contract liabilities

Upon adoption of SFRS(I) 15, the Group has changed the presentation of advance payments from customers. Advance payments from customers classified as other payables of RMB79,110,000 as at 31 December 2017 and RMB37,575,000 as at 1 January 2017 were reclassified to contract liabilities.

C. SFRS(I) 9

SFRS(I) 9 replaces FRS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. It includes guidance on (i) the classification and measurement of financial assets and financial liabilities; (ii) impairment requirements for financial assets; and (iii) general hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on expected credit loss model and replace FRS 39 incurred loss model.

The Group and the Company applied SFRS(I) 9 using a modified retrospective approach, with date of initial application on 1 January 2018. The Group and the Company have not restated the comparative information, which continues to be reported under FRS 39. Differences arising from the adoption of SFRS(I) 9 have been recognised directly in retained earnings and other components of equity as at 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

(a) Basis of preparation (cont'd)

C. SFRS(I) 9 (cont'd)

The impact upon adoption of SFRS(I) 9 as at 1 January 2018 was as follows:

(i) Classification and measurement

Under SFRS(I) 9, the Group and the Company classify its financial assets based on entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The assessment of the Group's and the Company's business model was made as of the date of initial application on 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Loans and receivables (including trade receivables, other receivables (excluding prepayments, advance payments to suppliers and tax recoverable), due from subsidiaries (non-trade) and cash and cash equivalents) as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortised cost beginning 1 January 2018.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's and the Company's financial liabilities.

The following summaries the Group and the Company's required or elected reclassifications as at 1 January 2018 upon adoption on SFRS(I) 9:

SFRS(I) 9 measurement category			
Original carrying amount	Fair value through profit or loss	Amortised cost	Fair value through other comprehensive income
RMB'000	RMB'000	RMB'000	RMB'000
FRS 39 measurement category			
<i>Loans and receivables</i>			
Group			
Trade receivables	176,852	–	176,852
Other receivables	10,455	–	10,455
Cash and cash equivalents	16,510	–	16,510
Company			
Cash and cash equivalents	249	–	249

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

(a) Basis of preparation (cont'd)

C. SFRS(I) 9 (cont'd)

The impact upon adoption of SFRS(I) 9 as at 1 January 2018 was as follows (cont'd):

(ii) Impairment

SFRS(I) 9 requires the Group and the Company to record expected credit losses on all of its financial assets at amortised cost either on 12-month or lifetime basis.

At the date of initial application, the Group has assessed that the adoption of SFRS(I) 9 does not have any material impact to the financial position and results of the Group.

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the financial year ended 31 December 2018 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company except as disclosed below.

SFRS(I) 16 Leases

SFRS(I) 16 replaces the existing IAS 17: *Leases*. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items. In addition, the nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of right-of-use asset and interest expense on lease liability. The accounting for lessors will not change significantly.

The Group plans to adopt the new standard on the required effective date using the modified retrospective approach and recognises any differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 16 at the date of initial application in the opening retained earnings as at 1 January 2019. Right-of-use assets are recognised at an amount equal to the lease liability (adjusted for any prepaid or accrued lease payments) on adoption.

The standard is effective for annual periods beginning on or after 1 January 2019. The standard will affect primarily the accounting for the Group's operating leases. At 31 December 2018, the Group has non-cancellable operating lease commitments of RMB10,211,000 (Note 30). The Group expects to recognise right-of-use assets and lease liabilities of approximately RMB5,156,000 on 1 January 2019.

2. Summary of significant accounting policies (cont'd)

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at end of the reporting period. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain from bargain purchase in profit or loss on the date of acquisition.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less impairment losses, if any. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

(d) Revenue recognition

Sales of goods

Conventional stamping machines and metal parts

The Group transfers control and recognises a sale when they deliver goods to their customers. Revenue from these sales is recognised based on the price specified in the contract. The customer is required to pay part of the contract price upon signing the contract and the remaining contract price before delivery and/or 30 days from the delivery date. The difference between the consideration received in accordance with the payment terms and revenue recognised is classified as contract liabilities. There is no significant financing component present as such payment terms is an industry practice to protect the performing entity from non-payment from customer and the period between the transfer of the promised goods and payment by the customer is generally less than one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

(d) Revenue recognition (cont'd)

Sales of goods (cont'd)

High performance and high tonnage stamping machines

The Group transfers control and recognises a sale upon completion of the installation and examination of the machines and acceptance by the customers in accordance with the sales contract. Revenue from these sales is recognised based on the price specified in the contract. The customer is required to pay part of the contract price upon signing the contract and the remaining contract price in accordance to the payment term stipulated in the contract. The difference between the consideration received in accordance with the payment terms and revenue recognised is classified as contract liabilities. There is no significant financing component present as such payment terms is an industry practice to protect the performing entity from non-payment from customer and the period between the transfer of the promised goods and service and payment by the customer is generally less than one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money. A receivable is recognised upon completion of the installation and examination of the machines and acceptance by the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Rental income

Rental income from operating leases are recognised on a straight-line basis over the lease term.

Dividend income

Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the Company and the amount of dividend can be reliably measured.

(e) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

(f) Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in profit or loss using the effective interest method.

2. Summary of significant accounting policies (cont'd)

(g) Operating leases

Leases where a significant portion of the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to profit or loss on a straight-line basis over the period of the lease. Contingent rents, if any, are charged as expenses in the period in which they are incurred.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(h) Employee benefits

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. The Group participates in the national pension scheme as defined by the laws of the countries in which it has operations. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

(i) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity in which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively).

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable or recoverable in respect of previous years.

Deferred income tax is provided using the liability method, on all temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the end of the reporting period.

Deferred income tax is measured based on the tax consequence that will follow the manner in which the Group expects, at the end of the reporting period to recover or settle the carrying amounts of its assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

(j) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any impairment in value. The cost of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised.

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

Depreciation is calculated on a straight-line basis to write off the depreciable amount of the property, plant and equipment less any estimated residual value over their expected useful lives. The estimated useful lives are as follows:

	Number of years
Leasehold buildings	20 - 25
Plant and machinery	10 - 20
Electrical fittings	3 - 5
Tools and equipment	5
Motor vehicles	5

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

Construction work-in-progress represents assets in the course of construction for production, or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss until construction or development is completed. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policies. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

(k) Intangible assets

Research and development costs

Research and development costs are expensed as incurred, except for development costs which relate to the design and testing of new or improved materials, products or processes which are recognised as an asset to the extent that it is expected that such assets will generate future economic benefits.

Deferred development costs are amortised from the date of commercial production of the product or from the date the process is put into use. Such costs are currently being amortised on a straight-line basis over their useful lives, not exceeding 5 years.

The amortisation period and amortisation method are reviewed at least at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

2. Summary of significant accounting policies (cont'd)

(l) Land use rights

Leases of land under which the lessor has not transferred all the risks and rewards incidental to ownership are classified as operating leases. Lease prepayment for land use rights are initially measured at cost and subsequently carried at cost less accumulated amortisation and any impairment in value. The land use rights are amortised over its lease term of 50 years.

(m) Impairment of non-financial assets

At the end of each reporting period, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

(n) Financial assets

The accounting policy for financial assets before 1 January 2018 are as follows:

Classification

The Group's only financial assets are loans and receivables. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the end of the reporting period which are classified as non-current assets. Loans and receivables are presented as "trade receivables", "other receivables" (excluding prepayments, advance payments to suppliers and tax recoverable), "due from subsidiaries (non-trade)" and "cash and cash equivalents" on the statements of financial position.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

(n) Financial assets (cont'd)

The accounting policy for financial assets before 1 January 2018 are as follows (cont'd):

Initial measurement

Loans and receivables are initially recognised at fair value plus transaction costs.

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method, less impairment.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account, and the amount of the loss is recognised in profit or loss. The allowance amount is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

If in subsequent periods, the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the assets does not exceed the amortised cost at the reversal date.

The accounting policy for financial assets from 1 January 2018 onwards are as follows:

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Trade receivables without a significant financing component is initially measured at transaction prices.

Classification and measurement

All financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The Group classifies its financial assets in amortised cost. The classification is based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

2. Summary of significant accounting policies (cont'd)

(n) Financial assets (cont'd)

The accounting policy for financial assets from 1 January 2018 onwards are as follows (cont'd):

Subsequent measurement

Debt instruments

Debt instruments include cash and cash equivalents, trade receivables, other receivables (excluding prepayments, advance payments to suppliers and tax recoverable) and due from subsidiaries (non-trade). These are subsequently measured at amortised cost based on the Group's business model for managing the asset and cash flow characteristics of the asset.

Amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Interest income from these financial assets is included in interest income using the EIR method.

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for financial assets carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables that do not have a significant financing component, the Group applies a simplified approach to recognise a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted as appropriate for current conditions and forward-looking factors specific to the debtors and the economic environment.

If the Group has measured the loss allowance for a financial asset at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Offset

Financial assets and liabilities are offset and the net amount presented on the statement of financial position when, and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

(o) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and exclude pledged deposits.

(p) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. The cost of finished goods, work-in-progress and component parts comprises raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity but excluded borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

(q) Financial liabilities

Financial liabilities include trade payables (excluding VAT payable), bills payables, other payables, due to related parties and a subsidiary and borrowings.

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, derivatives are measured at fair value. Other financial liabilities (except for the financial guarantees) are measured at amortised cost using the effective interest method.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. Net gains or losses on derivatives include exchange differences. A financial liability is derecognised when the obligation under the liability is extinguished.

(r) Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair values plus transaction costs. Financial guarantees are classified as financial liabilities.

Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the expected loss computed using the impairment methodology under SFRS(I) 9. Financial guarantees contracts are amortised in profit or loss over the period of the guarantee.

Prior to 1 January 2018, financial guarantees were subsequently measured at the higher of the initial fair value less cumulative amortisation and the expected amount payable to the holder.

(s) Provisions for other liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

(t) Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

(u) Foreign currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which that entity operates (the “functional currency”). The functional currency of the Company is Singapore dollar. The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in RMB, which is the functional currency of the principal entities in the PRC.

Transactions and balances

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for currency translation differences on net investment in foreign operations and borrowings and other currency instruments qualifying as net investment hedges for foreign operations, which are recognised in other comprehensive income and accumulated in currency translation reserve within equity in the consolidated financial statements. The currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Translation of Group entities’ financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group’s presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing rates at the end of the reporting period;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the date of the transactions); and
- (iii) All resulting exchange differences are recognised in other comprehensive income and accumulated in currency translation reserve within equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign group entity, the cumulative amount of the currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

(v) Dividends

Interim dividends are recorded during the financial year in which they are declared payable.

Final dividends are recorded in the financial statements in the period in which they are approved by the Company's shareholders.

(w) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

3. Critical accounting judgements and key sources of estimation uncertainty

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements made in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, management has made the following judgement that has the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations):

Functional currency

As disclosed in Note 2(u), the functional currency of the Company and its principal entities in the PRC is Singapore dollar and RMB respectively.

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required by management to determine the primary economic environment in which the entities operate, the entities' process of determining sales prices and the currency of the country whose competitive forces and regulations mainly influences the prices of its goods and services. Management has assessed that prices are mainly denominated and settled in the respective local currency of the entities of the Group. In addition, most of the entities' cost base is mainly denominated in their respective local currency. Therefore, management concluded that the functional currency of the entities of the Group is their respective local currency.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

Key sources of estimation uncertainty (cont'd)

Inventory valuation

As disclosed in Note 2(p), inventories are stated at the lower of cost and net realisable value. Management performs an assessment of the condition of its inventories at the end of each reporting period, and write-down of slow-moving and obsolete inventories identified. Management applied their knowledge of the business to identify the slow-moving and obsolete inventories and also estimating the net realisable value for such inventories by taking into consideration the current economic condition, historical sales record, ageing analysis, alternative uses and subsequent selling prices of the inventories. When expectations differ from the original estimates, the differences will impact the carrying amounts of the inventories and write-down value of inventories recognised in profit or loss.

A write-down for slow-moving and obsolete inventories to net realisable value amounting to RMBNil (2017: RMB761,000) was charged to the Group's profit or loss during the financial year. The carrying amounts of the Group's inventories at the end of the reporting period are disclosed in Note 15.

Allowance for expected credit losses of trade and other receivables

Management determines the expected credit losses ("ECL") of trade receivables by applying the simplified approach and using the provision matrix to measure the lifetime ECL for trade receivables. The Group categorises its trade receivables by its past due status and segregates debtors regarded as credit-impaired where one or more credit impairment events have occurred. The ECL rates for each category of debtors are estimated based on historical credit loss experience adjusted as appropriate to reflect current conditions and forecasts of future economic conditions.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future economic conditions.

As the calculation of loss allowance on trade and other receivables is subject to assumptions and forecasts, any changes to these estimations will affect the amounts of loss allowance recognised and the carrying amounts of the Group's trade and other receivables. Details of ECL measurement and carrying amounts of the Group's trade and other receivables at the end of the reporting period are disclosed in Note 32(b).

Property, plant and equipment

The Group reviews the useful lives and residual values of property, plant and equipment at the end of each reporting period in accordance with accounting policies in Note 2(j). The estimation of useful lives and residual values involves assumptions concerning the future and estimations of the assets common life expectancies and expected level of usage. Any changes in the expected useful lives of these assets would affect the net carrying value of property, plant and equipment, and the depreciation charge for the financial year. The net carrying value of the Group's property, plant and equipment at the end of the reporting period and the depreciation charge for the financial year are disclosed in Note 11.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

Key sources of estimation uncertainty (cont'd)

Income taxes

The Group has exposure to income taxes in Singapore and the PRC. Uncertainties exist with respect to the interpretation of complex tax regulations, the amount and timing of future taxable income and deductibility of certain expenditure. Accordingly, there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is concluded and different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of tax payable at the end of the reporting period are presented on the statements of financial position, and tax recoverable and deferred tax liabilities at the end of the reporting period are disclosed in Notes 17 and 21 respectively.

4. Revenue

Revenue comprises the sales of conventional stamping machines, high performance and high tonnage stamping machines and metal parts. All sales are recognised at a point in time.

	Group	
	2018	2017
	RMB'000	RMB'000
Conventional stamping machines	76,024	83,430
High performance and high tonnage stamping machines	740,467	682,177
Metal parts	72,372	38,276
	888,863	803,883

During the financial year, revenue amounted to RMB75,416,000 (2017: RMB31,078,000) was recognised from contract liabilities at the beginning of the financial year.

The Group applies the practical expedient in SFRS(I)15 and does not disclose information about its remaining performance obligation as the performance obligation is part of contracts that have original expected duration of one year or less.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

5. Other income and gains

	Group	
	2018 RMB'000	2017 RMB'000
Sale of raw and scrap materials	4,266	6,545
Cost of raw and scrap materials sold	(3,157)	(5,608)
Gain from disposals of raw and scrap materials	1,109	937
Government grants and subsidies	430	2,626
Insurance claim received	435	349
Interest income on banks	50	38
Income from discounting of bills receivables	613	3,874
Penalty income	1,126	778
Processing income	2,832	3,199
Rental income [net of rental expenses of RMB3,073,000 (2017: RMB4,033,000)]	5,235	4,693
Others	528	741
	12,358	17,235

6. Finance expenses

	Group	
	2018 RMB'000	2017 RMB'000
Finance expenses:		
- interest expense on bank loans	1,501	3,312
- others	134	36
	1,635	3,348

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

7. Profit before tax

This is determined after charging/(crediting) the following:

	Group	
	2018	2017
	RMB'000	RMB'000
Allowance for expected credit losses of trade receivables (Note 16)	5,656	7,287
Allowance for expected credit losses of non-trade receivables (Note 17)	1,149	424
Write-back of allowance for expected credit losses of trade receivables (Note 16)	(3,739)	(5,401)
Write-back of allowance for expected credit losses of non-trade receivables (Note 17)	(408)	(510)
Write down of inventories	–	761
Amortisation of intangible assets (Note 14)	10,363	9,930
Amortisation of land use rights (Note 13)	3,038	2,931
Bad debts written off	763	–
Depreciation of property, plant and equipment	53,600	51,039
Directors' fees payable/paid to directors of the Company	1,290	970
Fees payable/paid to independent auditor of the Company		
- Audit	387	373
- Non-audit services	9	7
Audit fees payable/paid to other auditors*	383	275
Gain on foreign currency exchange	(276)	(394)
(Gain)/loss on disposal of property, plant and equipment	(19)	326
Operating lease expense	1,167	1,766
Personnel expenses (Note 8)	160,184	141,548
Property, plant and equipment written off	1	5

* Includes independent member firm of the Baker Tilly International network

8. Personnel expenses

	Group	
	2018	2017
	RMB'000	RMB'000
Wages, salaries and bonuses	149,405	131,930
Contribution to defined contribution plans	7,685	7,365
Other personnel expenses	3,094	2,253
	160,184	141,548

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

9. Tax expense

	Group	
	2018	2017
	RMB'000	RMB'000
Tax expense attributable to profits is made up of:		
Income tax		
- current year	1,179	4,302
- overprovision in respect of prior years	(817)	(966)
Withholding tax	198	152
Deferred tax expenses arising from net distributable earnings of the PRC subsidiaries	133	1,585
	693	5,073

The income tax expense on the results of the financial year differs from the amount of income tax determined by applying the domestic rates applicable to profit/loss in the countries where the Group operates due to the following factors:

	Group	
	2018	2017
	RMB'000	RMB'000
Profit before tax	6,819	41,822
Tax at the domestic rates applicable to profit/loss in the countries where the Group operates	779	6,281
Expenses not deductible for tax purposes	1,856	1,021
Effect of tax incentives	(2,619)	(2,248)
Deferred tax expenses arising from net distributable earnings of the PRC subsidiaries	133	1,585
Withholding tax	198	152
Overprovision of income tax in respect of prior years	(817)	(966)
Deferred tax assets not recognised	1,581	154
Utilisation of deferred tax asset not recognised in prior year	(517)	(900)
Others	99	(6)
	693	5,073

The above tax reconciliation is prepared by aggregating separate reconciliation for each national jurisdiction.

The Company

The Company has no taxable income during the financial year. The statutory income tax rate applicable to the Company is 17% (2017: 17%).

The PRC subsidiaries

World Precision Machinery (China) Co., Ltd. ("WPM (China)")

WPM (China) enjoys preferential income tax rate of 15% (2017: 15%) as it is regarded as high-tech enterprise.

The statutory income tax rate applicable to other PRC subsidiaries is 25% (2017: 25%).

At the end of the reporting period, the Group has unutilised tax losses of RMB26,838,000 (2017: RMB28,828,000) that are available for carry forward up to five years from the year of loss against future taxable profits/income of the PRC subsidiaries in which the tax losses arose, subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation in the PRC. No deferred tax asset has been recognised as it is uncertain that future taxable profits/income will be sufficient to allow the related tax benefits to be realised. During the financial year, the Group's unabsorbed tax losses brought forward amounting to RMB6,275,000 (2017: RMB6,989,000) has expired.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

10. Earnings per share

Basic earnings per share is calculated based on the Group's profit for the year attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2018	2017
Profit for the year attributable to equity holders of the Company (RMB'000)	6,126	36,749
Weighted average number of ordinary shares ('000)	400,000	400,000

Diluted earnings per share is same as basic earnings per share as there were no potential dilutive ordinary shares for the financial years ended 31 December 2018 and 31 December 2017.

11. Property, plant and equipment

Leasehold buildings	Plant and machinery	Electrical fittings	Tools and equipment	Motor vehicles	Construction work-in-progress	Total
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000

Group

2018

Cost

At 1.1.2018	460,867	579,450	8,226	95,700	9,011	57,311	1,210,565
Additions	11,152	6,748	516	7,758	3,341	71,382	100,897
Reclassifications	58	4,174	692	76	–	(5,000)	–
Disposals	–	(9,372)	–	–	(138)	–	(9,510)
Written off	–	–	(30)	–	–	–	(30)
Transfer to inventories	–	(414)	–	–	–	–	(414)
At 31.12.2018	472,077	580,586	9,404	103,534	12,214	123,693	1,301,508

Accumulated depreciation

At 1.1.2018	91,001	295,308	6,933	72,598	6,905	–	472,745
Charge for the year	13,923	34,593	469	5,095	761	–	54,841
Disposals	–	(8,729)	–	–	(131)	–	(8,860)
Written off	–	–	(29)	–	–	–	(29)
Transfer to inventories	–	(335)	–	–	–	–	(335)
At 31.12.2018	104,924	320,837	7,373	77,693	7,535	–	518,362

Net carrying value

At 31.12.2018	367,153	259,749	2,031	25,841	4,679	123,693	783,146
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11. Property, plant and equipment (cont'd)

	Leasehold buildings RMB'000	Plant and machinery RMB'000	Electrical fittings RMB'000	Tools and equipment RMB'000	Motor vehicles RMB'000	Construction work-in- progress RMB'000	Total RMB'000
2017							
Cost							
At 1.1.2017	457,803	535,686	7,540	90,760	9,684	35,452	1,136,925
Additions	3,064	53,681	670	5,088	1,352	28,885	92,740
Reclassifications	–	7,010	16	–	–	(7,026)	–
Disposals	–	(16,927)	–	(119)	(2,025)	–	(19,071)
Written off	–	–	–	(29)	–	–	(29)
At 31.12.2017	460,867	579,450	8,226	95,700	9,011	57,311	1,210,565
Accumulated depreciation							
At 1.1.2017	77,773	274,967	6,568	68,660	8,147	–	436,115
Charge for the year	13,228	34,351	365	4,062	374	–	52,380
Disposals	–	(14,010)	–	(100)	(1,616)	–	(15,726)
Written off	–	–	–	(24)	–	–	(24)
At 31.12.2017	91,001	295,308	6,933	72,598	6,905	–	472,745
Net carrying value							
At 31.12.2017	369,866	284,142	1,293	23,102	2,106	57,311	737,820

During the financial year, the depreciation charge of plant and machinery capitalised as development costs amounted to RMB1,241,000 (2017: RMB1,341,000) (Note 14).

12. Investments in subsidiaries

	Company	
	2018	2017
	RMB'000	RMB'000
Unquoted equity shares, at cost	804,836	802,303
Currency translation differences	8,056	(21,634)
	812,892	780,669

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

12. Investments in subsidiaries (cont'd)

The details of the subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Ownership interest held	
			2018 %	2017 %
Held by the Company				
World Precise Machinery (China) Co., Ltd. * ("WPM (China)")	Manufacture and supply of stamping machines and metal parts	PRC	100	100
World Precise Machinery (Shenyang) Co., Ltd.*	Manufacture and supply of stamping machines and metal parts	PRC	100	100
World Precise Machinery Parts (Jiangsu) Co., Ltd.*	Research and development, and manufacturing of key components of all types of precision machine tools	PRC	100	100

* Audited by Baker Tilly China Certified Public Accountants, an independent member firm of the Baker Tilly International network.

During the financial year, the Company increased its investment in WPM (China) by way of cash of RMB2,533,000.

13. Land use rights

	Group	
	2018 RMB'000	2017 RMB'000
Cost		
At 1 January and 31 December	150,130	150,130
Accumulated amortisation		
At 1 January	21,692	18,761
Amortisation charge for the year (Note 7)	3,038	2,931
At 31 December	24,730	21,692
Net carrying value		
At 31 December	125,400	128,438
Amount to be amortised:		
- Not later than one year, current portion	3,003	3,003
- Later than one year but not later than five years	12,010	12,010
- Later than five years	110,387	113,425
Non-current portion	122,397	125,435
	125,400	128,438

The Group has land use rights over the state-owned land in the PRC where the Group's PRC manufacturing and storage facilities reside. The land use rights have a remaining tenure of 38 to 42 years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

14. Intangible assets

	Group	
	2018	2017
	RMB'000	RMB'000
Development costs		
Cost		
At 1 January	57,966	50,552
Additions	13,485	7,414
At 31 December	71,451	57,966
Accumulated amortisation		
At 1 January	24,164	14,234
Amortisation charge for the year (Note 7)	10,363	9,930
At 31 December	34,527	24,164
Net carrying value		
At 31 December	36,924	33,802

During the financial year, the depreciation charge of plant and machinery capitalised as development costs amounted to RMB1,241,000 (2017: RMB1,341,000) (Note 11).

15. Inventories

	Group	
	2018	2017
	RMB'000	RMB'000
Finished goods	77,071	80,681
Work-in-progress and component parts	235,928	234,762
Raw materials	78,168	68,676
	391,167	384,119

Raw materials, consumables and changes in finished goods and work-in-progress and component parts included as cost of sales amounted to RMB521,636,000 (2017: RMB429,463,000) during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

16. Trade receivables

	Group	
	2018	2017
	RMB'000	RMB'000
Trade receivables	123,827	108,701
Less: allowance for expected credit losses	(20,211)	(19,190)
	103,616	89,511
Bills receivables	28,486	40,511
Due from related parties	48,063	46,830
	180,165	176,852

The movements in allowance for expected credit losses during the financial year are as follows:

	Group	
	2018	2017
	RMB'000	RMB'000
At 1 January	19,190	17,613
Allowance made (Note 7)	5,656	7,287
Bad debts written off against allowance	(896)	(309)
Write-back of allowance (Note 7)	(3,739)	(5,401)
At 31 December	20,211	19,190

At the end of the reporting period, the Group endorsed certain bills receivables in the PRC (the "Derecognised Bills") with a carrying amount in aggregate of RMB214,168,000 (2017: RMB271,750,000) to certain of its suppliers in order to settle the trade and other payables due to such suppliers. The Derecognised Bills have a maturity period of one to twelve months at the end of the reporting period. In accordance with the laws in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default. In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, the Group has derecognised the full carrying amounts of the Derecognised Bills and the associated trade and other payables. The maximum exposure to loss from the continuing involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's continuing involvement in the Derecognised Bills are not significant to the financial statements taken as a whole.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

17. Other receivables

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Prepayments for property, plant and equipment	815	8,106	–	–
Current				
Advance payments to suppliers	7,518	8,516	–	–
Due from employees	9,985	9,409	–	–
Other receivables	2,865	4,362	–	–
Other prepayments	3,202	2,088	14	14
Tax recoverable	5,569	357	–	–
	29,139	24,732	14	14
Less: allowance for expected credit losses on amounts due from employees	(4,057)	(3,316)	–	–
	25,082	21,416	14	14

Due from employees are unsecured, interest-free and repayable on demand.

The movements in allowance for expected credit losses on amounts due from employees during the financial year are as follows:

	Group	
	2018	2017
	RMB'000	RMB'000
At 1 January	3,316	3,402
Allowance made (Note 7)	1,149	424
Write-back of allowance (Note 7)	(408)	(510)
At 31 December	4,057	3,316

18. Due from/to a subsidiary/related parties (non-trade)

These non-trade balances are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

19. Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks and on hand	11,965	15,940	366	249
Bank deposits	9,296	570	–	–
	21,261	16,510	366	249

For the purposes of the consolidated statement of cash flows, the consolidated cash and cash equivalents comprise the following:

	Group	
	2018	2017
	RMB'000	RMB'000
Cash and bank balances	21,261	16,510
Less: bank deposits pledged	(9,296)	(570)
Cash and cash equivalents per consolidated statement of cash flows	11,965	15,940

The Group's bank deposits with financial institution matures on varying dates within 6 months (2017: 6 months) from the end of the reporting period.

Bank deposits include amounts of RMB9,296,000 (2017: RMB570,000) that are pledged as securities for bills payables (Note 24) and trading facility.

Cash and cash equivalents of RMB20,895,000 (2017: RMB16,261,000) are held in the PRC and are subject to local exchange control regulations. These regulations place restrictions on the amount of currency being exported from the country, other than through dividends.

20. Borrowings

	Group	
	2018	2017
	RMB'000	RMB'000
Short-term bank loans	27,400	38,000

The short-term bank loans bear interest of 5.22% (2017: 4.35%) per annum and is secured by a personal guarantee from a director of the Company and his spouse. The loan is repayable within 5 months (2017: 5 months) from the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

20. Borrowings (cont'd)

Reconciliation of movements of liabilities to cash flows arising from financing activities.

	Group Bank Loans	
	2018	2017
	RMB'000	RMB'000
Balance at 1 January	38,000	98,000
Changes from financing cash flows:		
- Proceeds	37,400	38,000
- Repayments	(48,000)	(98,000)
- Interest paid	(1,501)	(3,312)
Non-cash changes:		
- Interest expense	1,501	3,312
Balance at 31 December	27,400	38,000

21. Deferred tax liabilities

The PRC subsidiaries' distributable earnings generated from 1 January 2008 onward are subjected to withholding tax when the subsidiary declares dividend to its foreign investor. The Group recognised deferred tax liabilities based on the PRC subsidiaries' distributable earnings that are expected to be distributed to the Company in the foreseeable future, based on the forecasted cash flow requirements of the Company.

22. Contract liabilities

The Group receives payments from customers based on a billing schedule as established in the contracts. Contract liabilities relate to advance consideration received from customers, billings in excess of revenue recognised to-date and deferred revenue. Contract liabilities are recognised as revenue as (or when) the Group satisfies the performance obligations under its contracts.

The following table provides information about contract liabilities from contracts with customers.

	Group	
	2018	2017
	RMB'000	RMB'000
Contract liabilities	77,869	79,110

Significant changes in the contract liabilities balances during the financial year are as follows:

	Group Contract liabilities	
	2018	2017
	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the financial year	75,416	31,078
Increases due to advances received, excluding amounts recognised as revenue during the financial year	50,472	72,613
Advance billing during the financial year	23,703	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

23. Trade payables

	Group	
	2018	2017
	RMB'000	RMB'000
Trade payables	247,257	204,419
Due to related parties	1,058	1,840
	248,315	206,259

Trade payables are non-interest bearing and the credit periods ranging from 3 to 6 months (2017: 3 to 6 months).

24. Bills payable

Bills payable are non-interest bearing and have an average maturity period of 3 months (2017: 6 months). The bills payable are secured by certain bank deposits as disclosed in Note 19.

25. Other payables

	Group			Company		
	31.12.2018	(Restated) 31.12.2017	(Restated) 1.1.2017	31.12.2018	31.12.2017	1.1.2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accrued operating expenses	55,933	70,687	64,859	134	129	128
Other payables	35,463	22,115	19,271	632	430	630
Payables relating to property, plant and equipment	36,462	23,861	24,129	–	–	–
	127,858	116,663	108,259	766	559	758

26. Share capital

	Group and Company			
	2018		2017	
	No. of ordinary shares		No. of ordinary shares	
	('000)	RMB'000	('000)	RMB'000
Issued and fully paid				
At 1 January and 31 December	400,000	250,660	400,000	250,660

All issued shares are fully paid ordinary shares with no par value.

The holders of the ordinary shares are entitled to receive dividend as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

27. Currency translation reserve

Currency translation reserve arises from the translation of the financial statements of the Company whose functional currency are different from that of the Group's presentation currency.

28. Statutory reserves

	Group	
	2018	2017
	RMB'000	RMB'000
Statutory reserve fund (a)	108,184	106,608
Staff welfare fund (b)	20,510	20,510
	128,694	127,118

The non-distributable statutory reserves represent amounts set aside in compliance with the local laws in the PRC where the PRC subsidiaries operate. The PRC subsidiaries are considered a foreign investment enterprise and the percentage of appropriation from the net profit after tax to the various reserve funds are determined by the Board of Directors of the PRC subsidiaries.

Statutory reserve fund

In accordance with the Foreign Enterprise Law applicable to the PRC subsidiaries, the PRC subsidiaries are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations should be allocated to the SRF until the cumulative total of SRF reached 50% of the registered capital of the respective PRC subsidiaries.

Staff welfare fund

The PRC subsidiaries have in previous years appropriated a portion of its profit after tax to the staff welfare fund on a voluntary basis as allowed by its respective Articles of Association. The staff welfare fund would be used for the collective welfare of the employees.

The total statutory reserves may be used to offset accumulated losses or increase the registered capital of the PRC subsidiaries, subject to approval from relevant PRC authorities and are not available for dividend distribution to the shareholders. The PRC subsidiaries are prohibited from distributing dividends unless the losses (if any) of prior years have been made good.

29. Capital reserve

On 1 December 2015, World Heavy Machine Tools (China) Co., Ltd. ("WHMT"), World CNC Machine Tool (Jiangsu) Co., Ltd. ("WCNC") and World Precise Machinery Marketing Company ("WPMM") were amalgamated into WPM (China). As a result, the retained earnings and statutory reserves of WHMT, WCNC and WPMM were transferred to capital reserve in accordance with the local laws in the PRC. This reserve is non-distributable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30. Commitments

Capital commitments

Capital commitments contracted for at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2018	2017
	RMB'000	RMB'000
Capital commitments in respect of property, plant and equipment	30,024	43,708

Operating lease commitments

The Group leases various premises from related and non-related parties under non-cancellable operating lease arrangements. The leases have renewal rights.

Commitments in relation to non-cancellable operating leases contracted for at the end of the reporting period, but not recognised as liabilities, are payable as follows:

	Group	
	2018	2017
	RMB'000	RMB'000
Not later than one financial year	1,016	229
Later than one financial year but not later than five financial years	1,407	687
Later than five financial years	7,788	7,788
	10,211	8,704

Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following related party transactions took place between the Group and related parties during the financial year on terms agreed by the parties concerned:

	Group	
	2018	2017
	RMB'000	RMB'000
<i>Income</i>		
Lease of premises to a related party	7,619	7,619
Sales to related parties	56,385	26,775
Processing services to related parties	2,895	3,489
<i>Expenses</i>		
Lease of premises from a related party	686	685
Processing services from related parties	3,429	2,258
Purchases of machineries and parts from related parties	690	30,884
Purchases of raw materials from related parties	24,025	22,780
Purchases of scrap materials from related parties	18,738	10,466

Related parties comprise mainly entities which are effectively controlled by the Company's director, Mr. Wang Weiyao and his spouse. Mr. Wang Weiyao is also a controlling shareholder of the Company.

Outstanding balances with related parties at the end of the reporting period are disclosed in Notes 16, 18 and 23 respectively.

Key management personnel compensation

Key management personnel compensation is analysed as follows:

	Group	
	2018	2017
	RMB'000	RMB'000
Directors of the Company:		
- short-term employee benefits	866	592
- defined contribution benefits	42	16
- directors' fees	1,290	1,290
	2,198	1,898
Other key management personnel:		
- short-term employee benefits	4,213	3,495
- defined contribution benefits	157	129
	4,370	3,624
	6,568	5,522

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. Financial instruments

(a) Categories of financial instruments

Financial instruments at their carrying amounts at the end of reporting period are as follows:

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Financial assets</i>				
Loans and receivables (including cash and cash equivalents)	–	203,817	–	249
Financial assets at amortised cost	206,500	–	391	–
	206,500	203,817	391	249
<i>Financial liabilities</i>				
Financial liabilities at amortised cost	409,585	361,685	1,778	2,124

(b) Financial risk management

The Group's and the Company's overall risk management policy is to ensure adequate financial resources are available for the development of the Group's and the Company's businesses whilst managing its foreign currency, interest rate, liquidity and credit risks. The Group's and the Company's overall risk management is determined and carried out by the Board of Directors. The policies for managing each of these risks are summarised as follows:

Foreign currency risk

At the end of the reporting period, the Group's and the Company's currency exposure based on information provided to key management is as follows:

	2018		2017	
	RMB	USD	RMB	USD
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
Cash and cash equivalents	–	1,447	–	1,675
Trade receivables	–	23,703	–	–
Due to a subsidiary	(1,012)	–	(1,565)	–
Net financial (liabilities)/assets denominated in foreign currency	(1,012)	25,150	(1,565)	1,675
Company				
Due to a subsidiary	(1,012)	–	(1,565)	–
Net financial liabilities denominated in foreign currency	(1,012)	–	(1,565)	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Foreign currency risk (cont'd)

The following table demonstrates the sensitivity to a reasonably possible change in the SGD and USD exchange rate against the respective functional currencies of the Group's entities, with all other variables held constant, of the Group's profit after tax:

	Group Increase/(decrease) in profit after tax		Company Increase/(decrease) in profit after tax	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
RMB/SGD				
- strengthened 3% (2017: 3%)	(30)	(47)	(30)	(47)
- weakened 3% (2017: 3%)	30	47	30	47
USD/RMB				
- strengthened 3% (2017: 3%)	754	50	–	–
- weakened 3% (2017: 3%)	(754)	(50)	–	–

Interest rate risk

The Group's and the Company's exposures to the risk of changes in interest rates relate primarily to the Group's and the Company's debt obligations and deposits placed with financial institutions. The Group and the Company mainly maintain its borrowings in variable rate instruments. The Group and the Company manage its interest rate risk on its interest income by placing the surplus funds in fixed deposits of varying maturities and interest rate terms.

The Group's borrowings at variable rates on which effective hedges have not been entered into, are denominated in RMB. If the RMB interest rates increase/decrease by 75 (2017: 75) basis points with all other variables, including tax rate being held constant, the effects arising from the profit net of tax are as follows:

	Group Increase/(decrease) in profit after tax	
	2018	2017
	RMB'000	RMB'000
Interest rate		
- Increase by 75 basis points	(175)	(242)
- Decrease by 75 basis points	175	242

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group and the Company maintains sufficient cash and bank balances and internally generated cash flows to finance its activities.

The Group and the Company adopt prudent liquidity risk management by maintaining sufficient cash and available funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group and the Company aim at maintaining flexibility in funding by keeping committed credit lines available.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations:

	2018			2017		
	1 year or less	1 to 5 years	Total	1 year or less	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group						
Trade payables	244,221	–	244,221	206,259	–	206,259
Bills payables	9,125	–	9,125	520	–	520
Other payables	127,858	–	127,858	116,663	–	116,663
Due to related parties	981	–	981	243	–	243
Borrowings	27,652	–	27,652	38,543	–	38,543
	409,837	–	409,837	362,228	–	362,228
Company						
Other payables	766	–	766	559	–	559
Due to a subsidiary	1,012	–	1,012	1,565	–	1,565
	1,778	–	1,778	2,124	–	2,124

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposures to credit risk arises primarily from trade and other receivables. For other financial assets including cash and cash equivalents, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. For customers who wish to trade on credit terms, the Group will take into account the quantity of the customer order, background and creditworthiness of the customer, level of risk involved, payment history of the customer and relationship with the customer. In addition, receivable balances are monitored on an ongoing basis.

The following sets out the Group's internal credit evaluation practices and basis for recognition and measurement of expected credit losses (ECL):

Description of evaluation of financial assets	Basis for recognition and measurement of ECL
Debtors has a low risk of default and does not have any past due amount	12-month ECL
Contractual payments are more than 30 days past due or where there has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired
Contractual payments are more than 90 days past due or there is evidence of credit impairment	Lifetime ECL - credit-impaired
There is evidence indicating that the Group has no reasonable expectation of recovery of payments such as when the debtor has been placed under liquidation or has entered into bankruptcy proceedings	Write-off

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information, such as future economic and industry outlook, that is available without undue cost or effort.

In particular, the Group considers the following information when assessing whether credit risk has increased significantly since initial recognition:

- historical and current payment patterns of the debtors.
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations.
- an actual or expected significant deterioration in the operating results / key financial performance ratios of the debtors.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Credit risk (cont'd)

Significant increase in credit risk (cont'd)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Regardless of the evaluation of the above factors, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group also assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if it has an internal or external credit rating of "investment grade" as per globally understood definition, or the financial asset has a low risk of default; the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Definition of default

The Group considers information developed internally or obtained from external sources that indicates that the debtor is unlikely to pay its creditors, including the Group as constituting an event of default for internal credit risk management purposes. Based on historical experience, it indicates that receivables that meet the criteria are generally not recoverable.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred such as evidence that the borrower is in significant financial difficulty, there is a breach of contract such as default or past due event; there is information that it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Estimation techniques and significant assumptions

There has been no change in the estimation techniques or significant assumptions made during the current financial year for recognition and measurement of credit loss allowances.

Maximum exposure and concentration of credit risk

At 31 December 2018, the Group's trade receivables comprise 2 debtors that represented approximately 26% of the trade receivables. At 31 December 2017, the Group and the Company have no significant concentration of credit risk.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk is the carrying amount of each class of financial instruments presented on the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Credit risk (cont'd)

Maximum exposure and concentration of credit risk (cont'd)

Movements in allowance for expected credit losses are as follows:

	Trade receivables RMB'000	Other receivables RMB'000	Total RMB'000
Group			
Balance at 1 January 2018	19,190	3,316	22,506
Loss allowance measured/(reversed):			
Lifetime ECL			
- simplified approach	1,378	–	1,378
- credit-impaired	539	741	1,280
	1,917	741	2,658
Receivables written off as uncollectable	(896)	–	(896)
Balance at 31 December 2018	20,211	4,057	24,268

Credit risk exposure in relation to financial assets at amortised cost (other than trade receivables and other receivables) as at 31 December 2018 is insignificant, and accordingly no credit loss allowance is recognised as at 31 December 2018.

Trade receivables

The Group has applied the simplified approach by using a provision matrix to measure the lifetime expected credit loss allowance for trade receivables.

The Group categorises its trade receivables by its past due status and segregates debtors regarded as credit-impaired where one or more credit impairment events have occurred.

The Group estimates the expected credit loss rates for each category of past due status of the debtors based on historical credit loss experience adjusted as appropriate to reflect current conditions and forecasts of future economic conditions. The Group has recognised a loss allowance of 100% against all credit-impaired trade receivables. A trade receivable is written off when there is information indicating that there is no realistic prospect of recovery from the debtor.

There has been no change in the estimation techniques or significant assumptions made during the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Credit risk (cont'd)

Trade receivables (cont'd)

The Group's credit risk exposure in relation to trade receivables using simplified approach under SFRS(I) 9 as at 31 December 2018 is set out in the provision matrix below:

	Not past due	Past due			Credit-impaired	Total
	RMB'000	0 to 6 months	6 to 12 months	More than 1 year	RMB'000	RMB'000
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Expected loss rate	–	0.4%	2.4%	6%	100%	
Gross receivables	3,719	72,971	17,853	10,451	18,833	123,827
Loss allowance	–	(327)	(425)	(626)	(18,833)	(20,211)
Net carrying amount	3,719	72,644	17,428	9,825	–	103,616

Other financial assets at amortised cost

Other financial assets at amortised costs include amounts due from employees, amount due from a subsidiary, other receivables and cash and cash equivalents.

The table below details the credit quality of the Group's financial assets (other than trade receivables):

	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
		RMB'000	RMB'000	RMB'000
Due from employees	Lifetime ECL - credit impaired	9,985	(4,057)	5,928
Other receivables	N.A. Exposure Limited	2,865	–	2,865
Cash and cash equivalents	N.A. Exposure Limited	21,261	–	21,261

The table below details the credit quality of the Company's financial assets:

	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
		RMB'000	RMB'000	RMB'000
Due from a subsidiary	N.A. Exposure Limited	25	–	25
Cash and cash equivalents	N.A. Exposure Limited	366	–	366

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Credit risk (cont'd)

Previous accounting policy for impairment of financial assets

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables and other receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group 2017 RMB'000
Gross amount of trade receivables that are past due:	
< 6 months	9,310
> 6 months	5,700
	<u>15,010</u>

The carrying amount of trade receivables individually determined to be impaired and the related allowance for impairment are as follows:

	Group 2017 RMB'000
Gross amount of trade receivables that are past due:	
< 6 months	5,346
> 6 months	18,714
	<u>24,060</u>
Less: allowance for doubtful receivables	(19,190)
	<u>4,870</u>

Trade receivables are non-interest bearing and have no fixed credit terms. The credit period varies from customers to customers after taking into consideration their payment track record, financial background, length of business relationship and size of transactions.

Trade receivables that are individually determined to be impaired at the end of the reporting period and those relating to receivables that are in significant financial difficulties, have defaulted on payments, or are disputing the amount due will be provided for doubtful receivables. These receivables are not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Credit risk (cont'd)

Previous accounting policy for impairment of financial assets (cont'd)

Financial assets that are past due and/or impaired (cont'd)

The age analysis of other receivables past due but not impaired is as follows:

	Group 2017 RMB'000
Gross amount of other receivables that are past due:	
< 6 months	300
> 6 months	47
	<u>347</u>

The carrying amount of other receivables individually determined to be impaired and the related allowance for impairment are as follows:

	Group 2017 RMB'000
Gross amount of other receivables that are past due:	
< 6 months	467
> 6 months	3,117
	<u>3,584</u>
Less: allowance for doubtful receivables	<u>(3,316)</u>
	<u>268</u>

33. Fair value of assets and liabilities

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of these financial assets and financial liabilities recorded in the financial statements of the Group and the Company approximate their respective fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

34. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or reduce borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. Capital management (cont'd)

As disclosed in Note 28, the PRC subsidiaries are required to contribute to and maintain a non-distributable statutory fund.

The Group manages capital by monitoring the level of net debt and capital. Net debt is calculated as contract liabilities, trade payables, bill payables, other payables, amounts due to related parties, borrowings less cash and cash equivalents. Capital includes equity attributable to the equity holders of the Company less the statutory reserves and capital reserve. The Group's overall strategy remains unchanged from 2017.

	Group	
	2018	2017
	RMB'000	RMB'000
Contract liabilities	77,869	79,110
Trade payables	248,315	206,259
Bills payables	9,125	520
Other payables	127,858	116,663
Due to related parties (non-trade)	981	243
Borrowings	27,400	38,000
Less: Cash and cash equivalents	(21,261)	(16,510)
Net debts	470,287	424,285
Equity attributable to the equity holders of the Company	1,067,394	1,061,383
Less: Statutory reserves (Note 28)	(128,694)	(127,118)
Capital reserve (Note 29)	(97,097)	(97,097)
Total capital	841,603	837,168

35. Segment information

The Group is principally engaged in manufacturing and selling of conventional and high performance and high tonnage stamping machines and metal parts. All provisions are of a similar nature and subject to similar risks and returns. Accordingly, the Group's operating activities are mainly attributable to a single reportable operating segment.

Geographical information

The Group's revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to a single geographical region, the PRC, which is the Group's principal place of business and operations. Therefore, no analysis by geographical region is presented.

Information about major customer

No external customer individually contributed 10% or more of the Group's total revenue.

36. Authorisation of financial statements

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors dated 25 March 2019.

SHAREHOLDERS' INFORMATION

AS AT 19 MARCH 2019

Class of shares	: Ordinary shares
Issued and fully paid-up capital	: S\$50,418,000
Number of shares issued	: 400,000,000
Voting rights	: One vote per share

The Company does not hold any treasury shares and subsidiary holdings.

STATISTICS OF SHAREHOLDINGS

Size of Shareholding			Number of Shareholders		%	Number of Shares		%
1	-	99	1	0.16		73	0.00	
100	-	1,000	46	7.57		42,900	0.01	
1,001	-	10,000	234	38.49		1,540,351	0.38	
10,001	-	1,000,000	315	51.81		22,154,176	5.54	
1,000,001		and above	12	1.97		376,262,500	94.07	
			608	100.00		400,000,000	100.00	

SUBSTANTIAL SHAREHOLDERS AS AT 19 MARCH 2019

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
World Sharehold Limited ⁽¹⁾	295,391,000	73.85	-	-
Wang Weiyao ⁽¹⁾	200,000	0.05	295,391,000	73.85
Minshun Private Limited ⁽²⁾	54,100,000	13.53	-	-
Shao Jianjun ⁽²⁾	-	-	54,100,000	13.53

Notes:

⁽¹⁾ World Sharehold Limited ("World Sharehold") is an investment holding company incorporated in the British Virgin Islands. As World Sharehold is wholly-owned by Wang Weiyao, Wang Weiyao is deemed interested in the shares held by World Sharehold by virtue of his 100% shareholdings in World Sharehold.

⁽²⁾ Minshun Private Limited ("Minshun") is an investment holding company incorporated in Singapore. As Minshun is wholly-owned by Shao Jianjun, Shao Jianjun is deemed interested in the shares held by Minshun by virtue of his 100% shareholdings in Minshun.

SHAREHOLDERS' INFORMATION

AS AT 19 MARCH 2019

TWENTY LARGEST SHAREHOLDERS AS AT 19 MARCH 2019

No.	Name of Shareholders	Number of Shares	%
1	WORLD SHAREHOLD LIMITED	295,391,000	73.85
2	OCBC SECURITIES PRIVATE LTD	59,008,000	14.75
3	CHUA KUAN LIM CHARLES	6,050,600	1.51
4	PHILLIP SECURITIES PTE LTD	2,522,800	0.63
5	CHUA ZI EN ALEXANDRA JANE (CAI ZI'EN)	2,025,800	0.51
6	LIAN SENG INVESTMENT PTE LTD	2,000,000	0.50
7	DBSN SERVICES PTE LTD	1,926,000	0.48
8	DBS NOMINEES PTE LTD	1,874,800	0.47
9	HE GUANGLIN	1,464,000	0.37
10	SHAO XIAOPU	1,443,000	0.36
11	HONG LEONG FINANCE NOMINEES PTE LTD	1,400,000	0.35
12	RAFFLES NOMINEES (PTE) LIMITED	1,156,500	0.29
13	CITIBANK NOMINEES SINGAPORE PTE LTD	874,027	0.22
14	ABN AMRO CLEARING BANK N.V.	812,000	0.20
15	LI HUNG	781,000	0.20
16	MAYBANK KIM ENG SECURITIES PTE. LTD.	691,000	0.17
17	UOB KAY HIAN PTE LTD	570,000	0.14
18	KIANG TIANG TAN OR Kiang Wen Jiang	545,000	0.14
19	SAHA ANSHUMAN MANABENDRANATH	490,000	0.12
20	TAN JIN SIN	457,000	0.11

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

12.00% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of WORLD PRECISION MACHINERY LIMITED (the "Company") will be held at Suntec City Convention Centre, Meeting Room 303, Level 3, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Monday, 29 April 2019 at 2.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to Article 89 of the Company's Constitution.

Mr Shao Jianjun
Mr Lim Yoke Hean

(Resolution 2)

(Resolution 3)

Mr Lim Yoke Hean will, upon re-election as a Director of the Company, remain as Chairman of the Nominating and Remuneration Committees and a member of the Audit Committee, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

The information relating to Mr Shao Jianjun and Mr Lim Yoke Hean as required under Rule 720(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited is set out in the Appendix to the Notice of Annual General Meeting.

3. To approve the payment of Directors' fees of S\$180,000 for the financial year ending 31 December 2019, to be paid quarterly in arrears (FY2018: S\$180,000). **(Resolution 4)**
4. To transact any other ordinary business which may be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:

5. **The Proposed Appointment of KPMG LLP as the Company's Auditors in place of the retiring Auditors, Baker Tilly TFW LLP**

That KPMG LLP be and is hereby appointed as the Company's Auditors in place of the retiring Auditors, Baker Tilly TFW LLP, to hold office until the conclusion of the next Annual General Meeting of the Company, and that the Directors be and are hereby authorised to fix their remuneration.

[See Explanatory Note (i)]

(Resolution 5)

6. **Share Issue Mandate**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)]

(Resolution 6)

7. The Proposed Renewal of the Interested Person Transactions Mandate

That for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("Chapter 9"):

- (a) approval be and is hereby given for the renewal of the mandate for the Company, its subsidiaries and associated companies that are considered to be "entities at risk" under Chapter 9, or any of them, to enter into any of the transactions falling within the types of interested person transactions described in Appendix A to the Company's Circular to Shareholders accompanying the Notice of Annual General meeting dated 12 April 2019 (the "Circular"), with any party who is of the class of interested persons described in Appendix A to the Circular, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions (the "IPT Mandate");
- (b) the IPT Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier; and
- (c) authority be given to the Directors of the Company to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution.

[See Explanatory Note (iii)]

(Resolution 7)

NOTICE OF ANNUAL GENERAL MEETING

By Order of the Board

Yuen Pei Lur Perry
Company Secretary

Singapore, 12 April 2019

Explanatory Notes:

- (i) The Company has received a notice from a shareholder, World Sharehold Limited, nominating KPMG LLP as the Company's Auditors in place of the retiring Auditors, Baker Tilly TFW LLP. KPMG LLP has expressed their willingness to accept the appointment.

The Ordinary Resolution 5 in item 5 above, is to approve the appointment of KPMG LLP as the Company's Auditors in place of the retiring Auditors, Baker Tilly TFW LLP, to hold office until the conclusion of the next Annual General Meeting of the Company, and to authorise the Directors to fix their remuneration ("Proposed Change of Auditors"). For more details on the Proposed Change of Auditors, please refer to the Company's Letter to Shareholders dated 12 April 2019.

- (ii) The Ordinary Resolution 6 in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

- (iii) The Ordinary Resolution 7 in item 7 above, if passed, will authorise the Interested Person Transactions as described in the Circular and recurring in the year and will empower the Directors of the Company to do all acts necessary to give effect to the IPT Mandate. This authority will, unless previously revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "Meeting").

(b) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

Additional Information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST on Directors seeking for re-election (as at 12 April 2019)

The following additional information on Mr Shao Jianjun and Mr Lim Yoke Hean, all of whom are seeking re-election as Directors at this Annual General Meeting, is to be read in conjunction with their respective biographies on pages 12 and 13 of this Annual Report.

	Shao Jianjun	Lim Yoke Hean
Date of Appointment	28 July 2004	2 July 2010
Date of last re-appointment (if applicable)	28 April 2017	28 April 2017
Age	63	64
Country of principal residence	China	Singapore
The Board's comments on this appointment (In the Company's case, the Board's comments on this re-election)	<p>The Nominating Committee ("NC") having considered the attendance and participation of the Director at Board and Board Committees' meetings, in particular, Mr. Shao Jianjun's contribution to the business and operations of the Company as well as Board processes, had recommended to the Board the re-election of Mr. Shao Jianjun who will be retiring by rotation pursuant to Article 89 of the Company's Constitution at the forthcoming Annual General Meeting ("AGM").</p> <p>The Board supported the NC's recommendation.</p> <p>Mr. Shao Jianjun had abstained from voting on any resolution and making any recommendation and/or participate in respect of his own re-election.</p>	<p>The NC having considered the attendance and participation of the Director at Board and Board Committees' meetings, in particular, Mr. Lim Yoke Hean's contribution to the business and operations of the Company as well as Board processes, had recommended to the Board the re-election of Mr. Lim Yoke Hean who will be retiring by rotation pursuant to Article 89 of the Company's Constitution at the forthcoming AGM.</p> <p>The Board supported the NC's recommendation.</p> <p>Mr. Lim Yoke Hean had abstained from voting on any resolution and making any recommendation and/or participate in respect of his own re-election.</p>
Whether appointment is executive, and if so, the area of responsibility	Executive Responsible for overseeing the operations of the Group	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman	Independent Director, Chairman of the Nominating and Remuneration Committees and a member of the Audit Committee.
Professional qualifications	Please refer to the Directors' respective biographies on pages 12 and 13 of this Annual Report.	
Working experience and occupation(s) during the past 10 years	Please refer to the Directors' respective biographies on pages 12 and 13 of this Annual Report.	
Shareholding interest in the listed issuer and its subsidiaries	Deemed interest in 54,100,000 shares held by Minshun Private Limited, which is wholly-owned by him.	Deemed interest in 200,000 shares held by spouse.

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

	Shao Jianjun	Lim Yoke Hean
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer – Yes / No	Yes	Yes
Other Principal Commitments*	Nil	Nil
Other Directorships for the past 5 years	Nil	China Fibretech Ltd Aljo Consults (Singapore) Pte Ltd
Other Present Directorships	Minshun Private Limited	Nil
Disclosure applicable to appointment of Director only		
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable	Not applicable

The Company confirms that there is no change in the declaration items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual concerning the Directors to be re-elected.

**The term "principal commitments" shall include all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.*

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WORLD PRECISION MACHINERY LIMITED

(Incorporated in the Republic of Singapore)

(Co. Reg. No: 200409453N)

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We*, _____ (Name), NRIC/Passport number* _____

of _____ (Address)

being a member/members of **World Precision Machinery Limited** (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Suntec City Convention Centre, Meeting Room 303, Level 3, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Monday, 29 April 2019 at 2.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	Number of Votes For ⁽¹⁾	Number of Votes Against ⁽¹⁾
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018		
2	Re-election of Mr Shao Jianjun as a Director		
3	Re-election of Mr Lim Yoke Hean as a Director		
4	Approval of Directors' fees amounting to S\$180,000 for the financial year ending 31 December 2019, to be paid quarterly in arrears		
5	The Proposed Appointment of KPMG LLP as Auditors of the Company in place of the retiring Auditors, Baker Tilly TFW LLP		
6	Share Issue Mandate		
7	The Proposed Renewal of Interested Person Transactions Mandate		

⁽¹⁾ If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of April 2019

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder



Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

“Relevant intermediary” means:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
 6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 not less than 48 hours before the time appointed for the Meeting.
 7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
 8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2019.

GENERAL:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Shao Jianjun (*Executive Chairman*)
Wang Weiyao (*Non-Executive and Non-Independent*)
Phang Kin Seng (Lawrence) (*Lead Independent*)
Lim Yoke Hean (*Independent*)

AUDIT COMMITTEE

Phang Kin Seng (Lawrence) (*Chairman*)
Lim Yoke Hean
Wang Weiyao

NOMINATING COMMITTEE

Lim Yoke Hean (*Chairman*)
Phang Kin Seng (Lawrence)
Wang Weiyao

REMUNERATION COMMITTEE

Lim Yoke Hean (*Chairman*)
Phang Kin Seng (Lawrence)
Wang Weiyao

COMPANY SECRETARY

Yuen Pei Lur Perry

REGISTERED OFFICE

50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355
Fax: (65) 6536 1360

BUSINESS OFFICE

Picheng Town, Danyang City, Jiangsu Province
People's Republic of China
Postal Code 212311

SHARE REGISTRAR

B.A.C.S. Private Limited
8 Robinson Road #03-00
ASO Building
Singapore 048544

INDEPENDENT AUDITOR

Baker Tilly TFW LLP
Public Accountants and Chartered Accountants
600, North Bridge Road
#05-01 Parkview Square
Singapore 188778

AUDIT PARTNER-IN-CHARGE

Lim Kok Heng
(Appointed wef financial year ended 31 December 2016)

INTERNAL AUDITOR

Nexia TS Risk Advisory Pte. Ltd.
100 Beach Road
#30-00 Shaw Tower
Singapore 189702



WORLD PRECISION MACHINERY LIMITED

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(Company Registration Number: 200409453N)

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