沃得
WORLD

Growing towards a

SUSTAINABLE FUTURE

ANNUAL REPORT 2021

沃得
WORLD

CORPORATE MISSION, VISION AND VALUES

Mission
- Adhering the attitude and spirit of thinking and innovating, we will continue to develop new technology and products such as advanced and reliable forging equipments for the manufacturing industry

Vision
- First-class brand
- First-class quality
- First-class service
- Acceptable price

Values
- Integrity
- Pragmatic
- Collaboration
- Innovation

CONTENTS

COMPANY PROFILE

Based in Danyang City, Jiangsu Province, the People's Republic of China ("PRC"), World Precision Machinery Limited ("World Precision", and together with its subsidiaries, the "Group") is one of the leading manufacturers of stamping machines and related metal components in PRC. The Group manufactures both standard and customised 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 400 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 Computer Numeric Control ("**CNC**") laser cutting 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. 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 automotive in 2021 increased by 3.4% and 3.8% to 26,082,000 and 26,275,000 units respectively, ending a 3-year falling streak[1]. This was boosted partly by a jump of 157.5% in sales of new energy vehicles ("**NEV**") to 3.52 million units as the government has been promoting NEVs heavily as part of its efforts to curb air pollution[2].

In FY2021, the Group's revenue contributed by the automotive sector was around RMB632.7 million and accounted for 48.0% of the Group's overall sales.

ELECTRONICS

China is seeing a growth in demand for consumer electronics due to consumers' increasing demand for innovative and advanced products. During the last Double Eleven shopping gala, Chinese consumers are exhibiting mounting enthusiasm for consumer electronics, especially for smartphones, after phone shipments declined for several months in China amid a lack of appealing products and a shortage of chip supplies[3].

For FY2021, the Group's revenue from the electronics sector was RMB158.2 million and accounted for 12.0% of the Group's overall sales.

HOME APPLIANCES

According to National Development and Reform Commission, China's home appliance exports registered steady growth in 2021. China exported over 3.87 billion sets of home appliance products, marking a growth of 10.1% year-on-year, and the total value of the exports surged 22.3% year-on-year to around US$98.72 billion[4]. In addition, there is also growing demand for diversified, personalised and customised home appliance products amid ongoing premiumisation progress in China and the domestic consumers are keen on buying intelligent and high-quality goods[5].

For FY2021, the Group's revenue from the home appliances sector was RMB421.8 million and accounted for 32.0% of the Group's overall sales.

OTHERS

Others include railway industry, aircraft industry, machinery industry, hardware industry and etc.

According to The Ministry of Industry and Information Technology, the added value of the machinery industry increased by 10% year-on-year[6] despite facing chip shortages and outbreak of COVID-19. The industry is expected to achieve steady growth this year[7]. China has set a 15-year transport expansion plan as it seeks to double size of its economy by 2035. The entire railway network of China is anticipated to grow to 200,000km in 15 years, an increase of 37% from 146,000km at the end of 2020[8].

For FY2021, the Group's revenue from this sector was RMB105.5 million and accounted for 8.0% of the Group's overall sales.

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2 China's annual auto sales climb for first time since 2017, https://www.reuters.com/markets/asia/chinas-auto-sales-fall-eighth-straight-month-dec-2022-01-12/
3 Consumer electronics to reign supreme, https://global.chinadaily.com.cn/a/202111/03/WS6181de4ca310cdd39bc72f02.html
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6 https://equalocean.com/briefing/20220130230116928
7 China's machinery industry to maintain steady growth in 2022, http://www.news.cn/english/20220226/e02122a1b1af4bffbb1e7721b0a8b97e/c.html
8 China sets 15-year transport expansion plan as it seeks to double size of economy by 2035, https://www.scmp.com/economy/china-economy/article/3123151/china-sets-15-year-transport-expansion-plan-it-seeks-double

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 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 manufcature, 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, development and sale of CNC-based technology products.

MILESTONES

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 our activities in the proximity area 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 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 total land area of 364,922.74 sqm for a total consideration of RMB 123.3 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 completing 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 Precise 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.

FY2014
New products launch, JS36-250 and JSG36-1000.

FY2015
New products launch, J31-1250 and JX36-1000.

DECEMBER 2015
Amalgamation of PRC subsidiaries, WHMT, WCNC and WPMM amalgamated into WPM (China).

FY2016
New products launch, DS1-160, JS39-1600 and JH24-200.

FY2017
New products launch, NC1-110, NC1-160, NC1-200, NC1-260 and JA89-1000.

FY2018
New products launch, WS67K-63/2500, WS67K-100/3200, JH28-160, JH28-200, JH28-400 and WD-F3015L.

FY2019
New products launch, JS39-800, JS39-1200, JS39-1600, JS36-1000 and F4020.

FY2020
New products launch, LD-3015K, LD-2020C2, LD-3015C2Z, LD-3015KL, DS2-250.

Shareholders of the Company had on Extraordinary General Meeting held on 22 December 2020 approved the sale of all the shareholding interest in Shenyang World High-End Equipment Manufacturing Co., Ltd. to World Agricultural (Shenyang) Co. Ltd. for a cash consideration of RMB263.1 million.

FY2021
New products launch, LG6020K, PSP-80, DS2-200, JL21-125, YW41-125, JS36-600+400, JS39-400, JW31Z-80.

Completion of the sale of all the shareholding interest in Shenyang World High-End Equipment Manufacturing Co., Ltd. to World Agricultural (Shenyang) Co. Ltd. for a cash consideration of RMB263.1 million.

MESSAGE FROM CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dear shareholders

On behalf of the Board of Directors, we are 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 2021 ("**FY2021**").

2021: YEAR IN REVIEW

China's GDP grew by 8.1% in 2021, marking the largest jump since 2011[1] while its industrial output improved 9.6% in 2021[2]. However, China's economic recovery from its sharp pandemic-induced slump started to slow down in the second half of the year as debt problems in the property market and strict antivirus measures had dented consumer confidence and spending. Stringent regulations on everything from internet businesses to after-school tutoring companies have also triggered a wave of layoffs[3]. China's central bank cut the benchmark interest rate for the first time in nearly two years and extended tax relief measures are rolled out to help to boost the economy[4].

The business environment has been very challenging. However, the Group demonstrated its resilience and adaptability to overcome adversity by achieving a stellar performance in FY2021. The Group registered a revenue of RMB1,318.2 million in FY2021 from RMB1,029.4 million in FY2020, representing a growth of 28.1%. This was mainly attributable to the increase in number of units sold for high performance and high tonnage stamping machines partially offset by a decrease in number of units sold for conventional stamping machines and together with an upward revision in the average selling prices of the stamping machines. In line with the growth in revenue, gross profit increased by 21.4% to RMB240.8 million from RMB198.3 million in FY2020 while the gross profit margin for FY2021 decreased by 1% to 18.3% from 19.3% in FY2020. The Group's operating expenses increased by 3.4% to RMB183.7 million from RMB177.6 million in FY2020. As a result, the Group's net profit attributable to equity holders surged 180.3% year-on-year to RMB113.3 million for FY2021, which translated into basic earnings per ordinary share of RMB0.28 for its shareholders.

On 22 March 2021, the Group has completed the sale of Shenyang World High-End Equipment Manufacturing Co., Ltd. (the "**Shenyang Factory**"). There has been a shift in the Group's strategy, where the Shenyang factory is utilised mainly for supply, installation and servicing of stamping machines. Shenyang Factory which has been constructed are in excess of the business requirements of the Group. Thus, the Group decided to sell it and placed its focus on Danyang manufacturing base to further improve its effectiveness and efficiency of its operations. This is also part of the Group's initiatives to streamline its business processes.

INDUSTRY OUTLOOK

The new COVID-19 variant, Omicron is now starting to spread in China, leading to more restrictions in the country and raising fears of renewed disruption of supply chains. The government had imposed travel restrictions and lockdowns to control pockets of outbreaks tied to the highly transmissible Omicron variant, resulting in dampened consumer spending.
In addition, the current complex domestic and global economic situation as well as geopolitical tensions, especially the Russian-Ukraine war, have increased external uncertainties and the downward pressure on the China domestic economy. The war is expected to worsen the global semiconductor shortage and result in higher prices as the two countries are the major suppliers of palladium and neon which are critical resources to the production of semiconductor chips. Russia supplies over 40% of the world's supply of palladium and Ukraine produces 70% of the global supply of neon. This might have some impact on the automotive industry as the industry is largely dependent on semiconductor as it is one of the main components in passenger vehicles[5].

China is planning to speed up its new industrialisation and informatisation process, aiming to develop into a manufacturing powerhouse by 2025[6]. With this, China strives to cultivate 10,000 small giant companies with high growth potential, advanced technologies and a strong market competitive edge before 2025. Thus, China is rolling out new efforts to nurture a number of manufacturers that specialise in niche sectors and specific industries. The government will be introducing favourable policies, including incentives for technological innovation and financial assistance to the companies[7].

The production and sales of automotive in China increased by 3.4% and 3.8% to 26.1 million and 26.3 million respectively in 2021, ending a 3-year falling streak. Many local vehicle manufacturers have doubled their overseas sales in 2021 though the domestic market continues to stagnate. This was the result of their relentless endeavours in expanding into overseas markets over the years. Chinese automotive brands have been well-received and getting more popular in the global markets in recent years as they have been improving the quality of their products through substantial in-house R&D investment and partnerships with overseas suppliers[8]. Significantly, Chinese automotive industry has marked a record year in 2021 where their auto vehicle exports doubled to a record 2.02 million, hitting 2 million for the first time[9]. This also served as a testament to the resilience of Chinese automotive industry chain which can stabilise global supply chain during the pandemic.

Remarkably, 2021 was also a record year for China's new energy vehicle (NEV) industry as China recorded a 181% increase in sales from 2020 and exceeded the total of the previous three years, accounted 15.7% of the country's car market[10]. During the year, 3.54 million NEVs including battery-electric cars and plug-in hybrids were produced and 3.52 million of them were successfully sold. The booming NEV sales followed the gradual improvement of China's supporting infrastructure. China had built 75,000 charging stations, 2.62 million charging piles, and 1,298 battery swapping stations in 2021[11]. Growing demand for NEVs will help Chinese automakers grow their presence in established markets.

China has become the world's largest manufacturing base for home appliance products, accounting for about 60-70% of global production capacity. Despite the challenges posed by COVID-19, the home appliance industry in China is on a steady growth and has become globally competitive in production scale and export volume. Local players are accelerating their efforts to expand their presence into overseas market where the export volume of home appliance products has been increasing[12]. China is also intensifying its efforts to boost the consumption of green and smart home appliances and replacement of old home appliances. Besides stimulating the purchasing power of consumers, the promotion of green and smart home appliances is in line with China's commitment to pursue a path of green, low-carbon and sustainable development[13].

Going forward, the Group will continue to invest in brand building and distribution network expansion as well as maintaining the quality of its products to increase its market share and bolster its presence in the industry. We will also continue to streamline our operations and explore all suitable opportunities to grow our business and deliver sustainable profitability.

The pandemic year has taught us that sustainability is not just about tackling environmental risks but much more. Creating and measuring stakeholder value allows the Group to position itself for long-term success and help put people, the economy, and society on the path to a sustainable future. In uncertain and unsettling times, effective management of Environmental, Social and Governance ("**ESG**") will contribute to sustainable business resilience. With the goals being the blueprint to achieve a better and more sustainable future for all, we will focus on ESG initiatives where we can have the greatest impact.

Lingering uncertainties and concerns about the global outlook are expected to slow down the economy growth and the COVID-19 situation in China remains fluid. Thus, the management will be monitoring the development of the COVID-19 situation closely and will adjust our existing business strategies to better mitigate the potential challenges. We are cognisant that we have to stay vigilant and nimble in order to thrive in a changing world. We remain cautiously optimistic of our outlook with a strong execution capability and a resilient business.

REWARDING SHAREHOLDERS

As a result of the Group's commendable financial performance and proceeds from the disposal of Shenyang Factory, the Board has recommended a final tax-exempt (one-tier) dividend of RMB0.125 per share, marking an increase of 66.7% as compared to the final tax-exempt (one-tier) dividend of RMB0.075 per share in FY2020 as an appreciation of our shareholders' long-term support.

This represents a dividend payout of 44.6% of the Group's FY2021 net profit.

A WORD OF APPRECIATION

We would like to express our sincere gratitude to our employees for their dedication and efforts during this unprecedented year as it would not be possible for us to achieve this set of outstanding performance without them. At the same time, we would like to extend our appreciation to our business partners and our customers for their enduring support. We would also like to express our heartfelt thanks our Board of Directors for their guidance and counsel. Lastly, we would like to thank our shareholders for their trust and support during this difficult period.

Let's work hand in hand to scale greater height!

Mr. Shao Jianjun
Executive Chairman

Mr. Zhuang Guosheng
Chief Executive Officer

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3 China's economy is slowing, a worrying sign for the world, https://www.wionews.com/world/chinas-economy-is-slowing-a-worrying-sign-for-the-world-445560
4 China cuts rates for first time in almost 2 years as growth risks worsen with Omicron, https://www.straitstimes.com/business/economy/china-cuts-key-interest-rates-for-first-time-since-april-2020
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7 Manufacturing to get a major boost, http://english.www.gov.cn/news/topnews/202107/28/content_WS6100b6f8c6d0df57f98ddb56.html
8 China's auto industry steps up export drive, https://www.just-auto.com/features/chinas-auto-industry-steps-up-export-drive/
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10 China's new-energy vehicles reach a turning point, https://asia.nikkei.com/Spotlight/Caixin/China-s-new-energy-vehicles-reach-a-turning-point
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主席和首席执行官致词

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2021年12月31日（2021财年）的年度报告。

2021年财年回顾

2021年中国国内生产总值增长8.1%，创下2011年以来最大增幅，2021年工业产值增长9.6%。然而，由于房地产市场的债务问题和严格的疫情防疫措施削弱了消费者信心和支出，使正从新型冠状病毒疫情复苏当中的中国经济在下半年开始放缓。从互联网企业到课外辅导机构的严格监管也引发了一波裁员潮。中国央行近两年来首次下调基准利率，并推出延长税收减免措施以帮助提振经济。

目前的商业环境非常具有挑战性。然而，本集团仍于在2021财年取得了出色业绩，展示了集团克服逆境的韧性和适应能力。本集团的营业额由2020财年的10.29亿元人民币增长28.1%至13.18亿元人民币。这主要是由于高性能和高吨位冲压机的销售数量增加部分抵消传统冲压机销量的减少以及冲压机的平均售价的上调。与收入增长一致，毛利从2020财年的1.98亿元人民币增加21.4%至2.41亿元人民币，而2021财年的毛利率则由2020财年的19.3%下降1.0个百分点至18.3%。集团的经营开支由2020财年的1.77亿元人民币增加3.4%至1.84亿元人民币。因此，本集团于股东权益持有人的净利润增加180.3%至2021财年的1.13亿元人民币，每股普通股基本盈利为0.28元人民币。

于2021年3月22日，本集团完成出售沈阳沃得高端装备制造有限公司的所有股权（"沈阳厂"）。本集团的策略发生了转变，沈阳厂现主要用于冲压机的供应、安装和维修。已建成的沈阳厂超出了本集团的业务需求，因此，本集团决定将其出售，并将重点放在丹阳制造生产基地，以进一步提高我们的运营效率。这也是集团精简运营业务流程举措的一部分。

行业展望

变异株新型冠状病毒，奥密克戎现在开始在中国传播，导致全国各地采取更多限制措施，并引发了对供应链再次中断的担忧。政府实施了旅行限制和封锁，以控制与高传染性的奥密克戎的传播，导致消费者支出减少。

此外，当前国内外经济形势复杂，地缘政治局势紧张，尤其是俄乌战争，增加外部不确定性和加大中国国内经济压力。预计战争将加剧全球半导体短缺并导致价格上涨，因为两国是钯和氖的主要供应商，而钯和氖是半导体芯片生产的关键资源。俄罗斯供应全球 40%以上的钯，乌克兰生产全球70%的氖。半导体芯片是乘用车的主要部件之一，这可能会对汽车行业产生一些影响，因为汽车行业在很大程度上依赖于半导体。

中国正计划加快新型工业化和信息化进程，力争到2025年发展成为制造业强国。为此，中国力争在2025年前培育出10,000家具有高增长潜力、先进技术和强大市场竞争优势的小巨人企业。为此，中国正在努力培育一批专注于利基领域和特定行业的制造商。政府将出台优惠政策，包括对技术创新的激励措施和对企业的财政援助。

2021年中国汽车产销量分别增长3.4%和3.8%，达到2610万辆和2630万辆，结束了连续3年的下滑趋势。尽管国内市场继续停滞不前的情况下，但许多本土汽车制造商的海外销量在 2021年翻了一番。这是他们多年来不懈努力开拓海外市场的结果。近年来，中国汽车品牌通过大量的内部研发投入和与海外供应商的合作，不断提高产品质量，在全球市场上也越来越受欢迎。中国汽车行业在2021年迎来了创纪录的一年，其汽车出口翻了一番，达到202万辆，首次出口量突破200万辆。这也证明了中国汽车产业链的韧性，能够在疫情期间稳定全球供应链。

值得一提的是，2021年也是中国新能源汽车（NEV）行业创纪录的一年，中国的销量比2020年增长了181%，超过了前三年的总和，占全国汽车市场的15.7%。于2021年，中国生产了354万辆的新能源汽车，这包括纯电动汽车、插电式混合动力等，并成功销售352万辆。随着中国基础设施的逐步完善，新能源汽车销售非常好。中国已在2021年建成7万5千座充电站、262万座充电桩、1,298座换电站。对新能源汽车不断增长的需求将帮助中国汽车制造商扩大在这市场的份额。

中国已成为全球最大的家电产品制造基地，约占全球产能的60-70%。尽管新型冠状病毒疫情带来了挑战，但中国家电行业仍在稳步增长，并在生产规模和出口量方面具有全球竞争力。由于家电产品出口量不断增加，本土企业正在加快在海外市场拓展他们的业务。中国也在加大力度促进绿色、智能家电消费和老旧家电的更新。在激发消费者购买力的同时，推广绿色智能家电符合中国走绿色、低碳、可持续发展道路的承诺。

展望未来，本集团将继续投资于品牌建设及分销网络扩张，以及维持我们的产品质量，以增加我们的市场份额并加强我们在行业中的影响力。我们还将继续精简我们的运营并探索所有合适的机会来发展我们的业务并维持可持续的盈利。

我们从疫情意识到可持续性不仅仅是应对环境风险，还有更多其他的。创造和衡量利益相关者的价值使集团能够为自己的长期成功定位，并帮助人民、经济和社会走上通往可持续未来的道路。在不确定和动荡的时期，环境、社会和治理（"ESG"）的有效管理将有助于可持续的业务韧性。我们的目标是实现更美好、更可持续的未来的蓝图，我们将专注于对环境、社会和治理发挥积极影响。

持续的不确定性和对全球前景的担忧预计将减缓经济增长，而中国的疫情情况仍然不稳定。因此，管理层将密切关注疫情形势的发展，并将实时调整我们现有的业务战略，以更好地缓解潜在的挑战。我们也意识到为了在不断变化的世界中茁壮成长，我们必须保持警惕和敏捷。凭借强大的执行能力和坚韧的业务，我们对前景保持谨慎乐观。

回报股东

鉴于集团的出色的业绩和出售沈阳沃得高端装备制造有限公司所得到的收益，董事会建议派发每股人民币 12.5 分的期末免税（一级）股息，较之前2020 财年的每股人民币7.5分的期末免税（一级）股息提高了 66.7%，以感谢我们股东的长期支持。这将使2021年全年派息率达到44.6%。

致谢词

我们对我们的员工在这个空前的一年中的奉献和努力表示衷心的感谢，因为没有他们，我们不可能取得如此出色的业绩。同时，我们要感谢我们的业务合作伙伴和客户一直以来的支持。我们也非常感谢董事会的指导和提出的建议。最后，我们要感谢我们的股东在这个困难时期的信任和支持。

让我们携手并进，更上一层楼！

邵建军
执行主席

庄国胜
首席执行官


WORLD
JS36-500-3200-1800

OPERATIONS REVIEW

Earnings

The Group's revenue recorded a year-on-year ("**yoy**") increase of 28.1% to RMB1,318.2 million for the fiscal year ended 31 December 2021 ("**FY2021**") from RMB1,029.4 million for the fiscal year ended 31 December 2020 ("**FY2020**"). The Group's overall sales increased largely due to an increase in number of units sold in high-performance and high-tonnage stamping machines ("**HPHT**") which was partially offset by a decrease in number of units sold in conventional stamping machines and together with an upward revision in the average selling prices ("**ASP**") of the stamping machines.

Sales of conventional stamping machines decreased by 8.1% from 3,089 units for FY2020 to 2,840 units for FY2021 while its ASP increased by 3.8% to RMB20,426 per unit for FY2021. Sales of HPHT stamping machines increased by 20.7% from 6,137 units for FY2020 to 7,406 units for FY2021 while its ASP increased by 9.3% to RMB155,556 per unit for FY2021. In terms of change in sales mix, sales of HPHT stamping machines over the total Group's revenue increased by 3% to 87.4% this year. Of the remaining sales, 4.4% came from conventional stamping machines and 8.2% came from sales of stamping machines parts and casting products.

The Group's gross profit for FY2021 increased by 21.4% to RMB240.8 million from RMB198.3 million in FY20. The gross profit margin for FY2021 decreased by 1% to 18.3% from 19.3% in FY2020. The decrease in profit margin was mainly due to an increase in raw materials costs which was partially offset by an increase in production of HPHT stamping machines together with an upward revision in the average selling prices of the stamping machines.

Gross profit margin for conventional stamping machines increased by 3.8 percentage point to 18.5% from 14.7% in FY2020 while gross profit margin for HPHT stamping machines increased by 1.8 percentage point to 20.2% from 18.4% in FY2020.

In FY2021, the Group's other income increased by 220.7% to RMB67.7 million from RMB21.1 million in FY2020. The increase was mainly due to a gain from disposal of subsidiary of RMB42.3 million and an increase in grants received from government which were partially offset by a decrease in rental income.

The Group's distribution and selling expenses increased by 2.1% to RMB96.3 million from RMB94.3 million in FY2020, in tandem with the increase in revenue. As a percentage of total revenue, distribution and selling expenses decreased by 1.9 percentage point to 7.3% in FY2021 from 9.2% in FY2020. Overall, the increase was mainly due to an increase in commission payable to sales personnel, transport, travelling, exhibition, promotion and sales related expense which were partially offset by a decrease in entertainment and consultancy expenses.

In FY2021, the Group's administrative expenses increased by 8.2% to RMB81.2 million from RMB75.0 million in FY2020. As a percentage of total revenue, administrative expenses decreased by 1.1 percentage point to 6.2% in FY2021 from 7.3% in FY2020. Overall, the increase was mainly due to an increase in research and development costs for stamping machines and staff salaries and its related costs. The Group continues to enhance its technical capabilities to launch higher value-added stamping machines through its research and development.

In FY2021, the Group's depreciation and amortisation expenses decreased by 11.5% to RMB69.4 million from RMB78.4 million in FY2020. The decrease was mainly due to certain existing property, plant and equipment and intangible assets being fully depreciated and amortised which were partially offset by additional depreciation and amortisation of new property, plant and equipment and intangible assets acquired during the period.

In FY2021, the Group recorded net finance income of RMB5.2 million from a net finance cost of RMB1.4 million in FY2020. This was mainly due to the interest income earned from a structured deposit placed with a financial institution and a loan to third party which were partially offset by interest paid for early redemption of bills receivables.

As a result of the above, the Group's net profit after tax for FY2021 increased by 180.3% to RM113.3 million from RMB40.1 million in FY2020. Net profit margin increased by 4.7 percentage point to 8.6% from 3.9% in FY2020. Consequently, the Group's earnings per ordinary share increased 180.3% yoy to RMB0.28 for FY2021 from RMB0.10 for FY2020, on a consistent basis of 400,000,000 outstanding shares.

Financial Position

Total assets were RMB2,112.6 million as at 31 December 2021, increased by RMB399.2 million yoy from the previous fiscal year. The Group's non-current assets increased by approximately RMB44.9 million mainly due to an increase in prepayment for property, plant and equipment and purchases of property, plant and equipment and additions of intangible assets net of the depreciation and amortisation expenses. The Group's total current assets increased by approximately RMB354.3 million from RMB969.4 million as at 31 December 2020 to RMB1,323.7 million as at 31 December 2021. This was attributable to an increase in inventories (mainly due to increase in sales orders), trade receivables (mainly due to increase in bills receivables from customers), other receivables (which was mainly due to a loan to third party of RMB100 million) and other investment of RMB300 million (which was structured deposits with financial institution) which were partially offset by a decrease in cash and cash equivalents (as explained in the consolidated statement of cash flows).

Total liabilities stood at RMB920.9 million as at 31 December 2021, increased by RMB315.7 million yoy from the previous fiscal year. The Group's non-current liabilities increased by RMB13.6 million due to an increase in deferred tax liabilities, revenue recognition of deferred income from government grants and lease liabilities. The Group's total current liabilities increased by approximately RMB302.1 million from RMB599.5 million as at 31 December 2020 to RMB901.6 million as at 31 December 2021. This was attributable to an increase in trade payables (mainly due to slow payment to suppliers and reclassification of bill receivables), other payables (mainly due to an increase in accrued operating expenses, bonus payables, payables relating to property, plant and equipment and reclassification of bill receivables) and income tax payables which were partially offset by a decrease in contract liabilities (mainly due to a decrease in advances received from customers) and amounts due to related parties (trade and non-trade).

The Group is in a net current assets position as at 31 December 2021 of RMB422.1 million.

Cash Flow

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents were RMB28.7 million as at 31 December 2021, compared to RMB41.2 million in the previous fiscal year.

Net cash inflow arising from operating activities amounted to RMB252.0 million. The reasons were mainly disclosed in the commentary under consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position.

Net cash outflow arising from investing activities which amounted to RMB230.2 million was mainly due to acquisition of other investment, provision of loan to a third party, purchases of property, plant and equipment and additions of intangible assets which were partially offset by the proceeds from disposal of a subsidiary, property, plant and equipment.

Net cash outflow arising from financing activities which amounted to RMB34.0 million arose mainly due to dividend payment, payment for lease liabilities and interest paid.

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 30 April 2021.

Mr. Shao is currently Executive Chairman of World Precise Machinery (China) Co., Ltd. (“**WPM (China)**”). Prior to that, he was the Chief Executive Officer ("**CEO**") of World Precise 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 JWPM when JWPM 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 JWPM 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 26 June 2020. 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**"), Jiangsu World Agricultural Machinery Co., Ltd. (“**JWAM**”) and Jiangsu World Precise Machinery Co., Ltd ("**JWPM**"). During 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 above mentioned 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 has 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.

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 30 April 2021.

Mr. Phang is currently the Director of Bartley Christian Church Limited, a God-loved missional community that worships passionately, evangelises faithfully, disciples intentionally and serves selflessly.

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 30 April 2021.

Prior to this, Mr. Lim has a 30 year-career 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. for one year till June 2013 and the advisor and director of Aljo Consults (Singapore) Pte Ltd for 9 years till March 2019.

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

KEY MANAGEMENT

Mr. Zhuang Guosheng

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

Mr. Zhuang Guosheng is in charge of overall operation of the Group. In November 2019, Mr. Zhuang Guosheng has been promoted to Chief Executive Officer of the Company. In March 2019, Mr. Zhuang 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. Wen Hui

Chief Deputy General Manager of WPM (China)

Mr. Wen Hui was appointed as the Chief Deputy General Manager of WPM (China) on 8 April 2022. Mr. Wen is overall in charge of research and development of stamping machines and modification of machinery and equipment of the Group. Mr. Wen, since April 2019, has been General Manager of World Heavy Industry (China) Co., Ltd. In August 2017 to March 2019, he was Chief Deputy General Manager of WPM (China) and was in charge of production, technical, quality control, procurement and equipment departments. In April 2015 to July 2017, he was General Manager of Jiangsu World Agriculture Machinery & Parts Manufacturing Co., Ltd. and Deputy General Manager of Jiangsu World Agriculture Machinery Co., Ltd.'s Tractor Business Development Department. Prior to that, he was General Manager of World Zhenji Machinery Manufacturing Co., Ltd. ("**WZMM**") and in charge of the overall operation of WZMM. Mr. Wen studied in the Zhenjiang Zhijin School of Economics Xinqiao Branch from 1996 to 1999.

Mr. Jin Zhaoguo

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

Mr. Jin Zhangguo is in charge of marketing and sales of the Group. In March 2019, Mr. Jin has been appointed as Chief Marketing Officer and Deputy General Manager 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. Zhu Peng

Chief Technology Officer and Chief Engineer of WPM (China)

Mr. Zhu Peng is in charge of technology and product development of the Group. In April 2022, Mr. Zhu has been promoted to Chief Technology Officer and Chief Engineer of WPM (China). He first started with WPM (China) in February 2006 as an equipment staff in Equipment department. He was then transferred to Technical Department as a designer in January 2007. He was promoted to the position of Project Leader of Technical Department in November 2010 and Head of Technical Department in January 2021 and was in charge of technology and product development of WPM (China). Mr. Zhu graduated from Nanjing Industrial Vocational and Technical College with a Specialist in Electromechanical Technology Application in July 2006.

KEY MANAGEMENT

Mr. Ge Baoping

Chief Procurement Officer and Deputy General Manager 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 Chief Procurement Officer and Deputy General Manager of WPM (China). 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 WPMM 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. 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. Zheng Yi

Finance Manager of WPM (China)

Mr. Zheng Yi is overall in charge of the accounting and finance matters of WPM (China). He is also the Group's risk compliance officer. In April 2022, Mr. Zheng has been appointed as Executive Officer of the Company and a member of the key management team of the Group. He first started with Jiangsu Regal Kitchen Equipment Co., Ltd. in June 1996 as an accountant. He was then worked in Jiangsu Changcai Cobine Harvester Co., Ltd in April 1998 as an accountant. Subsequently, he worked in Jiangsu Liangjiu Light Industry Machinery Co., Ltd. in June 1996 and Danyang Picheng Water Supply Co., Ltd. in February 2000 as an accountant. In April 2008, he worked as Finance Manager of World Crane Co., Ltd. before he moved to WPM (China) as Finance Manager in January 2010 and was in charge of the accounting and finance matters of WPM (China). Mr. Zheng graduated from Jiangnan University Network College with a Specialist in Accounting in January 2019.

Mr. Ng Keong Khoon (Samuell)

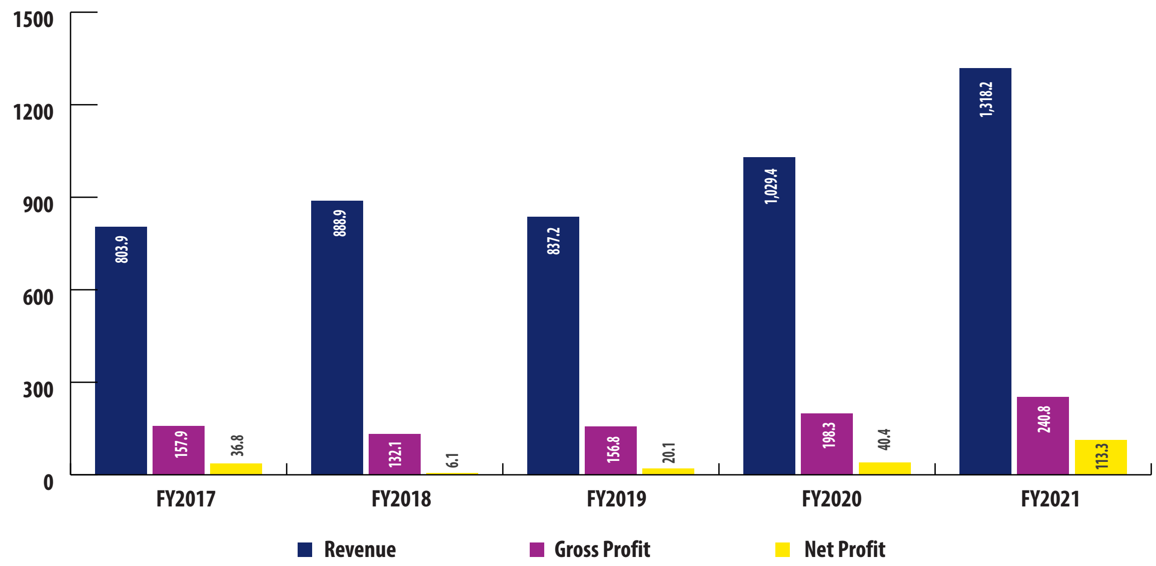
Chief Financial Officer

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**").

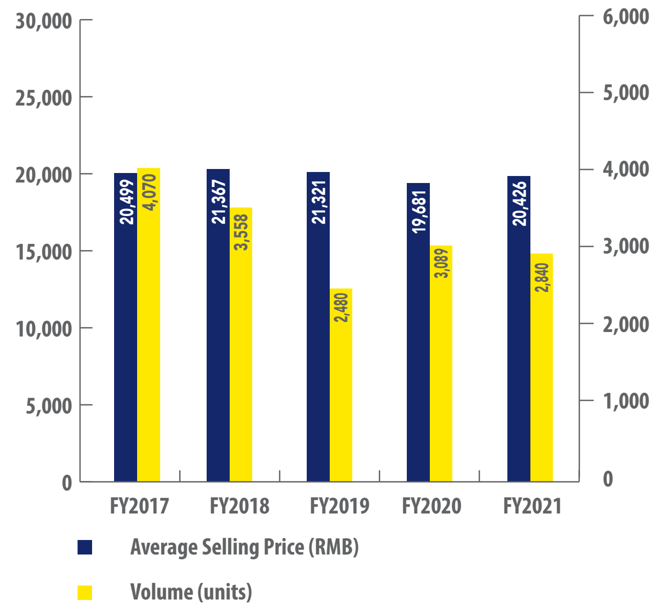

WORLD
商用车膜片弹簧冲压线

FINANCIAL HIGHLIGHTS

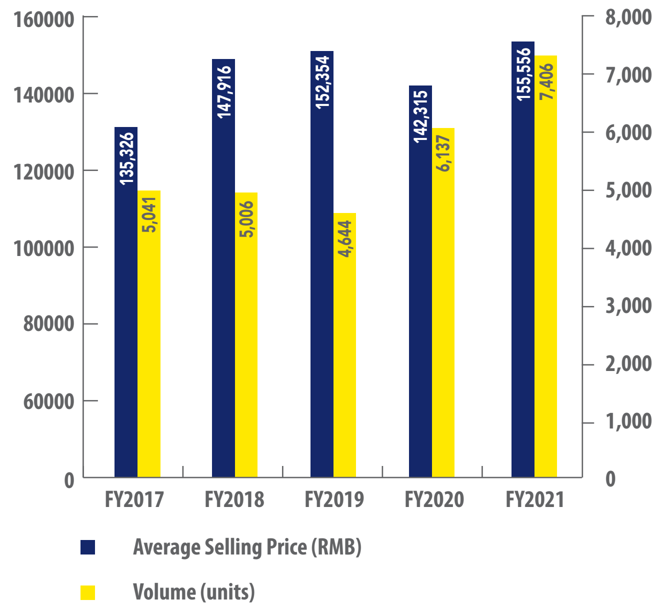
Revenue, Gross Profit and Net Profit
(RMB Million)



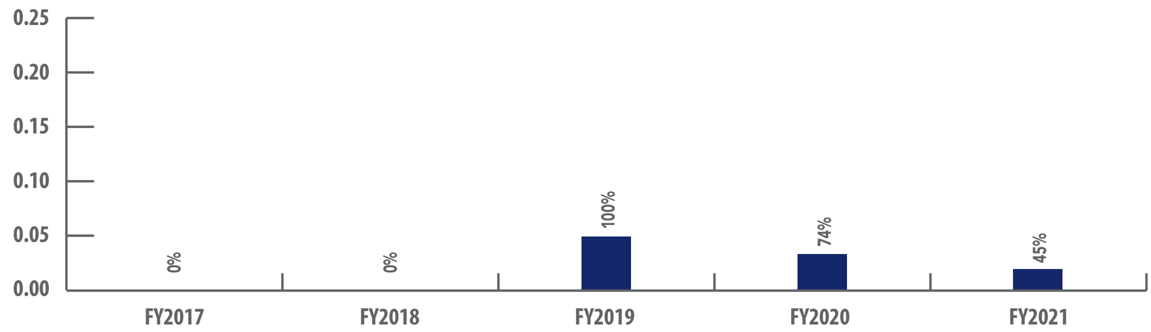
Conventional Stamping Machines



High-Performance and High-Tonnage Stamping Machines



Dividend payout



* Proposed final dividend

LIST OF EVENTS / IR ACTIVITIES

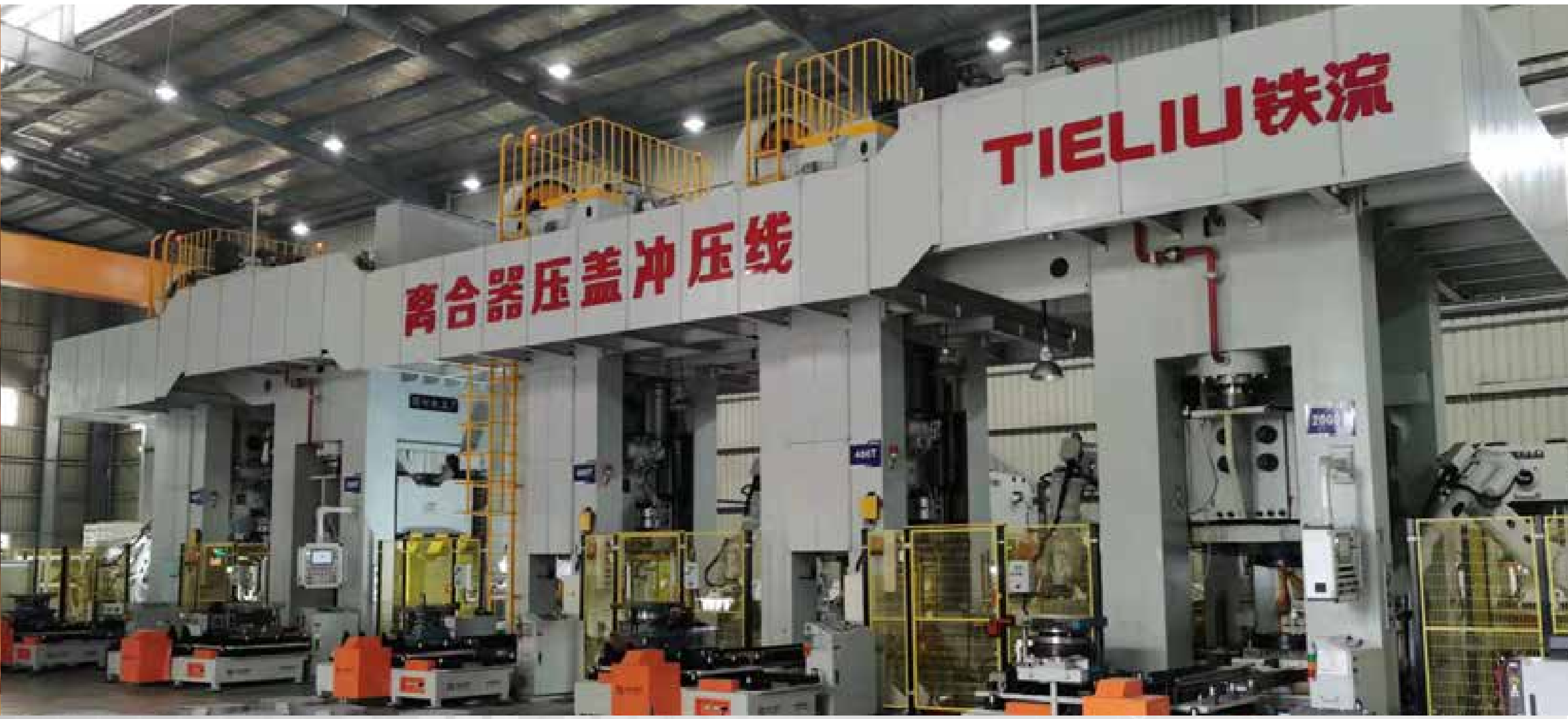
World Precision seeks to enhance shareholder value not only through its focus on solid business performance and practices, but also through responsible and effective communication with its stakeholders.

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) 8180 2482
Email: world@wpmlimited.com
Website: www.wpmlimited.com



04 Mar 2022
Response to SGX Queries::

01 Mar 2022
Financial Statements and Related Announcement:: Full Yearly Results

28 Feb 2022
Change - Change in Corporate Information:: CHANGE OF ADDRESS OF SHARE REGISTRAR AND PLACE WHERE REGISTER OF MEMBERS AND INDEX IS KEPT

24 Feb 2022
Asset Acquisitions and Disposals:: DISCLOSEABLE TRANSACTION LOAN TO YINCHENG REAL ESTATE GROUP CO., LTD.

22 Feb 2022
Financial Statements and Related Announcement::Notification of Results Release

12 Nov 2021
Financial Statements and Related Announcement:: Third Quarter Results

29 Oct 2021
Financial Statements and Related Announcement:: Notification of Results Release

02 Sep 2021
Response to SGX Queries::

13 Aug 2021
Financial Statements and Related Announcement:: Second Quarter and/ or Half Yearly Results

02 Aug 2021
Financial Statements and Related Announcement:: Notification of Results Release

24 May 2021
REPL::Cash Dividend/ Distribution:: Mandatory

21 May 2021
REPL::Cash Dividend/ Distribution:: Mandatory

30/04/2021
Financial Statements and Related Announcement:: First Quarter Results

30/04/2021
General Announcement:: RESPONSES TO QUESTIONS FROM SIAS OF ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

30/04/2021
REPL::Annual General Meeting::Voluntary

22/04/2021
Financial Statements and Related Announcement:: Notification of Results Release

21/04/2021
Change - Announcement of Cessation:: Demise of Chief Technology Officer and Chief Engineer of WPMC

21/04/2021
General Announcement:: DEMISE OF CHIEF TECHNOLOGY OFFICER AND CHIEF ENGINEER OF WORLD PRECISE MACHINERY (CHINA) CO., LTD.

15/04/2021
Financial Statements and Related Announcement:: Discrepancies between unaudited and audited accounts

15/04/2021
Cash Dividend/ Distribution:: Mandatory

15/04/2021
Annual Reports and Related Documents::

15/04/2021
Annual General Meeting:: Voluntary

CORPORATE STRUCTURE

World Precision Machinery Limited
沃得精机有限公司

100%
World Precise Machinery (China) Co., Ltd.
沃得精机(中国)有限公司

100%
World Precise Machinery Parts (Jiangsu) Co., Ltd.
沃得精密机床部件（江苏）有限公司

100%
World Precise Machinery (Shenyang) Co., Ltd.
沃得精机(沈阳)有限公司

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 enhancing 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 and provisions of the Code of Corporate Governance 2018 (the "**Code**") which is effective in respect of the Company's Annual Report for the financial year ended 31 December 2021 ("**FY2021**"), guideline 2.4 of the Code of Corporate Governance 2012 which is applicable prior to 1 January 2022, and where applicable, the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Companies Act 1967 of Singapore ("**Companies Act**"). The Company has complied in all material respects with the principles and provisions in the Code. Where there is any deviation from any provisions of the Code, an explanation has been provided in this report for the variation and how the practices adopted by the Group are consistent with the intent of the relevant principle. This report should be read in totality, instead of being read separately under each principle of the Code.

BOARD MATTERS

THE BOARD'S CONDUCT OF ITS AFFAIRS

PRINCIPLE 1: THE COMPANY IS HEADED BY AN EFFECTIVE BOARD WHICH IS COLLECTIVELY RESPONSIBLE AND WORKS WITH MANAGEMENT FOR THE LONG-TERM SUCCESS OF THE COMPANY.

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.

The Board will consider sustainability issues such as environmental and social factors as part of its strategic formulation in line with the provisions of the Code.

REPORT ON CORPORATE GOVERNANCE

Provision 1.1 – Director's conflict of interest

All Directors exercise due diligence and independent judgement in discharging their duties and responsibilities at all times as fiduciaries and act objectively in the interests of the Company.

Directors facing conflicts of interest are required to recuse themselves from discussions and decisions involving the issues of conflict. There are also required to avoid situations in which their own personal or business interests directly or indirectly conflict, or appear to conflict, with the interests of the Group. Where a Director has a conflict of interest, or it appears that he might have a conflict of interest, in relation to any matter, he is required to send a written notice to the Company containing details of his interest and the conflict, or to declare such interest at a meeting of the Directors (or in written resolutions to be passed), and recuse himself from participating in any discussion and decision on the matter. Where relevant, the Directors have complied with such requirement, and such compliance is duly recorded in the minutes of meeting and/or Directors' Resolutions in writing.

Provision 1.2 – Induction and training of Directors

The Company will provide a formal letter of appointment to newly appointed Non-Executive Director (including Independent Director), 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.

Newly appointed Directors, if any, will be 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. Further, at the quarterly Board meetings, the Chief Executive Officer ("**CEO**") and/or the relevant senior management personnel provide(s) the Board with regular updates on the Group's business performance and plans. 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 FY2021.

To keep the Directors abreast of new laws, regulations, changing commercial risks and accounting standards, all Directors engage in constant dialogues with Management and professionals from time to time. 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 programme at the Company's expense to enable them to effectively discharge their duties as a Director, if required, from time to time.

Pursuant to Rule 720(7) of the SGX-ST Listing Manual effective 1 January 2022, all Directors of the Company must undergo training on sustainability matters as prescribed by the SGX-ST. If the Nominating Committee ("**NC**") is of the view that training is not required because the Director has expertise in sustainability matters, the basis of its assessment must be disclosed. The Company is required to confirm in its sustainability report for the financial year ending 31 December 2022 that all its Directors have attended the mandatory training on sustainability. Accordingly, the Company is in the midst of arranging for its Directors to attend the mandatory training on sustainability training by 31 December 2022.

Provision 1.3 – Matters requiring Board's approval

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 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 CEO, and/or 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.

REPORT ON CORPORATE GOVERNANCE

Examples of the types of material information that require Board's approval pursuant to the Corporate Disclosure Policy and with references made to Appendix 7.1 Continuing Disclosure of the SGX-ST Listing Manual for the Board's guidance on particular situations and issues, include, but are not limited to, the following:

- Quarterly, Half year and Full year financial results or projections;
- Long term strategic and financial plan;
- A joint venture, merger, acquisition, divestment, liquidation or other changes in the Company's assets[1];
- A significant change in Management or a change 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;
- A subdivision of shares or stock dividends;
- The acquisition or loss of a significant contract;
- A significant new product or discovery;
- The public or private sale of significant amount of additional securities of the Company;
- Changes in CEO, Directors and substantial shareholdings' interests – this includes becoming and cessation of substantial Shareholder and during the appointment of CEO and Director[2];
- Share Buyback;
- Share Option or share schemes;
- Scrip Dividend Scheme;
- Interested Person Transactions[3];
- A call of securities for redemption;
- The provision or receipt of a significant amount of financial assistance;
- Occurrence of an event of default under debt or other securities or financing or sale agreements;
- Significant litigation;
- A significant change in capital investment plans, e.g. building of factories, increasing plant and machinery and increasing production lines;
- A significant dispute/disputes 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;
- A tender offer for another company's securities;
- A valuation of the real assets of the Group that has a significant impact on the Group's financial position and/or performance;
- Involuntary striking-off of the Company's subsidiaries;
- Any investigation on a Director or an Executive Officer of the Company;
- Loss of a major customer or a significant reduction of business with a major customer;
- Declaration of dividends; and
- Major disruption to supply of critical goods or services.

Notes:

1 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.

2 The Company has adopted a Policy for Announcement of Changes in Shareholdings to receive, track and announce information in a timely manner.

3 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.

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.

<u>Provision 1.4 – Delegation by the Board</u>

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 NC and the Remuneration Committee ("**RC**"). All Board Committees are chaired by an Independent Director and a majority of the members are Independent Directors. Each Board Committee reports to the Board and has its own written terms of reference. 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 responsibilities and authority of the Board Committees set out in their respective terms of reference are in line with the Code. The effectiveness of each Board Committee is also constantly monitored.

REPORT ON CORPORATE GOVERNANCE

The Board acknowledges that while each Board Committee is authorised to decide or provide its recommendations on particular issues, the ultimate responsibility on all matters lies with the Board.

The composition of the Directors in the Board and the 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

No alternate Director was appointed to the Board in FY2021 or appointed to the Board currently.

Provision 1.5 – Board processes, including Directors' attendance at meetings

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 and the Board Committees may also make decisions through circulating resolutions.

The number of Board and Board Committees' meetings and general meetings, i.e. annual general meeting ("**AGM**") and extraordinary general meeting ("**EGM**"), held from 1 January 2021 to 31 December 2021 as well as the details of Directors' attendance at those meetings are summarised in the table below:

	General meetings				**Board Committees' meetings**							
	AGM		**EGM**		**Board**		**AC**		**NC**		**RC**	
Name of Directors	**No. of meetings**		**No. of meetings**		**No. of meetings**		**No. of meetings**		**No. of meetings**		**No. of meetings**	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Shao Jianjun	1	1	-	-	4	4	-	-	1	-	1	-
Wang Weiyao	1	1	-	-	4	3	5	3	1	0	1	0
Phang Kin Seng (Lawrence)	1	1	-	-	4	4	5	5	1	1	1	1
Lim Yoke Hean	1	1	-	-	4	4	5	5	1	1	1	1

Provision 1.6 – Complete, adequate and timely information

Management is required to provide complete, adequate and timely information to the Board on Board affairs and issues that require the Board's decision prior to the Board meetings and on an ongoing basis to enable them to make informed decisions to discharge their duties and responsibilities. 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.

REPORT ON CORPORATE GOVERNANCE

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. Directors are entitled to request from Management and be provided with additional timely information as needed in order for them to make informed decisions.

<u>Provision 1.7 – Company Secretary and independent professional advice</u>

All Directors have separate and independent access to Management and the Company Secretary and/or his representative(s) at all times. The Company Secretary and/or his representative(s) attend(s) all Board and Board Committees' meetings and assist(s) 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 follows 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 or removal of the Company Secretary is subject to approval by the Board.

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

BOARD COMPOSITION AND BALANCE

PRINCIPLE 2: THE BOARD HAS AN APPROPRIATE LEVEL OF INDEPENDENCE AND DIVERSITY OF THOUGHT AND BACKGROUND IN ITS COMPOSITION TO ENABLE IT TO MAKE DECISIONS IN THE BEST INTERESTS OF THE COMPANY.

<u>Provisions 2.1 and 4.4 – Directors' independence review</u>

An "independent" Director is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Company.

The Board, with the concurrence of the NC, had adopted a declaration of independence pursuant to Provision 2.1 of the Code and Rule 210(5)(d) of the SGX-ST Listing Manual ("**Revised Definition on Director's Independence**").

<u>Provisions 2.2 and 2.3 – Composition of (i) Independent Director and (ii) Non-Executive Directors on the Board</u>

Presently, the Board comprises one Executive Director (i.e. the Executive Chairman) and three Non-Executive Directors, two of whom are independent. Pursuant to Provision 2.3 of the Code, Non-Executive Directors of the Company make up a majority of the Board.

While the Independent Directors do not make up a majority of the Board where the Chairman is not independent, being a variation from Provision 2.2 of the Code, the Non-Executive Directors make up a majority of the Board and the Independent Directors make up at least half of the Board. As such, the Board is satisfied that it is able to exercise objective judgement on corporate affairs independently and no individual or select group of individuals are allowed to dominate the Board's decision-making process. Accordingly, there is a strong and independent element on the Board and consistent with the intent of principle 2, the Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

<u>Provision 2.4 – Composition of the Board and Board Committees, and Board Diversity Policy</u>

The Company is committed to building a diverse, inclusive and collaborative culture. It recognises that a diverse Board of an appropriate size is an important element which will better pave the way for the Company to achieve its strategic objectives for sustainable development, avoid groupthink and foster constructive debate. A diverse Board also enhances the decision-making process through perspectives derived from differentiating skillsets, business experience, industry discipline, gender, age and culture, geographical background and nationalities, tenure of service and other distinguishing qualities of the Directors.

REPORT ON CORPORATE GOVERNANCE

Each year, the NC reviews the size and composition of the Board and the Board Committees and the skills and core competencies of its members to ensure an appropriate balance and mix of skillset, knowledge and experience, with a strong element of independence.

Pursuant to Provision 2.4 of the Code, the Board has adopted a Board Diversity Policy. Having regard to the guidelines in the Board Diversity Policy, the NC will, in reviewing the Board's composition, rotation and retirement of Directors and succession planning, take into account factors, including but not limited to gender, age, nationality, cultural background, educational background, experience, skillset, knowledge, independence and length of service. These differentiating factors will be considered in determining the optimum composition of the Board and when practicable will be balanced appropriately.

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.

Any external search consultants, if required, engaged to assist the Board or the NC to search for candidates for appointment to the Board will be specifically directed to include diverse candidates from diverse background and female candidates. The decision on the selection of Director(s) to be appointed on the Board will ultimately be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity balanced with the needs of the Board.

Taking into account the nature and scope of the Group's operations, 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 the Board Committees.

Together, the Board and the 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. The NC and the Board intend to bring in an additional new Independent Director by 31 December 2022, in conjunction with the progressive renewal and succession planning of the Board, the Company's targets to achieve diversity on the Board and its accompanying plans and timeline to achieve its targeted diversity. New Directors, if any, will continue to be selected based on objective criteria set as part of the process for appointment of new Directors.

No individual or select group of individuals dominates the Board's decision-making process as the Non-Executive Directors make up a majority of the Board with half of the Board made up of Independent Directors. The Board also obtains independent views from its Independent Directors. The Chairman of the Board establishes boundaries of risk undertaken by the Group and ensures the governance system is in place and regularly evaluated which the Board is the opinion that there is a strong and independent element on the Board.

The NC will review the Board Diversity Policy from time to time as appropriate, to ensure the effectiveness of this policy. The NC will also discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

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

<u>Provision 2.5 – Role of the Non-Executive Directors</u>

The Non-Executive Directors of the Company (including, for avoidance of doubt, the Independent Directors) participate actively in Board meetings and contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. The Non-Executive Directors also constructively challenge and advise on the development of strategies as well as review the performance of Management in achieving targeted goals and objectives. In addition, the Non-Executive Directors monitor the reporting of the Group's business and financial performance. 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.

All the Independent Directors, led by the Lead Independent Director, meet at least annually without the presence of the Executive Directors and other Non-Independent Directors to discuss matters of significance which findings are then reported to the Chairman of the Board accordingly.

REPORT ON CORPORATE GOVERNANCE

The Non-Executive Directors (including the Independent Directors) have 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.

The Independent Directors are also in frequent contact with one another outside the Board and the Board Committees' meetings and hold regular informal discussions amongst themselves. For FY2021, the Independent Directors have met periodically without the presence of other Directors. The Lead Independent Director had also 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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

PRINCIPLE 3: THERE IS A CLEAR DIVISION OF RESPONSIBILITIES BETWEEN THE LEADERSHIP OF THE BOARD AND MANAGEMENT, AND NO ONE INDIVIDUAL HAS UNFUTTERED POWERS OF DECISION-MAKING.

Provision 3.1 and 3.2 – Chairman and CEO

The roles and responsibilities between the Chairman of the Board and the Group CEO of the Company are held by separate individuals to ensure that there is an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. There is no one individual who has unfettered powers of decision-making.

Mr. Shao Jianjun has been appointed as Executive Chairman since 26 April 2013 and Mr. Zhuang Guosheng has assumed the position of CEO with effect from 22 November 2019.

As Chairman, Mr. Shao leads the Board and bears responsibility for the effectiveness on all aspects of its role and takes a leading role in the Group's drive to achieve and maintain a high standard of corporate governance with the full support of the Directors, the Company Secretary and Management. He approves the agendas for Board meetings, ensures sufficient allocation of time for thorough discussion of agenda items and promotes a culture of openness and debate at the Board level. He also ensures that Board matters are effectively organised to enable Directors to receive complete, adequate and timely information in order to make sound decisions, promotes constructive relations within the Board and between the Board and Management, and ensures effective communication with shareholders. He also facilitates effective contribution from NEDs. He is also responsible for encouraging constructive relations within the Board and between Management and the Board. In addition, the Non-Executive and Non-Independent Chairman also ensures that the Board and the Management work well together with integrity and competency.

The Company Secretary and/or his representative(s) assist(s) the Chairman in scheduling the Board and the Board Committees' meetings with the CFO.

As the Group's CEO, Mr. Zhuang Guosheng 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.

Mr. Shao Jianjun and Mr. Zhuang Guosheng do not have any familial relationship.

Provision 3.3 – Lead Independent Director

The Board is of the view that there are sufficient safeguards and checks in place to ensure that there is a good balance of power, accountability and capacity of the Board for independent decision-making. As the Chairman is part of the management team and not an Independent Director, pursuant to the provision of the Code, Mr. Phang Kin Seng (Lawrence), who is an Independent Director and the AC Chairman, was appointed as the Lead Independent Director on 26 April 2013.

Mr. Phang Kin Seng (Lawrence), 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.

REPORT ON CORPORATE GOVERNANCE

BOARD MEMBERSHIP

PRINCIPLE 4: THE BOARD HAS A FORMAL AND TRANSPARENT PROCESS FOR THE APPOINTMENT AND RE-APPOINTMENT OF DIRECTORS, TAKING INTO ACCOUNT THE NEED FOR PROGRESSIVE RENEWAL OF THE BOARD.

Provisions 4.1 and 4.2 – NC's duties and composition

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

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

(i) regularly and strategically reviewing the Board and Board Committees structure, size and composition (including the skills, gender, age, qualification, experience and diversity) and making recommendations to the Board with regard to any adjustments that are deemed necessary.

(ii) Identifying and nominating candidates to fill Board vacancies as they occur by considering candidates (i) from a wide range of backgrounds, (ii) their own merits and evaluate against objective criteria such as their experience, knowledge, gender, age and skills in relation to the needs of the Board (whether the candidate add diversity to the Board and are likely to have adequate time to discharge their duties), (iii) the composition and progressive renewal of the Board and Board Committees, and (iv) appoint an independent third party to source and screen candidates, if necessary. Before recommending an appointee to the Board, appointee will be requested by NC to disclose any existing or expected future business interest that may lead to a conflict of interest.

(iii) 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.

(iv) 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.

(v) reviewing the succession plans for Board Chairman, Directors, CEO and Key Management Personnel of the Company.

(vi) 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.

(vii) developing the performance evaluation framework for the Board, the Board Committees and individual Directors. The NC also propose objective performance criteria for the Board, the Board Committee and individual Directors. It conducts the evaluations, analyses the findings and reports the results to the Board and recommending areas that need improvement. This process can be assisted by independent third party facilitators.

(viii) identifying and developing training programmes/schedules for the Board and assist with similar programmes for the Board Committes. The NC will ensure that all Board appointees undergo appropriate induction programmes.

(ix) keeping up to date with developments in corporate governance initiatives, changes to relevant legislations, strategic issues and commercial changes that may affect the Company and the industry in which it operates.

REPORT ON CORPORATE GOVERNANCE

The NC held one meeting and the principal activities of the NC during FY2021 are summarised below:

a. reviewed and recommended to the Board the nomination of Directors for re-election at the AGM;

b. reviewed other directorships and principal commitments held by each Director and decided whether a Director is able to carry out, and has been adequately carrying out, his/her duties as a Director;

c. reviewed the findings of the assessments on the effectiveness of the Board as a whole, the Board Committees and the individual Directors and the Chairman;

d. reviewed the size and composition of the Board; and

e. reviewed and assessed the independence of each Independent Director.

<u>Provision 4.1(a) – Succession Planning</u>

The NC regards succession planning as an important part of corporate governance and places strong emphasis on its recommendations to the Board on relevant matters relating to succession plans for the Board, key management personnel and other senior members of Management.

In reviewing succession plans, the NC considers the Company's strategic priorities and the factors affecting the long-term success of the Company.

In relation to succession plans for Directors, the NC aims to maintain an optimal Board composition by considering the trends affecting the Company, reviewing the skills needed, and identifying gaps (including considering whether there is an appropriate level of diversity of thought). In relation to succession plans for key management personnel, the NC takes an active interest in how key talent is managed within the Group and reviews the mechanisms for identifying strong candidates and developing them to take on senior positions in the future.

The NC also considers different time horizons for succession planning as follows: (1) long-term planning, to identify competencies needed for the Company's strategy and objectives, (2) medium-term planning, for the orderly replacement of Board members and key management personnel, and (3) contingency planning, for preparedness against sudden and unforeseen changes.

<u>Provision 4.3 - Process for selection and appointment of new Directors</u>

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 concurrently. The NC and the Board will also take into consideration whether a Director had previously served on the board of a company with an adverse track record or with a history of irregularities or is or was under investigation by regulators. The NC and the Board will also assess whether a Director's resignation from the board of any such company casts any doubt on the director's qualification and ability to act as a Director of the Company.

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The appointments would be formalised by circulating resolutions of the NC and the Board, and the requisite announcement(s) and notification to the authorities.

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 skillsets or industry specialisation.

Provision 4.3 – Process for re-election/re-appointment of Directors

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 to retire by rotation at every AGM. Article 88 of the Company's Constitution requires any person appointed by the Board, to fill a casual vacancy or as an additional Director during the year, to hold office only until the next AGM following their appointment. The retiring Directors are eligible to offer themselves for re-election.

Effective 1 January 2022, Rule 210(5)(d)(iii) of the SGX-ST Listing Manual provides that a director will not be independent if he has been a director for an aggregate period of more than 9 years (whether before or after listing) and his continued appointment as an independent director has not been sought and approved in separate resolutions by (A) all shareholders; and (B) shareholders, excluding the directors and the chief executive officer of the issuer, and associates of such directors and chief executive officer ("**2-Tiered Voting**"). For the purpose of the resolution referred to in (B), the directors and the chief executive officer of the issuer, and their respective associates, must not accept appointment as proxies unless specific instructions as to voting are given. Such resolutions may remain in force until the earlier of the following:- (X) the retirement or resignation of the director; or (Y) the conclusion of the third AGM of the issuer following the passing of the resolutions.

During FY2021, Mr. Lim Yoke Hean and Mr. Phang Kin Seng (Lawrence) had each served as Independent Director of the Company for a period exceeding nine years from their respective date of first appointment. The Board had conducted a rigorous review of the independence of Mr. Lim Yoke Hean and Mr. Phang Kin Seng (Lawrence) to determine if they remain independent and carry out their duties objectively, taking into consideration the need for progressive refreshing of the Board. The Board noted that they are not a member of the Management and are free of relationship with the Company, its related companies, officers or its substantial shareholders of the Company that could interfere with their independent judgment or ability to act in the interest of the Company.

The Board had also observed the performance of Mr. Lim Yoke Hean and Mr. Phang Kin Seng (Lawrence) at Board meetings and other occasions and has no reasons to doubt their independence in the course of discharging their duties as directors. Hence, the Board concurred with the NC's view that they are independent in character and judgement despite having been on the Board for more than nine years. Mr. Lim Yoke Hean and Mr. Phang Kin Seng (Lawrence) regularly expressed their individual viewpoints, debated issues and objectively scrutinised and challenged the Management. They have also on various occasions, taken the initiative to seek clarification and amplification as they deemed required, including through direct access to the Group's employees.

Pursuant to Transitional Practice Note 3 Transitional Arrangements Regarding Code of Corporate Governance 2018 of the SGX-ST Listing Manual which is effective from 1 January 2022 ("**Transitional Practice Note 3**"), to ensure that the independence designation of a director who has served for more than 9 years as at and from 1 January 2022 is not affected, the Company had sought and obtained approvals from shareholders under 2-Tiered Voting at the AGM of the Company for the financial year ended 31 December 2020 which was held on 30 April 2021, for the continued appointment of Mr. Lim Yoke Hean and Mr. Phang Kin Seng Lawrence. In accordance with Rule 210(5)(d)(iii) of the SGX-ST Listing Manual, such approvals will remain valid until the conclusion of third AGM from such approvals.

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 the following Directors at the forthcoming AGM for FY2021:

(i) Mr. Wang Weiyao will be retiring pursuant to Article 89 of the Company's Constitution.

(ii) Mr. Phang Kin Seng (Lawrence) will be retiring at the forthcoming AGM pursuant to Article 89 of the Company's Constitution and Rule 210(5)(d)(iii) of the Listing Manual of SGX-ST. Accordingly, the Board, with the concurrence of the NC, proposed to retain Mr. Phang Kin Seng (Lawrence) as an Independent Director of the Company, subject to and contingent upon the approval from shareholders at the forthcoming AGM of the Company.

REPORT ON CORPORATE GOVERNANCE

Mr. Wang Weiyao and Mr. Phang Kin Seng (Lawrence) had consented to continue in office and the Board had accepted the recommendation of the NC and accordingly, Mr. Wang Weiyao and Mr. Phang Kin Seng (Lawrence) will be offering themselves for re-election at the forthcoming AGM.

If the separate ordinary resolution in respect of the re-election of Mr. Phang Kin Seng (Lawrence) under the 2-Tiered Voting is passed, Mr. Phang Kin Seng (Lawrence) shall remain as an Independent Director of the Company for the duration specified in the ordinary resolution, the Lead Independent Director of the Company, Chairman of the AC and a member of the NC and the RC. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of SGX-ST.

However, if the ordinary resolution in respect of the re-election of Mr. Phang Kin Seng (Lawrence) under the 2-Tiered Voting is not passed by shareholders, excluding the directors and the chief executive of the Company, and associates of such directors and chief executive officer, Mr. Phang Kin Seng (Lawrence) shall be re-designated as a Non-Independent and Non-Executive Director of the Company.

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.

The requirements under Rule 720(6) of the SGX-ST Listing Manual are set out in the Annual Report from pages 138 and 139.

Provision 4.4 – Review of Directors' Independence

The NC, which is responsible for reviewing the independence of each Director on an annual basis, has adopted a declaration of independence form pursuant to the Revised Definition on Director's Independence ("**Declaration of Independence Form**"). In addition, the NC requires each Non-Executive Director to assess his own independence by completing a Declaration of Independence Form 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.

For FY2021, the NC had reviewed the independence of Board members with reference to the Revised Definition on Director's Independence. 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, 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.

Messrs. Phang Kin Seng (Lawrence) and Lim Yoke Hean have each served on the Board for a period exceeding nine years from the date of their respective first appointment. The NC had conducted a rigorous review of their independence and contributions to the Board to determine if they still remain independent and carry out their duties objectively, taking into account the need for progressively refreshing of the Board. The review included but was not limited to the completion of a detailed questionnaire of their independence with a mixture of close-ended and open- ended questions in respect of whether there are any conflicts of interest or relationship that are likely to affect their independence; whether they continue to express their views objectively and seek clarification and amplification when deemed necessary; whether they continue to debate issues objectively; whether they continue to scrutinise and challenge Management on important issues raised at meetings and whether they are able to bring judgement to bear in the discharge of their duties as a Board member and committee member. The questionnaire was completed by Messrs. Phang Kin Seng (Lawrence) and Lim Yoke Hean.

The Board had observed the performance of Messrs. Phang Kin Seng (Lawrence) and Lim Yoke Hean at the Board and the Board Committees' meetings and other occasions and has no reasons to doubt their independence in the course of discharging their duties. Hence, the Board, with the concurrence of the NC, having considered the Declaration of Independence Forms for FY2021 and the completed questionnaire of independence submitted by Messrs. Phang Kin Seng (Lawrence) and Lim Yoke Hean, concluded that they are independent in character and judgement despite having been on the Board for more than 9 years and free from any relationships outlined in the Code. The Board acknowledges their combined strength of characters, objectivity and wealth of useful and relevant experience bring themselves to continue effectively as an Independent Director of the Company. The Board also acknowledges and recognises the benefits of the experience and stability brought by the long-serving Independent Directors for their strength of character, objectivity and wealth of extensive business experience, and their knowledge on the Group's business which would enable them to be an effective Independent Directors, notwithstanding their long tenure.

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As set out in Provision 4.3 above, the Board, with the concurrence of the NC, proposed to retain Messrs. Phang Kin Seng (Lawrence) as the Lead Independent Directors of the Company. The NC and the Board are cognisant that the Company is expected to use the 2-Tiered Voting sparingly. As set out in Provision 2.4 above, the NC and the Board intend to bring in an additional new Independent Director by 31 December 2022, in conjunction with the progressive renewal and succession planning of the Board, the Company's targets to achieve diversity on the Board and its accompanying plans and timeline to achieve its targeted diversity.

Each of the Independent Director had recused themselves from the NC's and the Board's deliberations on their own independence.

Provision 4.5 – Directors' time commitments and multiple Directorships

Pursuant to the NC's 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's 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.

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

		Directorships in other listed companies	
Name of Director [1]	**Date of first appointment / Last re-election**	**Current**	**Past 3 Years**
Mr. Shao Jianjun *(Executive Chairman)*	28 July 2004 / 30 April 2021	Nil	Nil
Mr. Wang Weiyao *(Non-Executive and Non-Independent Director)*	28 July 2004 / 26 June 2020	Nil	Nil
Mr. Phang Kin Seng (Lawrence) *(Lead Independent Director)*	28 April 2010 / 30 April 2021	Nil	Nil
Mr. Lim Yoke Hean *(Independent Director)*	2 July 2010 / 30 April 2021	Nil	Nil

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

BOARD PERFORMANCE

PRINCIPLE 5: THE BOARD UNDERTAKES A FORMAL ANNUAL ASSESSMENT OF ITS EFFECTIVES AS A WHOLE, AND THAT EACH OF ITS BOARD COMMITTEES AND INDIVIDUAL DIRECTORS.

Provisions 5.1 and 5.2 – Assessment of the Board, Board Committees and Individual Directors

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 as well as the contribution by each Director to the Board, and of each of its Board Committee.

The NC reviews the criteria for evaluating the Board's performance and recommends to the Board a set of objective performance criteria focusing on enhancing long-term shareholders' value. Based on the recommendations of the NC, the Board has established processes for evaluating the effectiveness of the Board as a whole and self-assessment of each individual director, the Chairman, and its Board Committees to the effectiveness of the Board.

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 performance criteria of which is 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.

For FY2021, the NC has conducted a peer assessment of the individual Directors and assessment of the Chairman. The peer assessment of individual Directors and assessment of the Chairman will also be conducted annually and each of the Director is required to complete a questionnaire approved by the Board to assess the Directors (other than the Director concerned) and the Chairman, the performance criteria of which is as follows:

- Director's Duties;
- Leadership;
- Communication Skills and Behaviour;
- Strategy and Risk Management;
- Board Contribution;
- Knowledge;
- Interaction; and
- Overall Assessment of Performance as Director.

The results of the (i) Board performance evaluation; and (ii) peer assessment of the individual Directors and assessment of the Chairman, were collated by the corporate services provider of the Company and presented to the NC for discussion with comparatives from the previous year's results (where applicable). 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 Chairman of the respective Board Committees are also required to complete a questionnaire on the effectiveness of the Board Committees, which would be tabled at the NC for further discussion.

The NC was generally satisfied with the results of the evaluation for the performance of the (i) Board, (ii) individual Directors, (iii) Chairman, and (iv) respective Board Committees, for FY2021 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 and/or the respective Board Committees, 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.

Save as disclosed, no external facilitator has been used.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

PRINCIPLE 6: THE BOARD HAS A FORMAL AND TRANSPARENT PROCEDURE FOR DEVELOPING POLICIES ON DIRECTORS AND EXECUTIVE REMUNERATION, AND FOR FIXING THE REMUNERATION PACKAGES OF INDIVIDUAL DIRECTORS AND KEY MANAGEMENT PERSONNEL. NO DIRECTOR IS INVOLVED IN DECIDING HIS OR HER OWN REMUNERATION.

Provisions 6.1 and 6.2 – RC's duties and composition

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

REPORT ON CORPORATE GOVERNANCE

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 Code. The RC is responsible for, including but not limited to, the following key terms of reference:

(a) taking into account all relevant legal and regulatory requirements, including the principles and provisions of the Code, when determining the Company's remuneration policies. It should also consider the Company's risk appetite and ensure that the policies are aligned to long-term goals.

(b) ensuring that the level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

(c) setting the remuneration policy for Directors and key management personnel as well as monitoring the level and structure of remuneration for key management personnel relative to the internal and external peers and competitors.

(d) ensuring that the remuneration of the Non-Executive Directors is appropriate to the level contribution, taking into account factors such as effort, time spent, and responsibilities.

reviewing the remuneration of employees related to the Directors, CEO or substantial shareholders, if any, to ensures that their remuneration packages are in line with staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increases and/or promotion for these related employees will also be subjected to the review and approval of the RC.

(e) obtaining reliable, up-to-date information on the remuneration packages of other companies and the relevant market benchmarks through the appointment of external consultants. Such information can also be obtained by commissioning or purchasing any appropriate reports, surveys or information. These will be at the expenses of the Company, subject to the budgetary constraints imposed by the Board.

(f) overseeing any major changes in employee benefits or remuneration structures.

(g) reviewing the design of all long-term and short-term incentive plans for approval by the Board and shareholders.

(h) ensuring that the contractual terms and any termination payments are fair to the individual and the Company. Poor performance should not be rewarded.

(i) setting performance measures and determining targets for any performance-related pay schemes operated by the Company.

The RC had met once and the principal activities of the RC during FY2021 are summarised below:

a. reviewed and recommended to the Board the remuneration of the Executive Directors, key management personnel and employees who are related to the Group CEO;

b. reviewed the terms of contracts of service that were due for renewal during FY2021 (if any); and

c. reviewed and recommended to the Board the Directors' fees.

REPORT ON CORPORATE GOVERNANCE

Provisions 6.3 and 6.4 – Remuneration framework and engagement of remuneration consultants, if any

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.

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. Zhuang Guosheng, CEO, had entered into a service agreement with the Company for a period of three years commencing 22 November 2019, 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 are 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.

There are no termination, retirement and post-employment benefits that may be granted to Directors, the CEO and the top key management personnel (who are not Directors or the CEO) for FY2021.

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

DISCLOSURE OF REMUNERATION

PRINCIPLE 7: THE LEVEL AND STRUCTURE OF REMUNERATION OF THE BOARD AND KEY MANAGEMENT PERSONNEL AND APPROPRIATE AND PROPORTIONATE TO THE SUSTAINED PERFORMANCE AND VALUE CREATION OF THE COMPANY, TAKING INTO ACCOUNT THE STRATEGIC OBJECTIVES OF THE COMPANY.

PRINCIPLE 8: THE COMPANY IS TRANSPARENT ON ITS REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION, THE PROCEDURE FOR SETTING REMUNERATION, AND THE RELATIONSHIPS BETWEEN REMUNERATION, PERFORMANCE AND VALUE CREATION.

Provisions 7.1 to 7.3 and Provision 8.3 – Level and mix of remuneration

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.

Framework for remuneration of Executive Directors and key management personnel

The remuneration packages of the Executive Directors and other key management personnel consist of fixed and variable wage components. The fixed component consists of a basic salary and annual wage supplement. To ensure that the remuneration packages of Executive Directors and key management personnel is consistent and comparable with market practice, the RC regularly compares this fixed component with those of companies in similar industries, while continuing to be mindful of the fact that there is a general correlation between increased remuneration and incentives, and improvement in performance.

REPORT ON CORPORATE GOVERNANCE

The variable component comprises a variable bonus based on the Group's and individual's performance. To link rewards to performance, the more senior the executive is within the Group, the higher the percentage of the variable component against total remuneration. A comprehensive and structured assessment of the performance of key executives is undertaken each year. Bonuses payable to key executives are reviewed by the RC and approved by the Board to ensure the alignment of their interests with those of Shareholders.

Remuneration of Non-Executive Directors

The Non-Executive Directors (including Independent Directors) receive fees which are reviewed by the RC to ensure commensuration with the contributions, responsibilities and time spent by such individuals. Such fees are paid subject to Shareholders' approval being obtained at the Company's AGM. The Independent Directors are not over-compensated to the extent that their independence is compromised.

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

Provisions 8.1 to 8.2 – Directors' remuneration/fees and remuneration of the Group CEO and remuneration of the top five key management personnel (who are not Directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel

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 FY2021, 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.

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 AGM, 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 2022 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 AGM for Shareholders' approval.

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

Directors and CEO

A breakdown of the level and mix of the remuneration of the Directors and the CEO for FY2021 is as follows:

	Salary	**Variable/ Performance-related Income/ Bonus**	**Benefits in Kind**	**Fees**	**Total**
	%	%	%	%	%
Below S$250,000:					
Executive Chairman					
Shao Jianjun	100	–	–	–	100
Non-Executive Directors					
Wang Weiyao	–	–	–	100	100
Phang Kin Seng (Lawrence)	–	–	–	100	100
Lim Yoke Hean	–	–	–	100	100
CEO					
Zhuang Guosheng	16	84	–	–	100

REPORT ON CORPORATE GOVERNANCE

Key management personnel

The top key management personnel of the Group (in terms of remuneration) for FY2021 (who are not Directors or the CEO) are Messrs. Jin Zhaoguo, Ng Keong Khoon (Samuell), Shu Jianfei, Zhu Peng and Zheng Yi.

A breakdown of the level and mix of the remuneration of each of the key management personnel for FY2021 is as follows:-

	Salary	Variable/ Performance-related Income/ Bonus	Benefits in Kind	Total
	%	%	%	%
Below S$250,000:				
Jin Zhaoguo	37	63	–	100
Ng Keong Khoon (Samuell)	100	–	–	100
Shu Jianfei	29	71	–	100
Zhu Peng	25	75	–	100
Zheng Yi	32	68	–	100

The aggregate remuneration paid to the top key management personnel (who are not Directors or the CEO) is approximately RMB2.98 million (which includes CPF).

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, the CEO and the top five 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 salary, variable or performance-related income/bonus and/or benefits in kind. Despite having varied from Provision 8.1(a) of the Code, the Board believes that consistent with the intent of Principle 8 of the Code, sufficient information has been disclosed for shareholders' understanding with respect to the Group's level and mix of remuneration.

For FY2021, there are no employees who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S$100,000.

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

PRINCIPLE 9: THE BOARD IS RESPONSIBLE FOR THE GOVERNANCE OF RISK AND ENSURES THE MANAGEMENT MAINTAINS A SOUND SYSTEM OF RISK AND MANAGEMENT AND INTERNAL CONTROLS, TO SAFEGUARD THE INTERESTS OF THE COMPANY AND ITS SHAREHOLDERS.

Provision 9.1 – Maintenance of a sound risk management system and internal controls

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.

In particular, the Board, with support from the AC, is responsible to ensure that the Company puts in place adequate safeguards to address and mitigate any financial, operating and compliance risks.

REPORT ON CORPORATE GOVERNANCE

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. 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 FY2021, 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 FY2021.

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 FY2021 audits would be followed up and implemented by Management at the next audit review or within the timeline stipulated in the respective audit reports.

The Group's financial risk management is disclosed under Note 30 of the Notes to the Financial Statements from pages 124 to 133 of this Annual Report.

<u>Provision 9.1 – Risks relating to Sanctions Law</u>

The Board confirms that as at the date of this annual report, insofar as it is aware and based on Management's confirmation, the Group is not at risk of becoming subject to, or violating, any sanctions-related law or regulation. The AC and Board will assess the need to obtain independent legal advice or appoint a compliance adviser in relation to the sanctions-related risks applicable to the Group and continuous monitoring the validity of the information to shareholders and the SGX-ST, if required.

<u>Provision 9.2 – Written assurance regarding (i) financial records and financial statements and (iii) adequacy and effectiveness of the Group's risk management and internal control systems</u>

The Board has received written assurance from the Group CEO and the CFO that as at 31 December 2021:-

(a) nothing has come to their attention which would render the financial statements to be false or misleading in any material aspects;

(b) the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances;

(c) the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management systems ("**Internal Control and Risk Management Systems**") in place are adequate and effective in addressing its material risks in the Group's current business environment; and

REPORT ON CORPORATE GOVERNANCE

(d) there are no known significant deficiencies or lapses in the Group's Internal Control and Risk Management Systems which could adversely affect its ability to record, process, summarise or report financial data, or any fraud that involves Management or other employees who have a significant role in the Group's Internal Control and Risk Management Systems.

The Board has also received written assurance from other key management personnel having authority and responsibility for planning, directing and controlling the activities of the Group that:

(a) the Group's Internal Control and Risk Management Systems in place are adequate and effective in addressing its material risks in the Group's current business environment; and

(b) there are no known significant deficiencies or lapses in the Group's Internal Control and Risk Management Systems which could adversely affect its ability to record, process, summarise or report financial data, or any fraud that involves Management or other employees who have a significant role in the Group's Internal Control and Risk Management Systems.

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.

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.

<u>Rule 1207(10) of the SGX-ST Listing Manual</u>

A lapse in compliance with Chapter 10 of the SGX-ST Listing Manual was brought to the attention of the AC on or about 18 February 2022 at a routine AC meeting without the presence of the management team. The Company had released an announcement relating to the loan to Yincheng Real Estate Group Co., Ltd. to the SGX-ST on 24 February 2022, but this announcement should instead have been released on 10 November 2021 when the loan agreement was entered into between World Precision Machinery (China) Co., Ltd. (as lender), and Yincheng Real Estate Group Co., Ltd. (as borrower), and the loan disbursed on the same day. This lapse was a result of the management team believing that the said loan was part of treasury management and accordingly in the ordinary course of business of the Group. To further strengthen the internal controls and risk management systems, and to prevent future lapses, the AC and the Board had commissioned Nexia TS Risk Advisory to take immediate steps to review and update the Group's existing relevant policies including closing the gap(s) as noted above.

Notwithstanding the above, based on the internal controls including financial, operational and compliance controls, established and maintained by the Group, work performed by the internal and external auditors, and reviews undertaken by Management, the AC and the Board are of the opinion that the Group's internal controls addressing material financial, operational, compliance and information technology risks, and risk management systems are adequate and effective as at 31 December 2021 to meet the needs of the Group, taking into account the nature and scope of its operations.

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 the occurrence of material misstatement/errors or loss, poor judgement in decision-making, human errors, fraud or other irregularities. The review of the Group's internal control system is a concerted and continuing process.

REPORT ON CORPORATE GOVERNANCE

AUDIT COMMITTEE

PRINCIPLE 10: THE BOARD HAS AN AUDIT COMMITTEE WHICH DISCHARGES ITS DUTIES OBJECTIVELY.

Provisions 10.1 to 10.3 and 10.5 – Duties and composition of the AC

The AC is regulated by a set of written terms of reference, which are in line with 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
Chairman Mr. Lim Yoke Hean *(Independent Director)*	–	AC Member
Mr. Wang Weiyao *(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 existing auditing firm, Messrs. KPMG LLP, within the last twelve months or hold any financial interest in the auditing 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) reviewing the financial reporting issues and judgements so as to ensure the integrity of financial statements, and of announcements on the Company's financial performance and recommend changes, if any, to the Board;

(b) reviewing and reporting to the Board on the adequacy and effectiveness of the Company's risk management and internal controls in relation to financial reporting and other financial-related risk and controls (and to the extent delegated to it by the Board);

(c) reviewing the adequacy, effectiveness, independence, scope and results of the Company's internal audit function;

(d) reviewing the scope and results of the external audit, and the independence and objectivity of the EA. It shall then recommend to the Board the appointment, reappointment and removal of the EA, and its remuneration and terms of engagement;

(e) ensuring that the Company complies with the requisite laws and regulations;

(f) ensuring that the Company has programmes and policies in place to identify and prevent fraud;

(g) overseeing the establishment and operation of the whistleblowing process in the Company; and

(h) review all Interested Person Transactions ("**IPTs**") and Related Party Transactions.

REPORT ON CORPORATE GOVERNANCE

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 FY2021, the AC has met five times and:

(i) met 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) has undertaken a review of the audit services and is satisfied with the independence of the External Auditors for FY2021. For FY2021, the aggregate amount of fees paid to the external auditors was RMB800,000. There were no non-audit services or fees paid for non-audit services.

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

(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. KPMG 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 her team assigned to the audit of the Group, the AC was satisfied that the resources and experience of Messrs. KPMG LLP, the Audit Engagement Partner and her team assigned to the audit were adequate to meet their audit obligations, given the size, nature, operations and complexity of the Group; and

(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 5 of the Notes to the Financial Statements on pages 106 and 107 of this Annual Report.

The AC, with the concurrence of the Board, had recommended the re-appointment of Messrs. KPMG LLP as External Auditors for FY2021 at the forthcoming AGM, based on their performance and quality of their audit.

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.

<u>Whistle blowing (Rule 1207(18A) and (18B) of the SGX-ST Listing Manual)</u>

The Company has put in place a Whistle Blowing Policy (as amended in line with Rule 1207(18A) and (18B) of the SGX-ST Listing Manual effective 1 January 2022) 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, sexual harassment, misconduct or wrongdoing relating to the Company and its officers 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.

To ensure that the identity of any whistle blower is kept confidential, the Company will treat all information received with utmost confidentiality. Anonymous disclosures will be accepted and anonymity honoured.

Furthermore, the Company is committed to protect the interests of any whistle blower against detrimental or unfair treatment. A key aim of the Company's whistle blowing policy as stated therein is to reassure employees that if they raise any concerns in good faith and reasonably believe them to be true, they will be protected from possible reprisals or victimisation, to the extent where the situation allows.

REPORT ON CORPORATE GOVERNANCE

The AC (excluding the Non-Executive and Non-Independent Director) is responsible for the oversight and monitoring of whistle blowing. The Company has designated the AC (excluding the Non-Executive and Non-Independent Director) to be the independent function to investigate whistleblowing reports made in good faith. As mentioned in provision 3.3, Mr. Phang Kin Seng (Lawrence) is a key contact listed and 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.

When a whistleblowing report is received:

- The AC will assess all concerns raised independently to ensure they are fairly and properly considered.

- The AC may request more information from the reporting person and/or request a meeting to discuss further details or the nature of allegation, and decide if investigation is required (e.g. if third-party professionals should be engaged for the investigation). It is important that relevant, actionable information is provided in order for allegations to be substantiated and to aid in investigations.

- Meeting requests made to the AC will be assessed on a case-by-case basis.

- The time needed for investigations to be closed will depend heavily on the nature of the allegation and the supporting information that is provided. All investigations conducted by the AC (or third-party professionals, if involved) are confidential in nature.

- The AC and the Company expect each Director, officer and employee to make every reasonable effort to assist persons involved in reviewing and investigating any report, including making himself or herself available for interviewing, responding to requests for documentation or other information, etc.

- The AC will retain all records and keep them strictly confidential. In no event will information concerning the report be released to persons without a specific need to know about it.

- The AC shall have the authority to engage external auditors, counsel, or other experts to assist in the investigation and analysis of any report.

- While the AC takes all allegations seriously and decides if investigation is required, the AC does not take action on correspondence:

  (i) which are clearly frivolous, vexatious or meant solely for abuse;
  (ii) which deal with matters upon which the Company's position has already been fully given and no further update is necessary; or
  (iii) where the Company is not the addressee of correspondence but clearly copied for information purpose.

When whistle blowing is received with regards to accounting matters, a written report has to be made promptly to the AC. The AC will call for a meeting with the auditors to decide if investigation is to be carried out. If the report involves potential violations of applicable laws, rules, regulation or Company policy, retaliation against a reporting individual or other matters, the AC will call for a meeting with the CEO (provided that the CEO is not involved in the whistleblowing report) to determine the further action, if any, will be taken. The AC and/or CEO shall have the authority to engage outside independent auditors, counsel, or other experts to assist in the investigation and analysis of any report.

The AC will report to the Board of Directors quarterly, a compilation of problems and solutions which have been raised through the whistle blowing mechanism. Major problems are to be reported promptly to the AC and the Board of Directors. On a regular basis, the AC is to re-examine reports which have yet to be verified and any suspicious matters. Findings Reports are to be made on quarterly.

No reports on whistle-blowing incidents were received in FY2021.

REPORT ON CORPORATE GOVERNANCE

Provision 10.4 – Internal Audit

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.

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 FY2021, the AC is satisfied that the internal audit function by Nexia TS Risk Advisory is independent, effective and adequately resourced to meet the Group's internal audit obligations.

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETING

PRINCIPLE 11: THE COMPANY TREATS ALL SHAREHOLDERS FAIRLY AND EQUITABLY IN ORDER TO ENABLE THEM TO EXERCISE SHAREHOLDERS'S RIGHTS AND HAVE THE OPPORTUNITY TO COMMUNICATE THEIR VIEWS ON MATTERS AFFECTING THE COMPANY. THE COMPANY GIVES SHAREHOLDERS A BALANCED AND UNDERSTANDABLE ASSESSMENT OF ITS PERFORMANCE, POSITION AND PROSPECTS.

The Board ensures that all the Company's shareholders are treated equitably for them to exercise their shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance position and prospects.

Provision 11.1 to 11.5 – Participation and voting at general meetings of shareholders

General Meetings are the principal forum for dialogue with Shareholders. 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.

The notice of the AGM is dispatched 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 general meeting for special resolutions.

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

Currently, the Board has not implemented any voting methods to allow Shareholders to vote by way of electronic mail or facsimile. The Company's Constitution does not permit voting in absentia by mail, facsimile or e-mail as such voting methods would need to be cautiously evaluated to ensure that the authenticity of the vote and the Shareholder's identity is not compromised.

Nonetheless, Shareholders may vote in person by way of proxy forms deposited, in person or by mail, at the office address of the Share Registrar at least forty-eight hours before the meetings. Registered corporate shareholders or nominee companies, who are unable to attend the general meetings are provided with the option to appoint more than two proxies to attend and vote at the general meetings. This allows Shareholders who hold shares through such corporation to attend and participate in the general meetings as proxies.

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. Save for the past two AGMs and the forthcoming AGM for FY2021 which were/will be held via electronic means, all resolutions are usually put to vote by electronic poll voting and the detailed results showing the number of votes cast for and against each resolution and the respective percentages are shown to the Shareholders at the end of each resolution. The independent scrutineer briefs Shareholders on the e-polling voting process and verify and tabulate votes after each resolution. 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 Board welcomes questions from Shareholders who have an opportunity to raise issues or seek clarifications either informally or formally before or at the AGM. Save for the past two AGMs and the forthcoming AGM for FY2021, the Company does not publish its minutes of general meetings on its corporate website. However, the minutes of general meetings are available to shareholders upon request. Despite having varied from provision 11.5 of the Code, the Board believes that consistent with the intent of principle 11 of the Code, the Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

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.

<u>Alternative arrangements for the conduct of general meetings</u>

With the rise of the COVID-19 pandemic, the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (as amended from time to time) ("**Alternative Arrangements Order**") came into force to provide for alternative arrangements for, amongst others, listed companies in Singapore to hold their general meetings. Pursuant to the Alternative Arrangements Order, the AGM of the Company will be held by way of electronic means and members of the Company will NOT be allowed to attend the AGM in person. In view of the current COVID-19 restriction orders in Singapore and the related safe distancing measures, the Company will be conducting its forthcoming FY2021 AGM to be held on 29 April 2022 via electronic means in accordance with the Alternative Arrangements Order.

Notwithstanding that shareholders of the Company were not allowed to attend the last two AGMs in person, the Company had put in place arrangements for shareholders to participate in the meeting by submitting questions ahead of the meeting, voting by proxy and/or observing and/or listening to the proceedings via "live" audio-visual webcast or by "live" audio-only stream. The submission of questions and proxy forms was done electronically via a website set up for the purposes of the meeting, to an electronic mail address, or by depositing the same at the registered office of the Company. The Company had informed the shareholders of such alternative arrangements and the details relating thereto ahead of the meeting in its notice of AGM released by the Company on SGXNET and its corporate website. The Company also addressed the substantial and relevant questions, if any, received from shareholders at least 72 hours before the AGM, at the AGM proceedings.

With respect to the last AGM, the Company had tabled separate resolutions at the meeting on each substantially separate issue. The chairman of the meeting was appointed as proxy to vote in accordance with the instructions of the shareholders indicated in the proxy form submitted by such shareholders. Independent scrutineers were appointed to check the validity of the proxy forms received and prepared a report on the results of the votes.

All Directors attended the last AGM, together with the External Auditors and other key management personnel via the "live" webcast. The Directors' attendance at the general meetings of the Company held in 2021 is disclosed under provision 1.5 above.

In accordance with the requirements under the Alternative Arrangements Order, the Company had published its minutes of the last AGM on SGXNET and its corporate website within one month after the meeting.

Previously, the Alternative Arrangements Order allowed entities to hold general meetings via electronic means up to 30 June 2021. On 6 April 2021, the Ministry of Law announced the extension of temporary legislative relief, which allows entities to conduct general meetings via electronic means, beyond 30 June 2021. Such legislation allows entities to hold general meetings via electronic means amid the COVID-19 situation, and will continue to be in force until revoked or amended by the Ministry of Law.

REPORT ON CORPORATE GOVERNANCE

Pursuant to the Alternative Arrangements Order, the Company will be conducting its forthcoming AGM to be held on 29 April 2022 via electronic means. The Company has taken steps to ensure that the requirements in the Alternative Arrangements Order and the latest requirements issued by the SGX-ST in its regulator's column of 16 December 2021 and its joint statement of 4 February 2022 are complied with. In particular, shareholders will have at least 7 calendar days to submit their questions to the Company and the Company will respond to substantial and relevant questions at least 48 hours prior to the deadline for shareholders to submit their proxy forms. This is to ensure that shareholders will have the benefit of the Company's responses to their substantial and relevant questions before they cast their votes through the lodgement of proxy forms.

<u>Provision 11.6 – Dividend Policy</u>

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 FY2021, the Board has recommended a final tax-exempt (one-tier) dividend of RMB0.125 per share, which is subject to the approval of the shareholders at the forthcoming AGM.

ENGAGEMENT WITH SHAREHOLDERS

PRINCIPLE 12: THE COMPANY COMMUNICATES REGULARLY WITH ITS SHAREHOLDERS AND FACILITIES THE PARTICIPATION OF SHAREHOLDERS DURING GENERAL MEETINGS AND OTHER DIALOGUES TO ALLOW SHAREHOLDERS TO COMMUNICATE THEIR VIEWS ON VARIOUS MATTERS AFFECTING THE COMPANY.

<u>Provisions 12.1 to 12.3 – Interaction/engagement with shareholders</u>

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 AGMs and EGMs, other announcements and press releases that are issued via SGXNET.

Other than communicating with Shareholders at general meetings, the Shareholders may contact the Company's CFO on any investor relations matters at <u>saisamuelng@hotmail.com</u>.

MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

PRINCIPLE 13: THE BOARD ADOPTS AN INCLUSIVE APPROACH BY CONSIDERING AND BALANCING THE NEEDS AND INTERESTS OF MATERIAL STAKEHOLDERS, AS PART OF ITS OVERALL RESPONSIBILITY TO ENSURE THAT THE BEST INTERESTS OF THE COMPANY ARE SERVED.

<u>Provision 13.1 and 13.2 – Identification and engagement with material stakeholder groups, including managing relationships with such groups</u>

The Group believes that forging good relationships with its stakeholders is crucial for the sustainable growth of its business and its key stakeholders include customers, suppliers, employees, investors and shareholders, and government and regulators.

The key areas of focus in relation to the management of stakeholder relationships are set out in the Company's annual Sustainability Report on pages 50 to 67 of this Annual Report.

REPORT ON CORPORATE GOVERNANCE

Provision 13.3 – Corporate website

The Group maintains a current and updated corporate website.

All materials on the Company's financial results, as well as the latest annual report of the Company, are available on the Company's website at www.wpmlimited.com. The website also contains various other investor-related information about the Company which serves as an important resource for its shareholders and all other stakeholders. Where there is inadvertent disclosure made to the Company, the Company will make the same disclosure publicly to all others promptly.

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.

The Board confirms that for FY2021, the Company has complied with Rule 1207(19) of the SGX-ST Listing Manual.

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 AGM. Details of the proposed IPT mandate are enumerated in the Circular accompanying the Notice of AGM.

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	Nature of relationship	Aggregate value of all IPTs during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under shareholders' mandates pursuant to Rule 920 during the financial year under review (excluding transactions less than $100,000)
		(RMB'000)	(RMB'000)
Jiangsu World Machinery and Electronics Group Co., Ltd.	Associate of the Controlling Shareholder	N/A	
Processing fees received and sale of raw materials and parts.			1,468
Processing fees paid and purchase of scrap materials.			1,938

REPORT ON CORPORATE GOVERNANCE

Name of Interested Person	Nature of relationship	Aggregate value of all IPTs during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under shareholders' mandates pursuant to Rule 920 during the financial year under review (excluding transactions less than $100,000)
		(RMB'000)	(RMB'000)
Jiangsu World Plant-Protecting Machinery Co., Ltd.	Associate of the Controlling Shareholder	N/A	
Processing fees received and sale of raw materials, parts and equipment.			247
Purchase of raw materials.			365
Jiangsu World Agriculture Machinery Co., Ltd.	Associate of the Controlling Shareholder	N/A	
Processing fees received and sale of raw materials, scrap materials, parts, machineries and equipment.			54,881
Processing fees paid and purchase of raw materials and scrap materials.			6,578
Jiangsu World Agriculture Machinery & Parts Manufacturing Co., Ltd	Associate of the Controlling Shareholder	N/A	
Processing fees received and sale of raw materials, and parts.			3,491
Processing fees paid and purchase of raw materials scrap materials and equipment.			12,502
World Agriculture (Shenyang) Co., Ltd.	Associate of the Controlling Shareholder	N/A	
Processing fees received and sales of raw materials, scrap materials, parts, machineries and rental income.			3,827
Purchase of raw materials.			5

REPORT ON CORPORATE GOVERNANCE

Name of Interested Person	Nature of relationship	Aggregate value of all IPTs during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under shareholders' mandates pursuant to Rule 920 during the financial year under review (excluding transactions less than \$100,000)
		(RMB'000)	(RMB'000)
World Heavy Industry (China) Co., Ltd.	Associate of the Controlling Shareholder	N/A	
Processing fee received and sale of raw materials and parts.			5,527
Processing fees paid and purchase of raw materials, scrap materials and equipment.			37,450
Jiangsu World Crane Co., Ltd,	Associate of the Controlling Shareholder	N/A	
Processing fees paid and Purchase of raw materials and equipment.			890
Jiangsu World Precise Machinery Co., Ltd.	Associate of the Controlling Shareholder	N/A	
Processing fee received and sale of raw materials and parts.			450
Jiangsu World Furniture Co., Ltd.	Associate of the Controlling Shareholder	N/A	
Processing fee received and sale of raw materials and parts.			67
Jiangsu World High End Agriculture Equipment Co., Ltd.	Associate of the Controlling Shareholder	N/A	
Processing fees received and sale of raw materials, parts and machineries.			50,529
Purchase of scrap materials.			23,128
Danyang World Machinery Parts Manufacturing Co., Ltd.	Associate of the Controlling Shareholder		N/A
Processing fee received and sale of parts.		27	
Purchase of raw materials and scrap materials.		2,018	

REPORT ON CORPORATE GOVERNANCE

Name of Interested Person	Nature of relationship	Aggregate value of all IPTs during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under shareholders' mandates pursuant to Rule 920 during the financial year under review (excluding transactions less than $100,000)
		(RMB'000)	(RMB'000)
World High Precision Complete Equipment Co., Ltd.	Associate of the Controlling Shareholder		N/A
Sale of raw materials and parts.		31	
Purchase of raw materials.		382	
Total		**2,458**	**203,343**

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 30 April 2024.

(ii) Service Agreement entered with Mr. Zhuang Guosheng, the CEO, for a period of three (3) years commencing 22 November 2019, which will expire on 22 November 2022.

(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 2021

SUSTAINABILITY REPORT 2021

MESSAGE FROM THE BOARD

MR. SHAO JIANJUN
Executive Chairman

Dear Stakeholders,

We are pleased to present the annual Sustainability Report (the "**Report**") of World Precision Machinery Limited (the "**Company**", together with its subsidiaries, collectively the "**Group**", "**We**", "**Our**" or "**World Precision Machinery Group**") for the financial year ended 31 December 2021. In 2021, the COVID-19 pandemic continued to present the world with unprecedented challenges, nevertheless, this only made us more resolute as a team to rally together and strive to overcome the difficulties encountered, and our Group has recorded a 28.2% increase in revenue thanks to the support of our stakeholders.

Despite the impact of the pandemic, the Group stands firm on its path to sustainability business by continually assessing its operations and focusing on areas that matter to the Group and its stakeholders, to ensure its business robustness and competitiveness. To maintain the Group's culture of good governance, we continue to implement checks and balances in key economic activities such as procurement, sales transactions, and receivables monitoring. As an environmentally responsible company, the Group is committed to reducing its carbon footprint through conservation efforts such as the use of more energy-efficient equipment and continuous education led by the management.

On the social factor front, the Group strictly followed the safe management instructions issued by the local authorities in order to prioritise and be accountable for the health and safety of its personnel. All necessary precautions were taken, such as the measuring of temperature at entrances, and the requirement to wear a mask. Disinfectant powder was also used twice a day to sanitise the entire plant. We are proud to announce that as a result of our employees' vigilance and adherence to these safety requirements, no Group employees were infected with COVID-19 at the time of reporting.

Our Board of Directors (the "**Board**") provides oversight for the overall corporate governance practices of the Group and continues to closely monitor the Group's sustainability efforts and aims to execute business strategies with sustainability objectives in mind. To monitor progress on the Group's sustainability initiatives, the Board holds meetings on a regular basis to review and approve the Group's major strategic plans, which include its sustainability projects.

On behalf of the Board, I would like to take this opportunity to thank our staff for their dedication and contributions in these trying times, as well as our customers, suppliers, partners, and shareholders for their continued support as we strive to improve in the years ahead.

SUSTAINABILITY REPORT 2021

ABOUT THIS REPORT

This Report is prepared with reference to Rule 711A and 711B of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Mainboard Listing Manual and the guideline set out in SGX-ST's Practice Note 7.6 Sustainability Reporting Guide. This Report is also prepared with reference to the guidelines of the Global Reporting Initiative ("**GRI**") Standards - Core Option and its reporting principles. This Report is intended to provide a reliable, transparent and balanced view of the Group's selected financial and non-financial performance which addresses the interests of our valued stakeholders.

Scope

This Report covers the operations of the Group from 1 January 2021 to 31 December 2021 ("**FY2021**").

Reporting Principle

The Report is prepared in accordance with GRI Principles for defining report quality and principles for defining report content, including:

- **Materiality:** focusing on issues that impact business growth and are of utmost importance to stakeholders;
- **Stakeholder Inclusiveness:** responding to stakeholder expectations and interests;
- **Sustainability Context:** presenting performance in the wider context of sustainability; and
- **Completeness:** including all information that is of significant economic, environmental, and social impact to enable stakeholders to assess our Group's performance.

We have used the above principles for defining report content to guide our selection of material topics.

Assurance

External assurance was not sought for this sustainability report. We have relied on internal verification to ensure the accuracy of data. We will continue to assess the need for external assurance in future publications of our sustainability report.

Accessibility & Feedback

Our Group prefers not to print hard copies of this sustainability report as part of our environmental conservation efforts. Electronic editions of this and previous sustainability reports can be obtained from our Group's website and SGXNET portal.

The Group is committed to listening to its stakeholders and look forward to their feedback. Please send your feedback through the Group's website at https://wpmlimited.com.

SUSTAINABILITY REPORT 2021

ORGANISATIONAL PROFILE

Company Background

The Company was incorporated in Singapore on 28 July 2004 and was listed on the Main Board of SGX-ST (stock code: B49) in year 2006. World Precision Machinery Group, based in Danyang City, Jiangsu Province, the People's Republic of China ("**PRC**"). The Group is one of the country's top manufacturers of metal stamping machines and related metal components.

The Group produces both traditional, high-performance and high-tonnage stamping machines to meet the needs of a wide range of industries, including automotive, home appliances, electronics, and others. The Group presently produces over 400 stamping machine models that are divided into more than 30 product lines. These stamping machines are marketed under the "World" trademark.

Corporate Structure

The below diagram illustrates our Corporate Structure at the time of this report:

沃得 WORLD

100%	100%	100%
World Precise Machinery (China) Co., Ltd. 沃得精机(中国)有限公司	**World Precise Machinery Parts (Jiangsu) Co., Ltd.** 沃得精密机床部件（江苏）有限公司	**World Precise Machinery (Shenyang) Co., Ltd.** 沃得精机(沈阳)有限公司

Corporate Mission, Vision and Values

Mission	Vision	Values
• Adhering the attitude and spirit of thinking and innovating, we will continue to develop new technology and products such as advanced and reliable forging equipments for the manufacturing industry	• First-class brand • First-class quality • First-class service • Acceptable price	• Integrity • Pragmatic • Collaboration • Innovation

SUSTAINABILITY REPORT 2021

ORGANISATIONAL PROFILE

Supply Chain Management

We work hard to maintain strong and long-term relationships with our suppliers. We believe that by keeping such ties with suppliers, we are better able to assure smoother operations and long-term business practices. In accordance with the Group's established procurement policy and controls, all new suppliers are screened, and current suppliers are assessed on a regular basis for compliance with its procurement practices.

Our dedication to offering the best quality goods and services is demonstrated throughout the Group, by meeting customers' expectations and requirements through regular communications such as Wechat, email and meeting with them. The Group has also established a customer hotline and ensure that follow-ups are completed within 24 hours of receiving any consumer concerns or complaints.

The Group also actively plays its part to minimise both hazardous and non-hazardous wastes produced such as reducing packaging of the goods delivered.

In view of the present COVID-19 pandemic, the Group's supply chain was disrupted during the pandemic's initial outbreak. However, as the PRC emerged from its battle with the pandemic with its efficient pandemic-prevention measures and with most of the Group's suppliers being domestic PRC enterprises, the Group's supply chain recovered in the second half of FY2021 and it was able to minimise the impact of disruption to its supply chain.

Despite the COVID-19 pandemic, the Group has continued to expand in the domestic market, securing additional sales contracts in both conventional stamping machines and high performance and high tonnage stamping machines in Jiangsu, Shanghai, Zhejiang, Guangdong, and the Bohai Rim.

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)*

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

SUSTAINABILITY REPORT 2021

ORGANISATIONAL PROFILE

External Initiatives

In areas such as waste treatment, gas emissions, and energy conservation, we align our sustainability policies and procedures with the most recent national and municipal environmental control policies, for example“十三五”生态环境保护计划. Apart from establishing the Group as a socially responsible organisation, we believe that continuing to invest in these areas will result in cost savings and a healthy and safe working environment.

Being appreciative of the support received from the local government and community, the Group prioritises the employment of local employees. We hope that by supporting the employment of locals, we can contribute to the local government and community in lowering the unemployment rate (2.27% as of February 2022) 1 and any potential social implications of unemployment.

As the global COVID-19 pandemic continues to affect operations, the Group will continue to monitor and follow the instructions and advisories from the local government and professional bodies such as the World Health Organisation in its battle against the pandemic.

SUSTAINABILITY REPORT 2021

ORGANISATIONAL PROFILE

Certificates of Enterprise Awards

Our Group highly prioritises product quality and consumer confidence. We are pleased to share that our products have obtained the following certificates and awards in the last two years:

ISO4001:2015
Environmental Management System

ISO9001:2015
Quality Management System

ISO450012018
Occupational Health Safety Management

高新技术企业证书

CORPORATE GOVERNANCE

Anti-Bribery and Corruption

The Board and the Group wish to firmly communicate its stance on zero tolerance for any type of bribery and corruption. To protect the interests of all our stakeholders, we have established and communicated policies and procedures on our Conflict of Interest and Whistleblowing Policy to all our employees. We are pleased to report that in FY2021, the Group had another year of zero reported corruption cases.

We continue to target to have zero reported corruption cases for the financial year ending 31 December 2022 ("**FY2022**").

Interested Person Transactions

The Group has an established Interested Person Transactions Policy based on Chapter 9 of the SGX-ST Listing Manual. This sets out an approval matrix for all interested person transactions to be reported to the senior executives, Audit Committee and/ or our Board based on the transaction amount. All Directors also perform an annual conflict of interest declaration and the Interested Persons Registry is updated accordingly with the monitoring performed by the Audit Committee to ensure that all transactions are performed at arm's length.

Whistleblowing

Whistleblowing policies and procedures are a fundamental component of the Group's fraud risk management framework and processes. Any suspected breaches, frauds or sexual harassment can be reported anonymously to the CEO's office (PRC), or the Audit Committee by email. All reports will be handled seriously, and appropriate investigations into the relevant people implicated will be done. During the investigation, we will maintain the confidentiality of the whistle-blowers for reports done in good faith. Where fraudulent claims are detected, appropriate disciplinary action will be taken.

SUSTAINABILITY REPORT 2021

STAKEHOLDERS' ENGAGEMENT

Stakeholders' Participation

The Group considers that having a healthy and communicative relationship with its key stakeholders is critical to achieving its sustainability and business objectives. We use a variety of ways to communicate with our stakeholders, to allow us to better understand their expectations and assist in the identification of any Environmental, Social and Governance ("ESG") issues that are relevant to our business operations.

In view of restrictions imposed by the COVID-19 pandemic, our engagements with stakeholders have pivoted such that most of our discussions with suppliers, customers, and shareholders have taken place virtually. The Group will continue to work with its valued stakeholders to incorporate all suitable and relevant feedback and suggestions into its strategies and business operations.

Stakeholder Group	Engagement Methods	Stakeholder Expectations
Customers	Feedback through WeChat and/or emails, telecommunications and customer satisfaction survey on products and services quality provided while having a customer hotline to address and follow up on customer feedbacks and complaints raised	To receive quality products and services
Suppliers	Hold virtual meetings with suppliers, feedback on suppliers' products and services through WeChat and/or emails and telecommunications	To maintain long-term and good business relationship
Employees	Hold periodic townhall meetings, conduct staff performance appraisals and provide trainings	To improve staff performance and skills, boost staff morale and create safe and conducive working environment
Shareholders and Investors	Hold Annual General Meeting virtually and address queries from shareholders and investors by investor relations personnel through emails and telecommunications	To ensure timeliness and transparency of financial statements
Government and Regulators	To regularly monitor regulatory and industry standards and guidelines and seek consultations with professionals whenever necessary	To ensure compliance with latest regulatory and industry standards and guidelines

SUSTAINABILITY REPORT 2021

MATERIALITY ASSESSMENT

MATERIALITY ASSESSMENT

- **In FY2017, an extensive list of ESG topics – generated through internal interviews with senior management and benchmarking of selected peers – were ranked. Following that, the top 4 material topics were presented to and approved by our Board.**

MATERIALITY REASSESSMENT

- **In 2018, the material topics were reviewed to ensure their continued relevance and then aligned across all business divisions and have included another 2 more material topics.**

ANNUAL REVIEW

- **We assessed the material topics for FY2021, and we believe that the material sustainability topics are still significant and relevant to the Group. We will continually review these issues in future reporting periods to ensure that they are still important and relevant to the Group.**

Material Topics

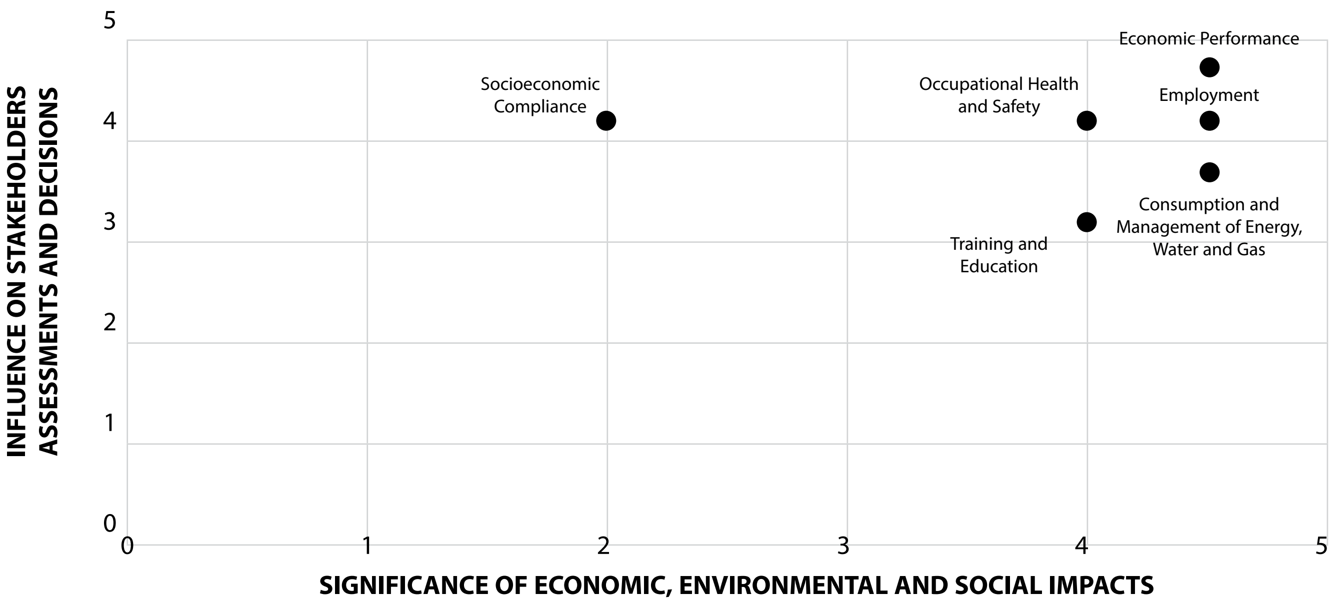
Through active engagements with our stakeholders, we then assess factors which have a significant impact on the economy, environment, and society. Through this process, the previously identified topics continue to be deemed important and relevant in FY2021 and they are continued to be reviewed periodically.

In line with the principles to define reporting content, we have taken the following steps to derive the material topics:

1. Based on engagement with stakeholders and the Group's knowledge of its risk environment risks which are likely to be of significant impact to the Group were identified;

2. The identified risks were ranked in the order of impact to the Group's operations and importance to stakeholders; and

3. The risks with an ESG impact, the impact to stakeholders' decision making process, and the overall significance to the Group, were prioritised as set out in the materiality matrix below.



SUSTAINABILITY REPORT 2021

MATERIALITY ASSESSMENT

The Sustainability Material Topics covered for FY2021 are:

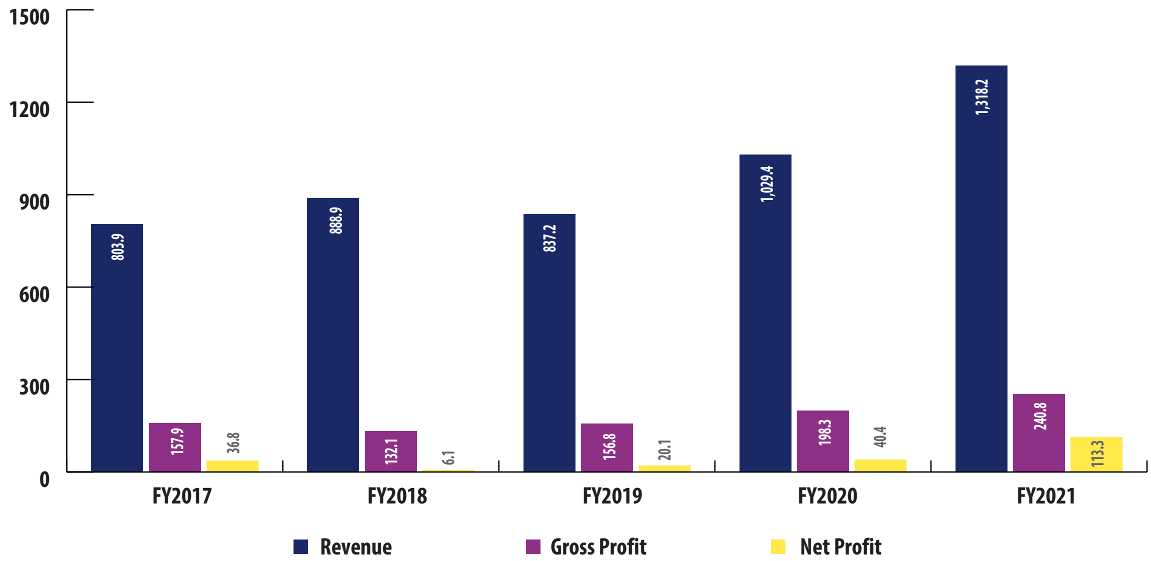
1. Economic Performance
2. Occupational Health and Safety
3. Employment
4. Consumption and Management of Energy, Water and Gas
5. Training and Education
6. Socioeconomic Compliance

SUSTAINABILITY REPORT 2021

ECONOMIC PERFORMANCE

Financial Highlights

Revenue, Gross Profit and Net Profit
(RMB Million)



From RMB1.03 billion in FY2020 to RMB1.32 billion in FY2021, we increased our revenue (representing the direct economic value generated) by 28.2%. The rise in income was mostly attributable to an increase in the number of units sold in both conventional and high-performance and high-tonnage stamping machines during the first half of the year.

Our gross profit and net profit (representing the economic value retained) also increased by 21.4% and 180.3%, from RMB198.3 million and RMB40.4 million in FY2020 to RMB240.8 million and RMB113.3 million in FY2021 respectively.

With innovation being one of our core values, we will continue to aim for better sales performance in the upcoming financial years. The Group will also increase investment in research and development ("**R&D**") with around 200 technical staff, to meet customers' demand and gain more competitive advantage against other competitors in the market.

SUSTAINABILITY REPORT 2021

OCCUPATIONAL HEALTH AND SAFETY

One of the Group's main priorities is the health and safety of its employees. Hence, it is our long-term goal to continue providing a healthy and safe working environment for our employees, while also reducing total injuries in the coming years.

Apart from adhering to ISO 45001:2018, an internationally recognised certification for Occupational Health and Safety Management, the Group also follows local health and safety regulations. To reduce the risk of work-related injuries, all of our frontline workers are equipped with protective equipment such as helmets and safety shoes. Our Civilisation Team also conducts regular safety patrols to identify any potential safety concerns and promptly address them to prevent work-related accidents.

Immediate Supervisors are in charge of the workers working under them. In the event of any work-related injuries, the supervisors are expected to provide or coordinate quick onsite first aid procedures and, if necessary, arrange for emergency evacuation to the nearest hospital. Supervisors are also responsible for documenting and reporting workplace accidents to management. Management will then conduct investigations into the incident to ensure safety of other workers are not compromised and to determine any compensation required.

The table below shows the number and types of work-related injuries in the period for FY2020 and FY2021:

		FY2020		FY2021	
No	**Types of Injuries**	**Number of Employees**	**Percentage (%)**	**Number of Employees**	**Percentage (%)**
1	Lacerations / cuts	14	19.72	14	15.38
2	Sprains / strains	22	30.99	0	0.00
3	Fractures	26	36.62	38	41.76
4	Burns (heat)	2	2.82	39	42.86
5	Others	7	9.86	0	0.00
Total		71	100.00	91	100.00
Monetary Compensation Pay-out (RMB) arising from these incidents		445,999		275,911	
Average compensation paid out per employee (RMB)		6,282		3,032	

There were no fatal injuries sustained during operation in FY2020 and FY2021. We noted a drop in the average compensation paid out per incident/worker involved, which resulted in a decreasing trend in the total monetary compensation pay-out over the years. This indicated that we have successfully decreased the number of severe work-related injuries that usually result in a relatively larger compensation.

In view of the COVID-19 pandemic, the Group has also put in place several precautionary measures such as ensuring all employees are vaccinated, procedures to record all visitors' details, temperature taking, and daily disinfection of common shared spaces. We have also provided masks, disinfection alcohol wipes and hand sanitiser for our employee's usage. As a result, we have maintained a zero COVID-19 infection rate in the Group.

We will continue to strive to reduce the total number of work-related injuries for FY2022.

SUSTAINABILITY REPORT 2021

EMPLOYMENT

The Group is determined to promote diversity and fair employment practices, while ensuring meritocracy in awarding staff with salary increment and promotion based on their performance.

Diversity and Fair Practices

People are at the core of our business and they are valued for their contributions to the company. We value our employees and embrace the diversity and expertise they bring to the Group. In order to promote a diverse mix of employees, we strive to maintain fair hiring procedures, where employees are hired based on their qualifications and skill sets. We do not practice any preference for characteristics such as race, gender or religion which may bias our hiring practices. To promote the health and overall well-being of the Group's employees, it provides Work Benefit Packages such as health screening, medical insurance and personal protective gears.

Our Workforce

The table below shows the change in the Group's selected employee statistics for FY2020 and FY2021:

Year	FY2020 (No. of employees)	FY2021 (No. of employees)
Employees at the Beginning of Reporting Period	1,892	1,836
New Hires	224	224
Resigned/Terminated Employees	280	155
Employees at the End of Reporting Period	1,836	1,905
Change (Percentage)	- 2.96%	3.76%

As the Group is moving towards automated manufacturing, our workforce is expected to slowly reduce in future years even as we hire highly-skilled employees to complement our manufacturing operations.

Appraisals and Evaluation

As a way of expressing our gratitude to employees, they are given rewards and trainings based on their performance and needs. Annual performance evaluations are given to all eligible workers within the Group. The purpose of this exercise is to evaluate our employees based on their prior year's performance, capabilities, and contributions to the Group. Employees will be promoted and given pay increments depending on the results of their appraisals.

Gender Ratio

The gender ratio for management level employees is as below:

	Males		Females	
Year	Percentage (%)	No.	Percentage (%)	No.
2020	99.9	84	0.01	1
2021	99.9	82	0.01	1

The gender ratio for non-management level employees is as below:

	Males		Females	
Year	Percentage (%)	No.	Percentage (%)	No.
2020	77.3	1,420	22.7	416
2021	79.0	1,505	21.0	400

Employees can provide valuable comments and suggestions to our management using the group's developed two-way communication structure, which allows for engagement between management and employees via email, telecommunications, and mobile applications such as WeChat and QQ. Through these channels, the management hopes to hear from our employees in order to improve our current business operations and give a better working environment in order to retain our dedicated and valuable employees.

SUSTAINABILITY REPORT 2021

CONSUMPTION AND MANAGEMENT OF ENERGY AND GAS

The table below shows the usage or consumption of resources as compared with revenue generated for FY2020 and FY2021:

Source	2020	2021	Change (%)
Electricity (kWh)	63,577,000	79,995,732	25.8%
Gas (m^3)	1,696,300	1,880,093	10.8%
Revenue (RMB 'million)	1,029.4	1,318.2	28.1%

During the increase in business operations in FY2021, there was a corresponding increase in energy and gas use. This is primarily due to the increased manufacturing output and revenue during the year. We are pleased to share that our percentage increase in electricity and gas usage has been managed at a level not exceeding our revenue growth.

The Group will continue its efforts to conserve energy and gas by experimenting with innovative energy-saving techniques and implementing more environmentally friendly measures. Some example of such measures includes using LED light bulbs across all our workshops and offices and installing solar panels on the rooftop of our workshops to generate energy, thus reducing our carbon footprint and environmental impact throughout the business operations.

TRAINING AND EDUCATION

		Number of Employees Attended	
Training Program/ Seminar Type	Require Employees	FY2020	FY2021
Problem Handling Methods	All Service Employees	66	80
New Employee Training Program	New Frontline Employees	67	101
Level 3 Document Content Training	All Relevant Production Managers	12	45
Product Advantage, Sales Signing Process and Sales Skills	All Salesmen	151	150
Quality, Environment, Occupational Health and Safety System	All Key Personnel	31	36

The table above shows the number of employees and the main types of training that our employees have attended in FY2021 and FY2020, focusing on the key training that our employees need.

Our Group provides continuous training and career development to all our workers through established human resource policies. Depending on the employees' designations and job scopes, different trainings are provided to upgrade their skills and knowledge in order to improve their performance and efficiency during day-to-day operations.

Due to the COVID-19 pandemic, we have restricted the total number of employees per session for physical trainings. However, as the pandemic eases, we were able to send more staff to attend these trainings. Therefore, FY2021's training statistics were better than FY2020. Leveraging on the increased availability of online resources for training in the last two years, we have also enrolled our employees to relevant online training and aim to continue doing so in the upcoming years.

Now that our operations have largely recovered from the COVID-19 pandemic, the Group is committed to continuing to provide the necessary training and career development to its employees in FY2022, as we believe this practice will not only benefit the employees, but also the Group's productivity and overall governance activities.

SUSTAINABILITY REPORT 2021

SOCIOECONOMIC COMPLIANCE

Within our Group, we maintain a zero-tolerance policy for any bribery or corruption. Our Group has not identified, and received zero reports of non-compliance with rules and regulations.

The management also keeps a close watch on the newest changes in government and industry legislation. Our existing policies and procedures will be updated as needed in light of the modifications, and all relevant staff will be informed.

We are proud to confirm that there were no incidents of non-compliance with socioeconomic government laws and regulations in FY2021. We hope to retain our zero occurrence of reported incidents of non-compliance with socioeconomic government laws and regulations for FY2022.

SUSTAINABILITY REPORT 2021

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 53
102-2	Activities, brands, products, and services	Page 53
102-3	Location of headquarters	Page 53
102-4	Location of operations	Page 53
102-5	Ownership and legal form	Page 53
102-6	Markets served	Page 54
102-7	Scale of the organisation	Page 53, 63
102-8	Information on employees and other workers	Page 63
102-9	Supply chain	Page 54
102-10	Significant changes to the organisation and its supply chain	There has been no significant changes in the reporting period.
102-12	External initiatives	Page 55
102-13	Membership of associations	Page 56
Strategy		
102-14	Statement from senior decision maker	Page 51
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behaviour	Page 53
Governance		
102-18	Governance structure	Page 54
Stakeholder Engagement		
102-40	List of stakeholder groups	Page 58
102-41	Collective bargaining agreements	Not applicable, the Group does not participate in any collective bargaining agreements
102-42	Identifying and selecting stakeholders	Page 58
102-43	Approach to stakeholder engagement	Page 58
102-44	Key topics and concerns raised	Page 59-60

SUSTAINABILITY REPORT 2021

GRI Standard/ Disclosure		Page Reference and Reasons for Omission, if applicable
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Page 53
102-46	Defining report content and topic boundaries	Page 52
102-47	List of material topics	Page 60
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 52
102-51	Date of most recent report	15 April 2021
102-52	Reporting cycle	Page 52
102-53	Contact point for questions regarding the report	Page 52
102-54	Claims of reporting in accordance with the GRI Standards	Page 52
102-55	GRI content index	Page 66-67
102-56	External assurance	Page 52
	MATERIAL TOPICS	
103-1	Explanation of the material topic and its boundaries	Page 61-65
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
201-1	Direct Economic value generated and distributed	Page 61
205-3	Confirmed incidents of corruption and actions taken	Page 57
302-1	Energy consumption within the organization	Page 64
401-1	New employee hires and employee turnover	Page 63
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	
403-9	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Page 62
404-2	Programs for upgrading employee skills and transition assistance programs	Page 64
419-1	Non-compliance with laws and regulations in the social and economic area	Page 65

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

Directors' statement

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2021.

In our opinion:

(a) the financial statements set out on pages 77 to 137 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Companies Act 1967 and Singapore Financial Reporting Standards (International); and

(b) 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

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

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

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act 1967 ("**the Act**"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

DIRECTORS' STATEMENT

Name of directors and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Directors		
Wang Weiyao		
World Precision Machinery Limited		
- ordinary shares		
- direct interest	200,000	200,000
- deemed interests	295,391,000	295,391,000
World Sharehold Limited (Ultimate holding company)		
- ordinary shares		
- direct interest	50,000	50,000
Shao Jianjun		
World Precision Machinery Limited		
- ordinary shares		
- deemed interests	54,100,000	54,100,000
Lim Yoke Hean		
World Precision Machinery Limited		
- ordinary shares		
- deemed interests	200,000	200,000

By virtue of Section 7 of the Act, Wang Weiyao is deemed to have an interest in the other subsidiaries of World Sharehold Limited, all of which are wholly-owned, at the beginning and at the end of the financial year.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2022.

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 director of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Share options

During the financial year, there were:

(i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under options.

DIRECTORS' STATEMENT

Audit Committee

The members of the Audit Committee during the year and at the date of this statement are:

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

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

In performing its functions, the Audit Committee met with the Company's external 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 Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external 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 SGX Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its function. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee has recommended to the Directors the nomination of KPMG LLP for the re-appointment as the external auditors of the Company at the forthcoming annual general meeting of the Company.

The Audit Committee is satisfied with the independence and objectivity of the external auditors, has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company and subsidiaries, we have complied with Rules 712 and 715 of the SGX Listing Manual.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Shao Jianjun
Director

Wang Weiyao
Director

13 April 2022

INDEPENDENT AUDITORS' REPORT

Members of the Company World Precision Machinery Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of World Precision Machinery Limited ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flow of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 77 to 137.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 ("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 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group 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 'Auditors' 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 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 AUDITORS' REPORT

Members of the Company World Precision Machinery Limited

Valuation of non-financial assets (property, plant and equipment, investment property and intangible assets) (RMB741,754,000) (Refer to Notes 4, 6 and 7 to the financial statements)

The key audit matter	*How the matter was addressed in our audit*
The net asset position of the Group of RMB1,191,699,000 (2020: RMB1,108,176,000) was higher than the market capitalisation of RMB659,540,000 (2020: RMB415,520,000) as at 31 December 2021, indicating that non-financial assets could be overstated. As part of the impairment assessment, the Group uses external valuation to estimate the recoverable amount for the allocated cash-generating units ("CGUs") based on fair value less costs of disposal. Key assumptions and valuation inputs included replacement costs, depreciation rates and price per square metre. The determination of valuation approach and the key assumptions and inputs to be used is subject to significant judgement and estimation uncertainties.	Our audit procedures to review the valuation of non-financial assets included the following: • assessing the appropriateness of CGUs identified; • evaluating the competency and objectivity of the external valuers and made enquiries of the valuers to understand their valuation approach and basis of valuation; • evaluating the valuation methods used, which included depreciation replacement cost method, direct comparison method and relief-from-royalty method against those applied for similar asset types; • assessing the reasonableness of the key assumptions used in the valuations which included replacement costs, depreciation rates, price per square metre, against available industry data, taking into consideration comparability and market factors; and • considering the reasonableness of the disclosures in the financial statements. Our findings: We found the valuation method to be in line with generally accepted practices. We found the key assumptions used and the recoverable amount determined were supportable. We found the disclosures to be appropriate and adequate.

Valuation of inventories (RMB416,363,000) (Refer to Note 9 to the financial statements)

The key audit matter	*How the matter was addressed in our audit*
The Group has inventories of RMB416,363,000 (2020: RMB375,791,000), which accounted for 31% (2020: 22%) of the Group's total assets as at 31 December 2021. Inventories are stated at the lower of cost and net realisable value. Management identifies the slow-moving and obsolete inventories, and also estimates the net realisable value for inventories by taking into consideration the current economic condition, historical sales record, ageing analysis, alternative uses and subsequent selling prices of the inventories. We identified the valuation of inventories as a key audit matter, as it requires management to exercise judgement in identifying slow-moving and obsolete inventories to determine the net realisable value and level of write-down required.	Our audit procedures to assess the net realisable value of inventories included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to assessment on net realisable value of inventories; • evaluating the Group's policy for estimating the net realisable value of inventories with reference to the requirements of the prevailing accounting standards; • reviewing the underlying data of the Group's inventory ageing analysis; • assessing the reasonableness of the Group's net realisable value of inventories by comparing the write-down against the actual historical amounts written-off; and • performing testing on the net realisable value of inventory by comparing the costs to selling prices subsequent to the financial year end. Our findings: We reviewed management's assessment and found the valuation of inventories made by management to be reasonable.

INDEPENDENT AUDITORS' REPORT

Members of the Company World Precision Machinery Limited

Valuation of trade receivables (RMB110,197,000) and amount due from employees (RMB3,163,000) (Refer to Note 8 to the financial statements)	
The key audit matter	How the matter was addressed in our audit
As at 31 December 2021, the Group has trade receivables and amount due from employees amounting to RMB110,197,000 (2020: RMB96,257,000) and RMB3,163,000 (2020: RMB3,581,000) respectively. At each reporting date, the Group identifies trade receivables and amount due from employees that are credit-impaired and measures loss allowance at an amount equal to lifetime expected credit losses ("ECL") using a provision matrix. Judgement is required in making assumptions about the risk of default and expected loss rates to determine if adequate loss allowance is made to account for those exposures.	Our audit procedures to assess the loss allowance for trade receivables and amount due from employees included the following: • reviewing management's identification of trade receivables and amount due from employees that are credit-impaired; • evaluating the appropriateness of the ECL model; • reviewing the reasonableness of the underlying assumptions used by comparing them against market observable data and other information; and • re-performing the calculation of the loss allowance as at 31 December 2021. Our findings: We found management's assessment of the allowance for expected credit losses to be reasonable.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

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.

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)s, 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.

INDEPENDENT AUDITORS' REPORT

Members of the Company World Precision Machinery Limited

Auditors' 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 auditors' 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 controls.

- Obtain an understanding of internal controls 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 controls.

- 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 auditors' 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 auditors' 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.

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 controls 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 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 auditors' report unless the law or regulations preclude 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.

INDEPENDENT AUDITORS' REPORT

Members of the Company World Precision Machinery Limited

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 of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Teo Han Jo.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
13 April 2022

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

	Note	Group 2021 RMB'000	Group 2020 RMB'000	Company 2021 RMB'000	Company 2020 RMB'000
Assets					
Property, plant and equipment	4	699,571	695,018	–	–
Investments in subsidiaries	5	–	–	757,825	796,092
Investment properties	6	3,099	3,373	–	–
Intangible assets	7	39,084	34,202	–	–
Trade and other receivables	8	47,112	11,352	–	–
Non-current assets		788,866	743,945	757,825	796,092
Inventories	9	416,363	375,791	–	–
Trade and other receivables	8	578,665	330,754	209	118
Other investment	10	300,000	–	–	–
Cash and cash equivalents	11	28,661	41,165	874	2,351
		1,323,689	747,710	1,083	2,469
Disposal group held for sale	12	–	221,656	–	–
Current assets		1,323,689	969,366	1,083	2,469
Total assets		2,112,555	1,713,311	758,908	798,561
Equity attributable to owners of the Company					
Share capital	13	250,660	250,660	250,660	250,660
Currency translation reserve	14	10,222	10,046	(31,315)	6,776
Statutory reserves	15	124,565	115,791	–	–
Capital reserve	16	97,097	97,097	–	–
Retained earnings		709,155	634,582	538,361	538,901
Total equity		1,191,699	1,108,176	757,706	796,337
Liabilities					
Deferred tax liabilities	17	7,072	945	–	–
Trade and other payables	19	1,041	892	–	–
Borrowings	20	11,135	3,783	–	–
Non-current liabilities		19,248	5,620	–	–
Contract liabilities	18	85,298	111,867	–	–
Trade and other payables	19	813,358	485,717	1,202	2,224
Borrowings	20	429	467	–	–
Tax payables		2,523	1,464	–	–
Current liabilities		901,608	599,515	1,202	2,224
Total liabilities		920,856	605,135	1,202	2,224
Total equity and liabilities		2,112,555	1,713,311	758,908	798,561

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Note	Group 2021 RMB'000	Group 2020 RMB'000
Revenue	21	1,318,217	1,029,350
Cost of sales		(1,077,442)	(831,094)
Gross profit		240,775	198,256
Other income	22	67,726	21,121
Distribution and selling expenses		(96,330)	(94,349)
Administrative expenses		(81,185)	(75,048)
Other expenses		(3,591)	(1,029)
Net provision of impairment losses on trade and other receivables	24	(2,618)	(7,143)
Result from operating activities		124,777	41,808
Finance income		9,071	176
Finance costs		(3,907)	(1,587)
Net finance income/(costs)	23	5,164	(1,411)
Profit before tax	24	129,941	40,397
Tax (expense)/credit	26	(16,594)	47
Profit for the year		113,347	40,444
Other comprehensive income for the year, net of tax:			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations		176	273
Total comprehensive income for the year		113,523	40,717
Profit attributable to:			
Equity holders of the Company		113,347	40,444
Total comprehensive income attributable to:			
Equity holders of the Company		113,523	40,717
Earnings per share			
Basic and diluted (RMB per share)	27	0.28	0.10

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Share capital RMB'000	Currency translation reserve RMB'000	Statutory reserves RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Group						
At 1 January 2020	250,660	9,773	110,946	97,097	618,983	1,087,459
Total comprehensive income for the year						
Profit for the year	–	–	–	–	40,444	40,444
Other comprehensive income						
Foreign currency translation differences on foreign operations	–	273	–	–	–	273
Total comprehensive income for the year	–	273	–	–	40,444	40,717
Transactions with owners, recognised directly in equity						
Distributions to owners						
Dividend paid (Note 34)	–	–	–	–	(20,000)	(20,000)
Total distributions to owners	–	–	–	–	(20,000)	(20,000)
Transfer to statutory reserve fund	–	–	4,845	–	(4,845)	–
At 31 December 2020	250,660	10,046	115,791	97,097	634,582	1,108,176

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Share capital RMB'000	Currency translation reserve RMB'000	Statutory reserves RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Group						
At 1 January 2021	250,660	10,046	115,791	97,097	634,582	1,108,176
Total comprehensive income for the year						
Profit for the year	–	–	–	–	113,347	113,347
Other comprehensive income						
Foreign currency translation differences on foreign operations	–	176	–	–	–	176
Total comprehensive income for the year	–	176	–	–	113,347	113,523
Transactions with owners, recognised directly in equity						
Distributions to owners						
Dividend paid (Note 34)	–	–	–	–	(30,000)	(30,000)
Total distributions to owners	–	–	–	–	(30,000)	(30,000)
Transfer to statutory reserve fund	–	–	8,774	–	(8,774)	–
At 31 December 2021	250,660	10,222	124,565	97,097	709,155	1,191,699

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Note	Group 2021 RMB'000	Group 2020 RMB'000
Cash flows from operating activities			
Profit before tax		129,941	40,397
Adjustments for:			
Amortisation of intangible assets	7	9,039	11,166
Bad debts written off (non-trade)	24	8	–
Depreciation of investment property	6	274	188
Depreciation of property, plant and equipment		59,561	67,021
Gain on disposal of a subsidiary	5	(42,323)	–
(Gain)/Loss on disposal of property, plant and equipment	22, 24	(352)	29
Interest expense	23	3,854	1,587
Interest income	23	(9,071)	(176)
Property, plant and equipment written off	24	577	53
Provision of impairment losses on trade and other receivables	24	2,618	7,143
Write-down of inventories	9	10,966	396
		165,092	127,804
Changes in:			
- Inventories		(51,538)	2,298
- Trade and other receivables		(148,264)	(154,187)
- Trade and other payables		320,740	85,990
- Contract liabilities		(26,569)	60,417
Cash generated from operating activities		259,461	122,322
Interest received		1,993	176
Withholding tax paid		(1,704)	(1,252)
Income tax paid		(7,704)	(1,310)
Net cash from operating activities		252,046	119,936
Cash flows from investing activities			
Purchases of property, plant and equipment		(86,106)	(61,511)
Additions of intangible assets		(13,397)	(8,512)
Proceeds from disposal of property, plant and equipment		534	486
Proceeds from disposal of a subsidiary	5	263,131	–
Payment for other investment	10	(300,000)	–
Interest received from other investment		5,653	–
Provision of loan to a third party		(100,000)	–
Net cash used in investing activities		(230,185)	(69,537)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Note	Group 2021 RMB'000	Group 2020 RMB'000
Cash flows from financing activities			
Repayments of bank loans	20	–	(35,600)
Proceeds from bank loans	20	–	6,500
Payment of lease liabilities	20	(389)	(1,290)
Bank deposits released from pledge		–	368
Dividend paid		(30,000)	(20,000)
Interest paid		(3,854)	(1,587)
Net cash used in financing activities		(34,243)	(51,609)
Net decrease in cash and cash equivalents		(12,382)	(1,210)
Cash and cash equivalents at beginning of the year		41,165	42,423
Effect of exchange rate changes on cash and cash equivalents		(122)	(40)
Changes in cash and cash equivalents reclassified to assets held for sale		–	(8)
Cash and cash equivalents at end of the year	11	28,661	41,165

Significant non-cash transactions

During the year, depreciation charge of plant and machinery capitalised as development costs amounted to RMB524,400 (2020: RMB607,000).

During the year, the Group acquired property, plant and equipment with an aggregate cost of RMB65,397,000 (2020: RMB51,184,000) of which:

(a) a net amount of RMB28,412,000 (2020: RMB10,327,000) is related to changes in prepayments and payables relating to property, plant and equipment, as at financial year end; and

(b) RMB7,703,000 (2020: RMB Nil) relates to recognition of right-of-use assets.

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

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 13 April 2022.

1 General information

World Precision Machinery Limited (the "Company") is a company incorporated in the Republic of 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 120, Robinson Road, #08-01, Singapore 068913.

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 5.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

The financial statements are presented in Chinese Renminbi ("RMB"). All financial information presented in RMB has been rounded to the nearest thousand, unless otherwise stated.

The functional currency of the Company and its principal entities in the PRC is Singapore dollar ("SGD") and RMB respectively.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected.

There is no critical judgement in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation (cont'd)

2.4 Use of estimates and judgements (cont'd)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- Note 4 and 7 – measurement of recoverable amount of property, plant and equipment and intangible assets;
- Note 9 – valuation of inventories;
- Note 30 – valuation of trade receivables and amount due from employees; and
- Note 8, 17 and 26 – recognition of tax payable, tax recoverable and deferred tax.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

2.5 Changes in accounting policies

New standards and amendments

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2021:

- COVID-19-Related Rent Concessions (Amendments to SFRS(I) 16)
- Interest Rate Benchmark Reform – Phase 2 (Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests ("NCI") in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.1 Basis of consolidation (cont'd)

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Subsidiaries in the separate financial statements

Investments in subsidiaries are stated in the Company's statements of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated to RMB at exchange rates at the reporting date. The income and expenses of foreign operations are translated to RMB at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income ("OCI") and presented in the foreign currency translation reserve ("translation reserve") in equity. When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in OCI, and are presented in the translation reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

The Group has financial assets at amortised cost. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt investments at FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments at FVOCI

On initial recognition of an equity investment that is not held-for-trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Transferred assets are not derecognised when the Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

(iii) Derecognition (cont'd)

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits with financial institutions maturities of six months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(vi) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with SFRS(I) 1-12.

3.4 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Construction work-in-progress represents assets in the course of construction for production, or administrative purposes, are carried at cost, less any recognised impairment loss until construction or development is completed.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent costs

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. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.4 Property, plant and equipment (cont'd)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Land is not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Leasehold land and buildings	-	Over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years.
Plant and machinery	-	10 to 20 years
Electrical fittings	-	3 to 5 years
Tools and equipment	-	5 years
Motor vehicles	-	5 years

Depreciation methods, useful lives and residual values are reviewed at reporting date and adjusted if appropriate.

Construction work-in-progress are not depreciated.

(iv) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is transferred from property, plant and equipment at cost.

3.5 Investment properties

(i) Recognition and measurement

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.5 Investment properties (cont'd)

(ii) Depreciation

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an investment property.

The estimated useful lives for the current and comparative years are as follows:

Leasehold buildings - 20 years

Depreciation methods, useful lives and residual values are reviewed at reporting date and adjusted if appropriate.

(iii) Transfers

Transfers to, or from, investment property are made where there is a change in use, evidenced by:

- commencement of owner-occupation, for a transfer from investment property to property, plant and equipment; and
- end of owner-occupation, for a transfer from property, plant and equipment to investment property.

3.6 Intangible assets

Research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Capitalised 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 reporting date and adjusted if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.7 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for right-of-use assets that meet the definition of investment property are carried at cost less accumulated depreciation and accumulated impairment losses, if any, in accordance with note 3.5.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the lessee's incremental borrowing rate as the discount rate.

The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.7 Leases (cont'd)

(i) As a lessee (cont'd)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'borrowings' in the statement of financial position.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies SFRS(I) 15 to allocate the consideration in the contract.

Rental income from sub-leased property is recognised as 'other income'.

3.8 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 estimated costs necessary to make the sale.

3.9 Impairment

(i) Non-derivative financial assets

The Group recognises loss allowances for ECLs on financial assets measured at amortised costs.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.9 Impairment (cont'd)

(i) Non-derivative financial assets (cont'd)

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its creditors, including the Group as constituting an event of default for internal credit risk management purpose; or
- the 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.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects a credit losses.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.9 Impairment (cont'd)

(i) Non-derivative financial assets (cont'd)

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

In respect of other assets except for goodwill, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.10 Contract assets and liabilities

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

3.11 Revenue recognition

Sales of goods

Revenue from sale of goods in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods. The individual standalone selling price of a good that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those POs.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.11 Revenue recognition (cont'd)

Conventional stamping machines and metal parts

Nature of goods or services	The Group principally generates revenue from manufacturing conventional stamping machines and metal parts. The contracts with its customers are received on ad hoc basis.
When revenue is recognised	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.
Significant payment terms	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.

High performance and high tonnage stamping machines

Nature of goods or services	The Group principally generates revenue from manufacturing high performance and high tonnage stamping machines. The contracts with its customers are received on ad hoc basis.
When revenue is recognised	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.
Significant payment terms	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.

The Group accounts for modifications to the scope or price of a contract as separate contracts if the modification adds distinct goods or services at their stand-alone selling prices. For contract modifications that add distinct goods or services but not at their stand-alone selling prices, the Group combines the remaining consideration in the original contract with the consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations to be satisfied. For contract modifications that do not add distinct goods or services, the Group accounts for the modification as a continuation of the original contract and recognises a cumulative adjustment to revenue at the date of modification.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.12 Government grants

Government grants related to assets are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as 'other income' on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as 'other income' on a systematic basis in the same periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

3.13 Non-current assets held for sale or distribution

Non-current assets, or disposal groups comprising assets and liabilities, that are highly probable to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, the assets, or disposal group, classified as held for sale (held for distribution) are generally measured at the lower of their carrying amount and fair value less costs to sell (fair value less costs to distribute).

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of associates and joint ventures ceases once classified as held for sale or distribution.

3.14 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(ii) 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 reporting date.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.15 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense; or
- dividend income.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.16 Income tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.16 Income tax (cont'd)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

3.17 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, with comprise convertible notes and share options granted to employees.

3.18 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.

3.19 New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

The following amendments to SFRS(I)s are not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

- *SFRS(I) 17 Insurance Contracts and amendments to SFRS(I) 17 Insurance Contracts*
- *Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to SFRS(I) 16)*
- *Reference to the Conceptual Framework (Amendments to SFRS(I) 3)*
- *Property, plant and equipment – Proceeds before Intended Use (Amendments to SFRS(I) 1-16)*
- *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to SFRS(I) 37)*
- *Classification of Liabilities as Current or Non-current (Amendments to SFRS(I) 1-1)*
- *Annual Improvements to SFRS(I)s 2018-2020*
- *Disclosure of Accounting Policies (Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2)*
- *Definition of Accounting Estimates (Amendments to SFRS(I) 1-8)*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to SFRS(I) 1-12)*

NOTES TO THE FINANCIAL STATEMENTS

For the eighteen-month period from 1 July 2020 to 31 December 2021

4 Property, plant and equipment

	Leasehold land and 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
Group							
Cost							
As at 1 January 2020	595,133	681,253	8,660	97,374	12,988	83,697	1,479,105
Additions	2,619	35,291	230	7,527	2,526	2,991	51,184
Reclassifications	80,201	2,139	–	–	–	(82,340)	–
Reclassification to assets held for sale (Note 12)	(212,450)	–	–	–	–	–	(212,450)
Disposals	–	(460)	–	(28)	(1,484)	(67)	(2,039)
Written off	–	(232)	(14)	–	–	–	(246)
Transfer to inventories	–	(53)	–	–	–	–	(53)
At 31 December 2020	465,503	717,938	8,876	104,873	14,030	4,281	1,315,501
At 1 January 2021	465,503	717,938	8,876	104,873	14,030	4,281	1,315,501
Additions	18,091	33,196	253	8,424	1,548	3,885	65,397
Reclassifications	3,431	2,306	16	11	–	(5,764)	–
Disposals	–	(1,604)	(29)	(312)	(68)	–	(2,013)
Written off	(3,016)	–	(39)	–	(350)	–	(3,405)
At 31 December 2021	484,009	751,836	9,077	112,996	15,160	2,402	1,375,480

NOTES TO THE FINANCIAL STATEMENTS

For the eighteen-month period from 1 July 2020 to 31 December 2021

4 Property, plant and equipment (cont'd)

	Leasehold land and 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
Group							
Accumulated depreciation							
At 1 January 2020	118,032	351,008	7,201	73,624	7,991	–	557,856
Charge for the year	20,127	38,855	510	6,307	1,222	–	67,021
Reclassification to assets held for sale (Note 12)	(2,636)	–	–	–	–	–	(2,636)
Disposals	–	(289)	–	(8)	(1,227)	–	(1,524)
Written off	–	(179)	(14)	–	–	–	(193)
Transfer to inventories	–	(41)	–	–	–	–	(41)
At 31 December 2020	135,523	389,354	7,697	79,923	7,986	–	620,483
At 1 January 2021	135,523	389,354	7,697	79,923	7,986	–	620,483
Charge for the year	16,494	37,158	560	4,193	1,680	–	60,085
Disposals	–	(1,501)	(27)	(268)	(35)	–	(1,831)
Written off	(2,490)	–	(36)	–	(302)	–	(2,828)
At 31 December 2021	149,527	425,011	8,194	83,848	9,329	–	675,909
Carrying amounts							
At 1 January 2020	477,101	330,245	1,459	23,750	4,997	83,697	921,249
At 31 December 2020	329,980	328,584	1,179	24,950	6,044	4,281	695,018
At 31 December 2021	334,482	326,825	883	29,148	5,831	2,402	699,571

NOTES TO THE FINANCIAL STATEMENTS

4 Property, plant and equipment (cont'd)

During the financial year, depreciation charge of plant and machinery capitalised as development costs amounted to RMB524,000 (2020: RMB607,000) (Note 7).

Impairment of property, plant and equipment and intangible assets

The Group reviews the carrying amounts of the assets as at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are determined based on the greater of its value in use and its fair value less costs of disposal for the allocated CGU.

Determination of value in use

In 2020, value in use was estimated using the discounted cash flow technique to determine the recoverable amount for the allocated CGU. The determination of value in use of the CGU requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. The Group has to make significant judgement and estimates on assumptions that can materially affect the financial statements, such as projected revenue growth, profit margin and discount rate. Any resulting impairment losses could have a material adverse impact on the Group's financial condition and results of operations. The cash flow projections used to determine the value in use of the property, plant and equipment and intangible assets (Note 7) were based on 10 years cash flow projection approved by management with a revenue growth rate of 2.9% to 8.7%, gross profit margin of 20.1% to 27.3% and discounted at a pre-tax discount rate of 9.9%. The recoverable amount of the CGU was estimated to be higher than its carrying amount, and no impairment was required in 2020.

Sensitivity analysis for 2020

If management's estimated revenue growth rates used in the forecast are reduced by 1.2% for each year to 1.7% to 7.5%, and all other variable remains constant, then the recoverable amount would have been equal to its carrying amount.

If management's estimated gross profit margins used in the forecast are reduced 1.7% for each year to 18.4% to 25.8%, and all other variable remains constant, then the recoverable amount would have been equal to its carrying amount.

Determination of fair value less cost of disposal

In 2021, the Group engaged external independent valuer to determine the fair value less cost of disposal of the property, plant and equipment, and intangible assets. The valuer has appropriate recognised professional qualifications and recent experience in the location and category of assets being valued. In relying on the valuation reports, the Group has exercised its judgement and is satisfied that the valuation method and estimates are reflective of current market conditions. The recoverable amount of the CGU was estimated to be higher than its carrying amount, and no impairment was required in 2021. The fair value measurement was categorised as a Level 3 in the fair value hierarchy as it is derived from unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS

4 Property, plant and equipment (cont'd)

Details of valuation techniques and key inputs for the estimation of the recoverable amounts of CGU based on fair value less cost of disposal:

Type	Valuation technique and significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Leasehold buildings Plant and machinery Electrical fittings Tools and equipment Motor vehicles	***Depreciated replacement cost method:*** Aggregated amount of gross replacement cost of the building and plant and machinery from which appropriate deductions may then be made for the age, condition, economic or functional obsolescence and environmental factors.	The estimated fair value would increase/(decrease) if: • replacement cost is higher/(lower); or • depreciation is lower/(higher).
Leasehold land	***Direct comparison method:*** The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sales price to those reflective of the leasehold land. Price per square metre ("psm") of comparable properties range from RMB104 to RMB2,611.	The estimated fair value would increase/(decrease) if price psm was higher/(lower).
Intangible assets	***Relief-from-royalty method:*** The relief-from-royalty method considers the discounted estimated payments that are expected to be avoided as result of the intangible assets being owned.	The estimated fair value would increase/(decrease) if estimated payments that are expected to be avoided was higher/(lower).

Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly based on the factors that include asset utilisation, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information in order to determine the amount of depreciation expense to be recorded during any reporting period. Changes in the expected level of use of the assets and the Group's historical experience with similar assets, after taking into account anticipated technological changes, could impact the economic useful lives and the residual values of the assets, and therefore future depreciation charges could be revised. Any changes in the economic useful lives could impact the depreciation charges and consequently affect the Group's results.

Transfer to disposal group held for sale

On 22 December 2020, pursuant to an extraordinary general meeting, the shareholders have approved to sell Shenyang World High-End Equipment Manufacturing Co., Ltd. ("SWHEM") to a related company on 22 December 2020. The Group reclassified the property, plant and equipment to disposal group held for sale at cost less accumulated depreciation, see Note 12.

NOTES TO THE FINANCIAL STATEMENTS

5 Subsidiaries

	Company	
	2021	2020
	RMB'000	RMB'000
Unquoted equity shares, at cost	804,836	804,836
Currency translation differences	(47,011)	(8,744)
	757,825	796,092

The details of the subsidiaries are as follow:

Name of subsidiaries	Principal activities	Country of incorporation and place of business	Ownership interest held	
			2021	2020
			%	%
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. ("WPMS")*	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
Held by WPMS				
Shenyang World High-End Equipment Manufacturing Co., Ltd. ("SWHEM")*	Purpose of preparing for the proposed sale of factory buildings and the land associated with such factory buildings	PRC	–	100

* Audited by KPMG Huazhen LLP

Disposal of subsidiary

On 4 September 2020, the Group announced that it had entered into a sale and purchase agreement with World Agriculture (Shenyang) Co., Ltd., a related company, to sell all the shareholding interest in Shenyang World High-End Equipment Manufacturing Co., Ltd, to a wholly-owned subsidiary for a consideration of RMB263,143,000. The sale has been completed on 22 March 2021. The subsidiary was classified as disposal group held for sale (Note 12) as at 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

5 Subsidiaries (cont'd)

Effect of Disposal

Details of assets and liabilities of the subsidiary disposed were as follows:

	2021 RMB'000
Property, plant and equipment	209,814
Trade and other receivables	11,834
Cash and cash equivalents	12
Trade and other payables	(840)
Identified net assets	220,820
Gain on disposal of subsidiary, recognised in the consolidated statement of profit or loss	42,323
Selling proceeds	263,143
Selling proceeds are represented by:	
Cash consideration received	263,143
Net cash outflows arising from the disposal of subsidiary	
- Cash consideration received	263,143
- Cash and cash equivalents disposed off	(12)
	263,131

The gain on disposal of a subsidiary was recognised in "other income".

The disposed subsidiary contributed to a net loss of RMB635,000 (2020: RMB4,040,000) to the Group during the year.

NOTES TO THE FINANCIAL STATEMENTS

6 Investment property

	Note	Group 2021 RMB'000	Group 2020 RMB'000
Cost			
At 1 January and 31 December		7,208	7,208
Accumulated amortisation			
At 1 January		3,835	3,647
Amortisation charge for the year	24	274	188
At 31 December		4,109	3,835
Net carrying value			
At 31 December		3,099	3,373
Fair value			
At 31 December		15,790	21,139

Investment property comprises a commercial property that is leased to the third parties. The lease contains a non-cancellable period varying from 3 to 6 years (2020: 2 to 3 years), with a fixed annual rent. See Note 31 for further information.

Amounts recognised in profit or loss

Rental income recognised by the Company during 2021 was RMB435,000 (2020: RMB572,000) and was included in 'other income' (Note 22).

Fair value hierarchy

The fair value of the investment property was determined by the Group using management's valuation using the direct comparison method with reference to other similar properties.

The fair value disclosure for the investment property has been categorised as a Level 3 fair value based on the input to the valuation techniques used. The significant unobservable input includes price per square foot of RMB2,221 (2020: RMB2,973). An increase in the price per square foot would result in a higher fair value.

NOTES TO THE FINANCIAL STATEMENTS

7 Intangible assets

	Note	Group 2021 RMB'000	Group 2020 RMB'000
Development costs			
Cost			
At 1 January		88,383	79,871
Additions		13,921	8,512
At 31 December		102,304	88,383
Accumulated amortisation			
At 1 January		54,181	43,015
Amortisation charge for the year	24	9,039	11,166
At 31 December		63,220	54,181
Net carrying value			
At 31 December		39,084	34,202

During the financial year, depreciation charge of plant and machinery capitalised as development costs amounted to RMB524,000 (2020: RMB607,000) (Note 4).

Impairment of intangible assets

The Group reviews the carrying amounts of the assets as at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount are determined based on the greater of its value in use and its fair value less costs of disposal for the allocated CGU. See Note 4 for the determination of recoverable amount of the property, plant and equipment and intangible assets for the CGU.

NOTES TO THE FINANCIAL STATEMENTS

8 Trade and other receivables

	Group		Company	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	137,650	125,670	–	–
Less: allowance for expected credit losses	(27,453)	(29,413)	–	–
	110,197	96,257	–	–
Bills receivables	329,620	201,560	–	–
Amount due from related companies (trade)	21,108	19,404	–	–
Amount due from an affiliated corporation (trade)	3	19	–	–
Amount due from a subsidiary (non-trade)	–	–	196	104
Amount due from employees	4,472	4,776	–	–
Less: allowance for expected credit losses	(1,309)	(1,195)	–	–
	3,163	3,581	–	–
Advance payments to suppliers	3,950	4,394	–	–
VAT receivables	893	307	–	–
Other prepayments	2,197	2,056	13	14
Prepayments for property, plant and equipment	47,112	11,352	–	–
Loan to a third party	100,000	–	–	–
Interest receivable from loan to a third party	1,425	–	–	–
Tax recoverable	4,273	1,288	–	–
Other receivables	1,915	2,284	–	–
Less: allowance for expected credit losses	(79)	(396)	–	–
	1,836	1,888	–	–
	625,777	342,106	209	118
Non-current	47,112	11,352	–	–
Current	578,665	330,754	209	118
	625,777	342,106	209	118

The bills receivables held by the Group are achieved by both collecting contractual cash flows and selling financial assets, which are measured at fair value through other comprehensive income (recycling).

Related companies 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.

An affiliated corporation is defined as one:
- in which a director of the Company has a substantial financial interests or who is in a position to exercise significant influence; and/or
- which directly or indirectly, through one or more intermediaries, are under the control of a common shareholder.

The amount due from employees, other receivables and non-trade amount due from a subsidiary are unsecured, interest-free and repayable on demand.

Loan to a third party is secured with personal guarantee from a third party, bears interest of 10% per annum and to be maturing within 5 months from the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

9 Inventories

	Group	
	2021	2020
	RMB'000	RMB'000
Finished goods		
- at cost	62,975	45,995
- at net realisable value	16,851	526
Work-in-progress and components parts		
- at cost	268,074	252,547
Raw materials		
- at cost	65,037	76,723
- at net realisable value	3,426	–
	416,363	375,791

Raw materials, consumables and changes in finished goods, and work-in-progress and component parts included as cost of sales amounted to RMB781,405,000 (2020: RMB582,592,000) during the financial year.

Write-down for slow-moving and obsolete inventories

The Group performs assessment on the condition of its inventories at the end of each reporting period and write down slow-moving and obsolete inventories identified. Management considers future demand, expected selling prices and ageing analysis of the inventories as part of its assessment process to arrive at their best estimate of the net realisable value of inventories. Such evaluation process requires significant judgement and may affect the carrying amount of inventories at the balance sheet date.

In 2021, a write-down for slow-moving and obsolete inventories to net realisable value amounting to RMB10,966,000 (2020: RMB396,000) was recognised in "other expenses" due to slow-moving inventories and obsolete raw materials.

10 Other investment

	Group	
	2021	2020
	RMB'000	RMB'000
Current investment		
Fair value through profit or loss		
- Bank structured deposit	300,000	–

The Group invested in a principal protected currency linked structured investment. As at the reporting date, the outstanding contract has a total notional principal value of RMB300,000,000 and has a maturity period within 5 months from reporting date. The investment bears a base interest rate of 1.30% per annum plus additional interest pegged to exchange rate movement during the investment period.

NOTES TO THE FINANCIAL STATEMENTS

11 Cash and cash equivalents

	Group		Company	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks and on hand	28,661	41,165	874	2,351

12 Disposal group held for sale

On 4 September 2020, the Group announced that it had entered into a sale and purchase agreement with World Agriculture (Shenyang) Co., Ltd., a related company, to sell all the shareholding interest in Shenyang World High-End Equipment Manufacturing Co., Ltd, a wholly-owned subsidiary for a consideration of RMB263,143,000. An extraordinary general meeting has been held on 22 December 2020 to approve the sale. The sale was completed on 22 March 2021. Accordingly, all assets held by the entity were reclassified as a disposal group held for sale as at 31 December 2020.

Impairment loss relating to the disposal group

No impairment losses for write-downs of the disposal group to the lower of its fair value less costs to sell and carrying amount were recognised as its fair value less costs to sell is higher than the carrying amount.

Assets and liabilities of disposal group held for sale

At 31 December, the disposal group was stated at its carrying amount and comprised the following assets:

		Group	
	Note	2021	2020
		RMB'000	RMB'000
Property, plant and equipment	4	–	209,814
Trade and other receivables		–	11,834
Cash and cash equivalents		–	8
Assets held for sale		–	221,656

Cumulative income or expense recognised in OCI

There are no cumulative income or expenses included in OCI relating to the disposal group.

Measurement of fair values

Fair value hierarchy

The non-recurring fair value measurement for the disposal group of RMB263,143,000 (before costs to sell of RMB21,498,000) has been categorised as a Level 3 fair value based on the sales and purchase agreement signed with the buyer.

NOTES TO THE FINANCIAL STATEMENTS

13 Share capital

	Group and Company			
	2021	2021	2020	2020
	No. of shares		No. of shares	
	'000	RMB'000	'000	RMB'000
Issued and fully paid ordinary shares, with no par value				
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.

14 Currency translation reserve

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

The translation reserves of the Group comprise all foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

15 Statutory reserves

	Group	
	2021	2020
	RMB'000	RMB'000
Statutory reserve fund	124,565	115,791

Statutory reserve fund

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

16 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.

17 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following categories and movements in deferred tax assets and liabilities during the year are as follows:

	Balance as at 1 January RMB'000	Recognised in profit or loss (Note 26) RMB'000	Balance as at 31 December RMB'000
Group			
2021			
Trade and other receivables	5,881	(2,462)	3,419
Intangible assets	7,751	(4,028)	3,723
Inventories	224	1,735	1,959
Deferred tax assets	13,856	(4,755)	9,101
Distributable earnings of PRC subsidiaries	(1,883)	(970)	(2,853)
Property, plant and equipment	(12,918)	(402)	(13,320)
Deferred tax liabilities	(14,801)	(1,372)	(16,173)
	(945)	(6,127)	(7,072)
2020			
Trade and other receivables	–	5,881	5,881
Intangible assets	–	7,751	7,751
Inventories	–	224	224
Deferred tax assets	–	13,856	13,856
Distributable earnings of PRC subsidiaries	(5,018)	3,135	(1,883)
Property, plant and equipment	–	(12,918)	(12,918)
Deferred tax liabilities	(5,018)	(9,783)	(14,801)
	(5,018)	4,073	(945)

Distributable earnings of the PRC subsidiaries generated from 1 January 2008 onward are subjected to withholding tax when the subsidiary declares dividend to its foreign investor.

NOTES TO THE FINANCIAL STATEMENTS

17 Deferred tax assets and liabilities (cont'd)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The deferred tax determined after appropriate offsetting are included in the statement of financial position as follows:

	Group	
	2021	2020
	RMB'000	RMB'000
Deferred tax assets	42	–
Deferred tax liabilities	(7,114)	(945)
	(7,072)	(945)

Deferred tax liabilities not recognised

The total undistributed profits of the PRC subsidiaries are RMB173,441,000 (2020: RMB135,112,000). No deferred tax liability has been recognised for undistributed profits of RMB116,379,000 (2020: RMB97,446,000) because the Group controls the dividend policy of its subsidiaries and is of the opinion that these reserves will not be remitted back to the holding company in the foreseeable future.

18 Contract liabilities

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

	Group	
	2021	2020
	RMB'000	RMB'000
Balance as at 1 January	111,867	51,450
Increases due to advances received, excluding amounts recognised as revenue during the financial year	78,019	111,867
Revenue recognised that was included in the contract liability balance at the beginning of the financial year	(104,588)	(51,450)
Balance as at 31 December	85,298	111,867

The contract liabilities primarily relate to advance considerations received from customers for sale of products.

NOTES TO THE FINANCIAL STATEMENTS

19 Trade and other payables

	Group		Company	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	520,744	334,831	–	–
Amount due to related parties (trade)	2,498	5,833	–	–
Accrued operating expenses	145,185	86,777	684	1,068
VAT payables	3,752	2,597	–	–
Other tax payables	817	679	–	–
Other payables	92,011	18,127	330	911
Bonus payables	26,125	21,538	–	–
Payables relating to property, plant and equipment	21,747	14,399	–	–
Amount due to related companies (non-trade)	261	756	–	–
Amount due to a subsidiary (non-trade)	–	–	188	245
Deferred income from government grants	1,259	1,072	–	–
	814,399	486,609	1,202	2,224
Non-current	1,041	892	–	–
Current	813,358	485,717	1,202	2,224
	814,399	486,609	1,202	2,224

Trade payables are non-interest bearing with credit periods ranging from 3 to 6 months (2020: 3 to 6 months).

Other payables included RMB74,461,000 (2020: RMB2,360,000) which pertains to undue bills receivable transferred to creditors for the payments of outstanding amounts. In accordance with the laws in the PRC, the holders of the bills have a right of recourse against the Group if the PRC banks default. Therefore, these other payables continue to be presented as liabilities as at 31 December 2021. Remaining other payables consist of non-operating expenses and staff claims.

Non-trade amounts due to related companies and a subsidiary are unsecured, interest-free and repayable on demand.

Deferred income from government grants

The Group has been awarded government grants related to acquisition of property, plant and equipment and research and development project for flexibility stamping production line amounted to RMB1,680,000 (2020: RMB1,300,000). The grants received by the Group were unconditional. The grants have been recognised as deferred income and is being amortised over the useful lives of the property, plant and equipment, ranging from 5 to 10 years.

NOTES TO THE FINANCIAL STATEMENTS

20 Borrowings

	Group 2021 RMB'000	Group 2020 RMB'000
Lease liabilities		
Non-current	11,135	3,783
Current	429	467
	11,564	4,250

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Nominal interest rate %	Year of maturity	Group Face value RMB'000	Group Carrying amount RMB'000
2021				
Lease liabilities	4.75% - 6.37%	2023 to 2056	25,370	11,564
2020				
Lease liabilities	5.21%	2024 to 2056	9,382	4,250

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

	Secured bank loans RMB'000	Lease liabilities RMB'000	Total RMB'000
Balance at 1 January 2020	29,100	5,540	34,640
Changes from financing cash flows:			
- Proceeds from bank loans	6,500	–	6,500
- Repayments of bank loans	(35,600)	–	(35,600)
- Payment of lease liabilities	–	(1,290)	(1,290)
- Interest paid	(498)	(302)	(800)
Total changes from financing cash flows	(29,598)	(1,592)	(31,190)
Other changes			
- Interest expense	498	302	800
Total other changes	498	302	800
Balance at 31 December 2020	–	4,250	4,250

NOTES TO THE FINANCIAL STATEMENTS

20 Borrowings (cont'd)

	Secured bank loans RMB'000	Lease liabilities RMB'000	Total RMB'000
Balance at 1 January 2021	–	4,250	4,250
Changes from financing cash flows:			
- Payment of lease liabilities	–	(389)	(389)
- Interest paid	–	(693)	(693)
Total changes from financing cash flows	–	(1,082)	(1,082)
Other changes			
- New leases	–	7,703	7,703
- Interest expense	–	693	693
Total other changes	–	8,396	8,396
Balance at 31 December 2021	–	11,564	11,564

21 Revenue

Revenue comprises 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	
	2021 RMB'000	2020 RMB'000
Conventional stamping machines	58,011	60,796
High performance and high tonnage stamping machines	1,152,051	873,387
Metal parts	108,155	95,167
	1,318,217	1,029,350

22 Other income

	Group	
	2021 RMB'000	2020 RMB'000
Sale of raw, scrap materials and tooling	8,921	4,538
Cost of raw, scrap materials and tooling sold	(7,583)	(3,487)
Gain from disposals of raw and scrap materials	1,338	1,051

NOTES TO THE FINANCIAL STATEMENTS

22 Other income (cont'd)

	Note	Group 2021 RMB'000	Group 2020 RMB'000
Gain on disposal of property, plant and equipment		352	–
Gain on disposal of a subsidiary	5	42,323	–
Government grants and subsidies		18,647	11,234
Insurance claims		105	55
Penalty income		52	46
Processing income		3,292	3,430
Rental income from:			
- leasing of plant and machinery (net of depreciation expenses of RMB924,000 (2020: RMB3,344,000))		989	4,539
- investment property		435	572
Others		193	194
		67,726	21,121

Government grants and subsidies relate to following:
(i) refund on value-added taxes received on sales of software related products;
(ii) government subsidies for foreign-invested enterprises;
(iii) government subsidies for talent introduction and creation of employment opportunities and stability; and
(iv) government subsidies for quality development, smart manufacturing, patents development and registration.

23 Finance income and finance costs

	Group 2021 RMB'000	Group 2020 RMB'000
Finance income:		
Interest income on banks	7,646	176
Interest income from loan to a third party	1,425	–
	9,071	176
Finance expenses:		
- interest expense on bank loans	–	(498)
- interest expense on lease liabilities	(693)	(302)
- interest expense on discounting of bills	(3,161)	(764)
- others	(53)	(23)
	(3,907)	(1,587)
Net finance income/(costs)	5,164	(1,411)

NOTES TO THE FINANCIAL STATEMENTS

24 Profit before tax

The following items have been included in arriving at profit for the year:

	Note	Group 2021 RMB'000	Group 2020 RMB'000
Amortisation of intangible assets	7	9,039	11,166
Audit fees paid/payable to:			
- auditors of the Company		400	400
- other auditors*		400	400
Bad debts written off (non-trade)		8	–
Depreciation of investment property	6	274	188
Depreciation of property, plant and equipment	4	59,561	66,414
Directors' fees payable/paid to directors of the Company		1,280	1,300
Loss on foreign currency exchange		193	277
Loss on disposal of property, plant and equipment		–	29
Provision of impairment losses on trade and other receivables	30	2,618	7,143
Personnel expenses	25	251,919	211,681
Property, plant and equipment written off		577	53
Rental expenses	31	95	121
Write-down of inventories	9	10,966	396

* Includes independent member firm of KPMG International.

25 Personnel expense

	Group 2021 RMB'000	Group 2020 RMB'000
Wages, salaries and bonuses	236,440	201,404
Contribution to defined contribution plans	10,749	6,671
Other personnel expenses	4,730	3,606
	251,919	211,681

In 2020, the Group received government subsidies to reduce payments of contribution to defined contribution plans amounting to RMB4,240,000, which have been netted off against the contribution to defined contribution plans.

NOTES TO THE FINANCIAL STATEMENTS

26 Tax expense/(credit)

	Group	
	2021	2020
	RMB'000	RMB'000
Income tax		
- current year	6,241	2,327
- under provision in respect of prior years	2,522	447
	8,763	2,774
Deferred tax credit		
- origination and reversal of temporary differences	5,157	(2,190)
- under/(over) provision in respect of prior years	970	(1,883)
	6,127	(4,073)
Withholding tax	1,704	1,252
	16,594	(47)

Reconciliation of effective tax rate

	2021	2020
Profit before tax	129,941	40,397
Tax using the PRC tax rate of 25% (2020: 25%)	32,485	10,099
Tax concessions arising from preferential income tax rate	(9,724)	–
Effect of tax rates in foreign jurisdictions	(2,493)	(1,752)
Expenses not deductible for tax purposes	6,150	2,255
Non-taxable income	(10,748)	–
Effect of tax incentives	(6,473)	(6,233)
Tax on transaction with a subsidiary	–	9,412
Deferred tax assets not recognised	2,201	1,009
Utilisation of deferred tax asset not recognised in prior year, including impact from change in tax rate	–	(14,653)
Under/(Over) provision of deferred tax in respect of prior years	970	(1,883)
Under provision of income tax in respect of prior years	2,522	447
Withholding tax	1,704	1,252
	16,594	(47)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefit therefrom.

	Group			
	Gross amount	Tax effect	Gross amount	Tax effect
	2021	2021	2020	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Tax losses	10,874	2,718	2,069	517

NOTES TO THE FINANCIAL STATEMENTS

26 Tax expense/(credit) (cont'd)

The unutilised tax losses 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.

In 2021, the Group's unabsorbed tax losses brought forward amounting to RMB nil (2020: RMB1,208,000) had expired.

The statutory income tax rate applicable to PRC subsidiaries is 25% (2020: 25%). In 2021, a subsidiary, World Precise Machinery (China) Co., Ltd., enjoys preferential income tax rate of 15% as it is regarded as high-tech enterprise.

27 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	
	2021	**2020**
Profit for the year attributable to equity holders of the Company (RMB'000)	113,347	40,444
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 2021 and 31 December 2020.

28 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	
	2021	**2020**
	RMB'000	**RMB'000**
Capital commitments in respect of property, plant and equipment	10,436	2,545

NOTES TO THE FINANCIAL STATEMENTS

29 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	
	2021	2020
	RMB'000	RMB'000
Related companies		
Income		
Lease of premises to a related company	1,607	7,619
Sales to related companies	115,382	122,546
Processing services to related companies	3,012	3,840
Expenses		
Lease of premises from a related company	450	591
Processing services from related companies	14,381	3,499
Purchases of machineries and parts from related companies	2,329	33,589
Purchases of raw materials from related companies	24,054	5,429
Purchases of scrap materials from related companies	42,473	35,299
Affiliated companies		
Income		
Sales to affiliated companies	83	264
Processing services to affiliated companies	12	3
Expenses		
Purchases of raw materials from affiliated companies	37	30
Purchases of scrap materials from affiliated companies	1,981	–

Outstanding balances with related parties at the end of the reporting period are disclosed in Notes 8 and 19 respectively.

Key management personnel compensation

Key management personnel compensation is analysed as follows:

	Group	
	2021	2020
	RMB'000	RMB'000
Directors of the Company:		
- short-term employee benefits	403	420
- defined contribution benefits	26	32
- directors' fees	1,280	1,300
	1,709	1,752
Other key management personnel:		
- short-term employee benefits	3,586	3,580
- defined contribution benefits	143	154
	3,729	3,734
	5,438	5,486

NOTES TO THE FINANCIAL STATEMENTS

30 Financial instruments

(a) Financial risk management

Overview

The Group has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Management is responsible for developing and monitoring the Group's risk management policies. Management reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes review of risk management controls and procedures, the results of which are reported to the Group Audit Committee.

(i) Credit risk

Credit risk is the risk of financial loss to the Group or the Company if a customer or counterparty to a financial instrument fails to meet its contractual 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 and bills receivables, 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. The Group collects bills receivables to reduce credit risk exposure from trade receivables. In addition, receivable balances are monitored on an ongoing basis.

NOTES TO THE FINANCIAL STATEMENTS

30 Financial instruments (cont'd)

(a) Financial risk management (cont'd)

(i) Credit risk (cont'd)

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

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 180 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

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; and
- an actual or expected significant deterioration in the operating results/key financial performance ratios of the debtors.

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 180 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.

NOTES TO THE FINANCIAL STATEMENTS

30 Financial instruments (cont'd)

(a) Financial risk management (cont'd)

(i) Credit risk (cont'd)

Trade receivables

At 31 December 2021, the Group's trade receivables comprise 6 (2020: 6) debtors that represented approximately 17% (2020: 25%) of the trade receivables. The remaining debtors comprise a very large number of small balances.

The carrying amounts of financial assets represent the Group and the Company's maximum exposures to credit risk, before taking into account any collateral held. The Group and the Company do not require any collateral in respect of their financial assets.

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. 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.

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

		Gross carrying amount		Impairment loss allowance		
	Weighted average loss rate %	Not credit impaired RMB'000	Credit impaired RMB'000	Credit impaired RMB'000	Expected credit loss RMB'000	Net carrying amount RMB'000
Group						
2021						
Not past due	3.0	91,119	–	–	(2,730)	88,389
0 to 6 months past due	16.0	16,217	–	–	(2,593)	13,624
6 to 12 months past due	24.8	9,024	823	(823)	(2,234)	6,790
More than 1 year past due	31.4	2,031	18,436	(18,436)	(637)	1,394
		118,391	19,259	(19,259)	(8,194)	110,197
2020						
Not past due	1.3	82,672	–	–	(1,083)	81,589
0 to 6 months past due	7.0	9,218	–	–	(641)	8,577
6 to 12 months past due	13.5	5,052	–	–	(684)	4,368
More than 1 year past due	83.5	10,425	18,303	(18,303)	(8,702)	1,723
		107,367	18,303	(18,303)	(11,110)	96,257

NOTES TO THE FINANCIAL STATEMENTS

30 Financial instruments (cont'd)

(a) Financial risk management (cont'd)

(i) Credit risk (cont'd)

Other financial assets at amortised cost

Other financial assets at amortised costs include amount due from related companies (trade), amount due from an affiliated corporation (trade), amount due from a subsidiary (non-trade), amount due from employees, loan to a third party, other receivables and cash and cash equivalents.

The table below details the credit quality of the Group's and the Company's financial assets (other than trade receivables, excluding cash and cash equivalents):

	Note	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Group				
2021				
Amount due from related companies (trade)	8	21,108	–	21,108
Amount due from an affiliated corporation (trade)	8	3	–	3
Amount due from employees	8	4,472	(1,309)	3,163
Loan to a third party	8	100,000	–	100,000
Interest receivable from loan to a third party	8	1,425	–	1,425
Other receivables	8	1,915	(79)	1,836
		128,923	(1,388)	127,535
2020				
Amount due from related companies (trade)	8	19,404	–	19,404
Amount due from an affiliated corporation (trade)	8	19	–	19
Amount due from employees	8	4,776	(1,195)	3,581
Other receivables	8	2,284	(396)	1,888
		26,483	(1,591)	24,892

NOTES TO THE FINANCIAL STATEMENTS

30 Financial instruments (cont'd)

(a) Financial risk management (cont'd)

(i) Credit risk (cont'd)

	Note	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Company				
2021				
Amount due from a subsidiary	8	196	–	196
2020				
Amount due from a subsidiary	8	104	–	104

Amount due from related companies, affiliated corporation and a subsidiary

The Group and Company held trade receivables due from related companies, affiliated corporation and a subsidiary. The Group uses an approach that is based on an assessment of qualitative and quantitative factors that are indicative of the risk of default (including but not limited to management and applying experienced credit judgement). There is no significant increase in credit risk for these exposures. Therefore, impairment on these balances has been measured on the 12-month expected credit loss basis; and the amount of the allowance is insignificant.

Amount due from employees

Loss allowances for amount due from employees are measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the employee and an assessment of both the current and forecast general economic conditions at the reporting date.

Loan to a third party and interest receivable

Impairment on loan to a third party has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group's assessment is based on qualitative and quantitative factors that are indicative of the risk of default (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections, and available press information, if available, and applying experienced credit judgement). The loan is guaranteed by personal guarantee of a major shareholder of the borrower.

NOTES TO THE FINANCIAL STATEMENTS

30 Financial instruments (cont'd)

(a) Financial risk management (cont'd)

(i) Credit risk (cont'd)

Other receivables

Loss rates are based on actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movements in allowance for impairment in respect of trade and other receivables

The movements in allowance for impairment in respect of trade and other receivables during the financial year was as follows:

	Group	
	2021	**2020**
	RMB'000	**RMB'000**
At 1 January	31,004	23,861
Provision for impairment losses	2,826	7,495
Write-back of impairment losses	(208)	(352)
Allowance utilised	(4,781)	–
31 December	28,841	31,004

Cash and cash equivalents

The Group and Company held cash and cash equivalents of RMB28,661,000 and RMB874,000 respectively at 31 December 2021 (2020: RMB41,165,000 and RMB2,351,000 respectively). The cash and cash equivalents are held with banks, which are regulated.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

Bills receivables and other investment

The Group's exposure to credit risk arising bills receivables and other investments are limited because the counterparties are mainly reputable financial institutions with high credit standing, for which the Group considers to have low credit risk.

(ii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings, including inter-company sales, purchases and inter-company balances, that are denominated in a currency other than the respective functional currencies of Group entities. The functional currencies of Group entities are primarily the RMB and SGD. The currencies in which these transactions primarily are denominated are the RMB and US dollar ("USD").

NOTES TO THE FINANCIAL STATEMENTS

30 Financial instruments (cont'd)

(a) Financial risk management (cont'd)

(ii) Market risk (cont'd)

The summary of quantitative data about the exposure to currency risk of the Group is as follows:

	2021			2020		
	SGD RMB'000	USD RMB'000	RMB RMB'000	SGD RMB'000	USD RMB'000	RMB RMB'000
Group						
Cash and cash equivalents	1	384	–	1	861	–
Trade and other receivables	–	–	196	–	–	104
Trade and other payables	–	–	(188)	–	–	(245)
Net exposure	1	384	8	1	861	(141)
Company						
Trade and other receivables	–	–	196	–	–	104
Trade and other payables	–	–	(188)	–	–	(245)
Net exposure	–	–	8	–	–	(141)

Sensitivity analysis

A reasonably possible 3% (2020: 3%) strengthening of the RMB, as indicated below, against the USD and RMB at 31 December would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

	Group Profit or loss		Company Profit or loss	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
SGD	*	*	–	–
USD	12	26	–	–
RMB	*	(4)	*	(4)

A weakening of the RMB against the above currencies would have the equal but opposite effect to the amounts shown above.

* Less than thousand.

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 structured deposits placed with financial institutions and loan to a third party. 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.

NOTES TO THE FINANCIAL STATEMENTS

30 Financial instruments (cont'd)

(a) Financial risk management (cont'd)

(ii) Market risk (cont'd)

Exposure to interest rate risk

At the reporting date, the interest rate profile of the interest-bearing financial assets and liabilities were as follows:

	2021 RMB'000	2020 RMB'000
Group		
Fixed rate instruments		
Loan to a third party	101,425	–
Variable rate instruments		
Other investment	300,000	–

The Group does not use derivative financial instruments to hedge its interest rate exposures.

Sensitivity analysis

A change of 100 basis points in interest rates would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit or loss	
	2021	2020
Group	RMB'000	RMB'000
Interest rate		
- Increase by 100 basis points	3,000	–
- Decrease by 100 basis points	(3,000)	–

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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.

NOTES TO THE FINANCIAL STATEMENTS

30 Financial instruments (cont'd)

(a) Financial risk management (cont'd)

(iii) Liquidity risk (cont'd)

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements:

	Note	Carrying amount	Cash flows: Contractual cash flows	Cash flows: Within 1 year	Cash flows: 1 to 5 years	Cash flows: More than 5 years
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group						
31 December 2021						
Trade and other payables#	19	808,571	808,571	808,571	–	–
Borrowings	20	11,564	25,370	1,099	3,431	20,840
		820,135	833,941	809,670	3,431	20,840
31 December 2020						
Trade and other payables#	19	482,261	482,261	482,261	–	–
Borrowings	20	4,250	9,382	543	1,738	7,101
		486,511	491,643	482,804	1,738	7,101
Company						
31 December 2021						
Trade and other payables	19	1,202	1,202	1,202	–	–
31 December 2020						
Trade and other payables	19	2,224	2,224	2,224	–	–

Excludes VAT payables, other tax payables and deferred income

NOTES TO THE FINANCIAL STATEMENTS

30 Financial instruments (cont'd)

(b) Accounting classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Group		Company	
	Note	2021	2020	2021	2020
		RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at amortised cost					
Trade and other receivables *	8	237,732	121,149	196	104
Cash and cash equivalents	11	28,661	41,165	874	2,351
		266,393	162,314	280	2,455
Financial assets measured at FVOCI					
Bills receivables	8	329,620	201,560	–	–
Financial assets measured at FVTPL					
Other investment	10	300,000	–	–	–
Financial liabilities at amortised cost					
Trade and other payables #	19	808,571	482,261	1,202	2,224
Borrowings	20	11,564	4,250	–	–
		820,135	486,511	1,202	2,224

* Excludes VAT receivables, advance payments to suppliers, prepayments and tax recoverable
# Excludes VAT payables, other tax payables and deferred income

Fair value of financial assets and financial liabilities

Estimation of fair value

The carrying amounts of the financial assets and the financial liabilities (including trade and other receivables, cash and cash equivalents, and trade and other payables) are an approximation of their fair values because of their short period to maturity.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair values of the bills receivable in Level 2 have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to be approximate to their carrying amounts.

The fair value of other investment in Level 2 have been calculated using discounted cash flow model which considers the present value of expected cash flow estimated based on contracted interest rate should the exchange rates between US Dollar against Japanese Yen remain within the contracted upper and lower barrier rates during the contract period to maturity, discounted using a risk-adjusted discount rate. The fair values have been assessed to be approximate to their carrying amounts.

Transfer between fair value hierarchy

In 2020 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE FINANCIAL STATEMENTS

31 Leases

(a) Leases as lessee

The Group leases land and buildings. The leases typically run for a period of 2 to 50 years with renewal rights. Lease payments are renegotiated with landlords upon renewal of lease. There were no extension options granted in the lease agreements.

Information about leases for which the Group is a lessee is presented below.

(i) Right-of-use assets

	Leasehold land and buildings RMB'000
Balance at 1 January 2020	128,081
Transfer to assets held for sale	(72,039)
Depreciation charge for the year	(4,309)
Balance at 31 December 2020	51,733
Balance at 1 January 2021	51,733
Additions for the year	7,703
Depreciation charge for the year	(2,252)
Balance at 31 December 2021	57,184

(ii) Amounts recognised in profit or loss

	2021 RMB'000	**2020 RMB'000**
Interest on lease liabilities	693	302
Expenses relating to short-term leases	95	121

(iii) Amounts recognised in statement of cash flows

	2021 RMB'000	**2020 RMB'000**
Repayments of lease liabilities	389	1,290
Interest paid	693	302
Total cash outflow for leases	1,082	1,592

NOTES TO THE FINANCIAL STATEMENTS

31 Leases

(iv) Commitments relating to short-term leases and leases of low-value assets

The Group applied practical expedients, therefore the Group did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial recognition and leases of low value assets. Non-cancellable operating leases rentals for these leases are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	90	–
Two to five years	392	–
	482	–

(b) Leases as lessor

The Group leases out its investment properties consisting of its owned commercial properties. All leases are classified as operating leases from a lessor perspective.

Operating lease

The Group leases out its investment properties. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to ownership of the assets. Note 6 sets out information about the operating leases of investment properties.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2021 RMB'000	2020 RMB'000
Less than one year	742	604
Two to five years	2,418	356
	3,160	960

NOTES TO THE FINANCIAL STATEMENTS

32 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group manages capital by monitoring the level of net debt and capital. Net debt is calculated as total liabilities 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 2020.

	Group	
	2021	**2020**
	RMB'000	**RMB'000**
Total liabilities	920,856	605,135
Less: Cash and cash equivalents	(28,661)	(41,165)
Net debts	892,195	563,970
Equity attributable to the equity holders of the Company	1,191,699	1,108,176
Less: Statutory reserves (Note 15)	(124,565)	(115,791)
Capital reserve (Note 16)	(97,097)	(97,097)
Adjusted equity	970,037	895,288
Net debt to adjusted equity ratio	0.92	0.63

33 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 business activities 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.

NOTES TO THE FINANCIAL STATEMENTS

34 Dividend

The following tax exempt (one-tier) dividends were declared and paid by the Group and Company:

For the year ended 31 December

	Group and Company	
	2021	**2020**
	RMB'000	**RMB'000**
Paid by the Company to owners of the Company		
RMB7.5 cents per qualifying ordinary share (2020: RMB5.0 cents)	30,000	20,000

Subsequent to the reporting date, the following tax exempt (one-tier) dividend was proposed by the Board. This exempt (one-tier) dividend based on the number of ordinary shares of 400,000,000 (2020: 400,000,000) for the Company and the Group has not been provided for:

	2021	**2020**
	RMB'000	**RMB'000**
Group and Company		
First and final dividend of RMB12.5 cents (2020: RMB7.5 cents) per ordinary share	50,000	30,000

35 Non-adjusting events after the reporting period

The Russia's invasion of Ukraine on 24 February 2022 and the resulting implementation of economic sanctions by multiple jurisdictions have triggered disruptions and uncertainties in the financial markets and the global economy. The increased geopolitical tensions are set to exacerbate concerns over inflation, supply chain bottlenecks, increase in raw material prices and unavailability of raw materials, among others. While the Group does not have any operations in Ukraine, Russia and Belarus, the events, as well as the potential counter sanctions and other measures that may be taken by Russia, have created a high level of uncertainty to near-term global economic prospects and may impact the Group's financial performance and financial position subsequent to the financial year end, the extent of which will depend on how the Russia-Ukraine conflict evolves. The Group is closely monitoring the impact of the developments on the Group's businesses.

ADDITIONAL INFORMATION REQUIRED PURSUANT TO RULE 720(6)

of the Listing Manual of the SGX-ST on Directors seeking for re-election (as at 14 April 2022)

The following additional information on Mr. Wang Weiyao and Mr. Phang Kin Seng (Lawrence), 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.

	Wang Weiyao	**Phang Kin Seng (Lawrence)**
Date of Appointment	28 July 2004	28 April 2010
Date of last re-appointment (if applicable)	26 June 2020	30 April 2021
Age	58	60
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)	The Nominating Committee ("**NC**") having considered the attendance and participation of the Director at Board and Board Committees' meetings, in particular, Mr. Wang Weiyao'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. Wang Weiyao who will be retiring by rotation pursuant to Article 89 of the Company's Constitution at the forthcoming Annual General Meeting ("**AGM**"). The Board supported the NC's recommendation. Mr. Wang Weiyao had abstained from voting on any resolution and making any recommendation and/ or participate in respect of his own re-election.	The NC, having considered the attendance and participation of the Director at Board and Board Committees' meetings, in particular, Mr. Phang Kin Seng (Lawrence)'s contribution to the business and operations of the Company as well as Board processes, had recommended to the Board the re-election Mr. Phang Kin Seng (Lawrence) who will be retiring pursuant to Listing Rule 210(5)(d)(iii) at the forthcoming AGM. The Board supported the NC's recommendation. Mr. Phang Kin Seng (Lawrence) had abstained from voting on any resolution and making any recommendation and/or participate in respect of his own re-election.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive and Non-Independent Director and a member of the Audit Committee, the NC and the Remuneration Committee.	Lead Independent Director, Chairman of the Audit Committee and a member of the NC and the Remuneration 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	Direct interest in 200,000 shares and deemed interest in 295,391,000 shares held by World Sharehold Limited, which is wholly-owned by him.	Nil
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

ADDITIONAL INFORMATION REQUIRED PURSUANT TO RULE 720(6)

of the Listing Manual of the SGX-ST on Directors seeking for re-election (as at 14 April 2022)

	Wang Weiyao	**Phang Kin Seng (Lawrence)**
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*	Chairman of Jiangsu World Machinery and Electronics Group Co., Ltd, Jiangsu World Agricultural Machinery Co., Ltd. and Jiangsu World Precise Machinery Co., Ltd. Legal representative of Jiangsu World Agriculture Machinery Co., Ltd., Jiangsu World High End Agriculture Equipment Co., Ltd., Danyang World Industrial Development Co., Ltd., Danyang World Strategic Venture Capital Co., Ltd. and Horgos World High End Agriculture Equipment Co., Ltd.	Nil
Other Directorships for the past 5 years	Nil	Vineyard Investments Pte Ltd (Singapore Inc) Vineyard Investments Pte Ltd (BVI Inc) Bartley Community Care Services
Other Present Directorships	World Sharehold Limited World Sharehold International Limited True Merit Group Limited	Bartley Christian Church Limited
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 responses to declaration items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual concerning the Directors to be re-elected, which are a "no".

*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.

SHAREHOLDERS' INFORMATION

AS AT 22 MARCH 2022 *[Rule 1207 (9)]*

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	0.20	73	0.00
100	-	1,000	40	8.08	36,300	0.01
1,001	-	10,000	198	40.00	1,305,533	0.33
10,001	-	1,000,000	244	49.29	18,189,294	4.55
1,000,001	and above		12	2.43	380,468,800	95.11
			495	100.00	400,000,000	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 21 MARCH 2022

(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 21 MARCH 2022 *[Rule 1207 (9)]*

TWENTY LARGEST SHAREHOLDERS AS AT 21 MARCH 2022

No.	Name of Shareholders	Number of Shares	%
1.	WORLD SHAREHOLD LIMITED	295,391,000	73.85
2.	OCBC SECURITIES PRIVATE LTD	58,619,000	14.65
3.	DBS NOMINEES PTE LTD	7,304,500	1.83
4.	CHUA KUAN LIM CHARLES	6,656,900	1.66
5.	PHILLIP SECURITIES PTE LTD	2,602,700	0.65
6.	LIAN SENG INVESTMENT PTE LTD	2,000,000	0.50
7.	SHAO XIAOPU	1,498,000	0.37
8.	DBSN SERVICES PTE LTD	1,488,800	0.37
9.	HONG LEONG FINANCE NOMINEES PTE LTD	1,400,000	0.35
10.	CHUA ZI EN ALEXANDRA JANE (CAI ZI'EN)	1,345,800	0.34
11.	ABN AMRO CLEARING BANK N.V.	1,137,200	0.28
12.	UOB KAY HIAN PTE LTD	1,024,900	0.26
13.	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	875,028	0.22
14.	HSBC (SINGAPORE) NOMINEES PTE LTD	857,700	0.22
15.	LI HUNG	781,000	0.20
16.	CHUA ZI HUI CATHERINE MARY (CAI ZIHUI)	727,000	0.18
17.	SAHA ANSHUMAN MANABENDRANATH	560,000	0.14
18.	KIANG TIANG TAN OR KIANG WEN JIANG	545,500	0.14
19.	CITIBANK NOMINEES SINGAPORE PTE LTD	523,627	0.13
20.	TAN JIN SIN	457,000	0.11

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

12.15% 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

This Notice has been made available on the Company's corporate website (www.wpmlimited.com) and SGXNET. A printed copy of the Notice of Annual General Meeting will not be despatched to members of the Company.

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**" or "**Meeting**") of WORLD PRECISION MACHINERY LIMITED (the "**Company**") will be by way of electronic means on Friday, 29 April 2022 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 2021 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final tax-exempt (one-tier) dividend of RMB0.125 per share for the financial year ended 31 December 2021. **(Resolution 2)**

3. To re-elect Mr. Wang Weiyao, a Director retiring pursuant to Article 89 of the Company's Constitution.
[See Explanatory Note (i)] **(Resolution 3)**

4. To re-elect Mr. Phang Kin Seng (Lawrence), a Director retiring pursuant to (i) Article 89 of the Company's Constitution and (ii) Rule 210(5)(d)(iii) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").
[See Explanatory Notes (i) and (ii)] **(Resolution 4a)**

5. To approve, subject to and contingent upon the passing of Ordinary Resolution 4a above, the continued appointment of Mr. Phang Kin Seng (Lawrence) as an Independent Director of the Company pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST, for a period ending on the earlier of the following: (a) the retirement or resignation of Mr. Phang Kin Seng (Lawrence) as a director; or (b) the conclusion of the third annual general meeting of the Company following the passing of this Ordinary Resolution 4b.
[See Explanatory Notes (i) and (ii)] **(Resolution 4b)**

6. To approve the payment of Directors' fees of S$180,000 for the financial year ending 31 December 2022, to be paid quarterly in arrears (FY2021: S$180,000). **(Resolution 5)**

7. To re-appoint KPMG LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

8. 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:

9. **Share Issue Mandate**

That pursuant to Section 161 of the Companies Act 1967 and Rule 806 of the Listing Manual of the SGX-ST, 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

NOTICE OF ANNUAL GENERAL MEETING

(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,

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 which were issued and outstanding or subsisting at the time of the passing of this Resolution;

(b) new shares arising from exercising share options or vesting of share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; 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 (iii)] **(Resolution 7)**

10. **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 14 April 2022 (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

NOTICE OF ANNUAL GENERAL MEETING

(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 (iv)] **(Resolution 8)**

By Order of the Board

Yuen Pei Lur Perry
Company Secretary

14 April 2022

Explanatory Notes:

(i) The information relating to Mr. Wang Weiyao and Mr. Phang Kin Seng (Lawrence) as required under Rule 720(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited is set out on pages 138 and 139 of the Annual Report.

(ii) Effective 1 January 2022, Rule 210(5)(d)(iii) of the SGX-ST Listing Manual provides that a director will not be independent if he has been a director for an aggregate period of more than 9 years (whether before or after listing) and his continued appointment as an independent director has not been sought and approved in separate resolutions by (A) all shareholders; and (B) shareholders, excluding the directors and the chief executive officer of the issuer, and associates of such directors and chief executive officer. For the purpose of the resolution referred to in (B), the directors and the chief executive officer of the issuer, and their respective associates, must not accept appointment as proxies unless specific instructions as to voting are given. Such resolutions may remain in force until the earlier of the following:- (X) the retirement or resignation of the director; or (Y) the conclusion of the third annual general meeting of the issuer following the passing of the resolutions.

In view of the above, Mr. Phang Kin Seng (Lawrence), the Independent Director of the Company, has served on the Board beyond 9 years from the date of his first appointment, he is seeking shareholders' approval pursuant to Rule 210(5)(d)(iii) of the SGX-ST Listing Manual.

For the purposes of Ordinary Resolution 4b, the Directors and the Chief Executive Officer of the Company and their respective associates (as defined in the Listing Manual of the SGX-ST) (i) shall abstain from voting; and (ii) must not accept appointment as proxies unless specific instructions as to voting are given. Any votes cast by such persons in contravention of the foregoing shall be disregarded for the purposes of determining if Ordinary Resolution 4b has been passed.

If Ordinary Resolution 4a and Ordinary Resolution 4b are passed, Mr. Phang Kin Seng (Lawrence) shall remain as an Independent Director of the Company for the duration specified in Ordinary Resolution 4b, the Lead Independent Director of the Company, Chairman of the AC and a member of the NC and the RC. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of SGX-ST.

If Ordinary Resolution 4a is passed but Ordinary Resolution 4b is not passed, Mr. Phang Kin Seng (Lawrence) shall be re-designated as a Non-Independent and Non-Executive Director of the Company.

If Ordinary Resolution 4a is not passed, Ordinary Resolution 4b will not be put to the vote at the AGM in the interests of efficiency.

NOTICE OF ANNUAL GENERAL MEETING

(iv) The Ordinary Resolution 7 in item 9 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 were issued and outstanding or subsisting at the time when this Ordinary Resolution is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and any subsequent bonus issue, consolidation or subdivision of shares.

(v) The Ordinary Resolution 8 in item 10 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.

Notes:

General

1. Pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (as amended from time to time), the AGM of the Company will be held by way of electronic means and members of the Company will NOT be allowed to attend the AGM in person.

2. Alternative arrangements are instead put in place to allow shareholders to participate in the AGM by:

   (a) watching or listening to the AGM proceedings via a Live Webcast (as defined below). Shareholders who wish to participate as such will have to pre-register in the matter outlined in Note 3 below;
   (b) submitting questions ahead of the AGM. Please refer to the Notes 7 to 10 below for further details; and
   (c) voting by proxy at the AGM. Please refer to Notes 11 to 17 below for further details.

   For Central Provident Fund ("CPF") and Supplementary Retirement Scheme ("SRS") Investment Account Holders, please refer to Note 18 below for further details. For persons who are holding Shares through relevant intermediaries (other than for CPF and SRS Investment Account Holders), please refer to Note 19 below for further details.

Participation in AGM proceedings via "live webcast"

3. A member of the Company or their corporate representative (in the case of a member which is a legal entity) will be able to watch or listen to the proceedings of the AGM through a "live" webcast via mobile phone, tablet or computer ("**Live Webcast**"). In order to do so, the member must pre-register by 2.00 p.m. on 26 April 2022 ("**Registration Deadline**"), at the following URL: https://globalmeeting.bigbangdesign.co/wpm2022/ (the "**Pre-registration Website**").

4. It is important that you provide your email address in your registration form. Following authentication of his/her/its status as a member of the Company, such member will receive an email on their authentication status containing login credentials to access the Live Webcast of the AGM proceedings using the account created.

NOTICE OF ANNUAL GENERAL MEETING

5. Shareholders who have pre-registered by the Registration Deadline but do not receive the aforementioned email by 2.00 p.m. on 27 April 2022 should contact Samuell Ng at the following email address: world@wpmlimited.com, with the following details included: (1) the full name of the shareholder; and (2) his/her/its identification/registration number (as the case may be).

6. Shareholders are reminded that the AGM proceedings are private. Instructions on access to the Live Webcast of the AGM proceedings should therefore not be shared with anyone who is not a shareholder or otherwise not authorised to attend the AGM. Recording of the Live Webcast in whatever form is also strictly prohibited.

Submission of questions prior to the AGM

7. Please note that shareholders will not be able to ask questions at the AGM during the Live Webcast. Shareholders of the Company may submit questions relating to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations ahead of the AGM.

8. To do so, all questions must be submitted no later than 11.59 p.m. on 21 April 2022:

   (a) via the Pre-registration Website; or
   (b) in physical copy by depositing the same at the registered office of the Company's Share Registrar, B.A.C.S. Private Limited, at 77 Robinson Road #06-03 Robinson 77 Singapore 068896; or
   (c) by email to Samuell Ng at email address: world@wpmlimited.com.

9. If the questions are deposited in physical copy at the registered office of the Company's share registrar or sent via email, and in either case not accompanied by the completed and executed Proxy Form (as defined below), the following details must be included with the submitted questions: (i) the member's full name; and (ii) his/her/its identification/registration number for verification purposes, failing which the submission will be treated as invalid.

10. The Company will address all substantial and relevant questions relating to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations by publishing its responses to such questions, if any, on the Company's corporate website (www.wpmlimited.com) and on SGXNET (www.sgx.com) at least 48 hours prior to the deadline for submission of proxy forms. Should there be subsequent clarification sought, or follow-up questions after the deadline of the submission of questions, the Company will address those substantial and relevant questions prior to the AGM through publication on SGXNET, or at the AGM during the Live Webcast.

Voting by proxy

11. The Live Webcast will not provide for online voting. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, such member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the instrument appointing the Chairman of the meeting as proxy ("**Proxy Form**"), failing which the appointment will be treated as invalid.

12. The Chairman of the Meeting, as proxy, need not be a member of the Company.

13. The Proxy Form must be submitted through any one of the following means:

   (a) by depositing a physical copy at the registered office of the Company's Share Registrar, B.A.C.S. Private Limited, at 77 Robinson Road #06-03 Robinson 77 Singapore 068896; or
   (b) by sending a scanned signed PDF copy by email to main@zicoholdings.com,

   in each case, not later than 2.00 p.m. on 27 April 2022, and failing which, the Proxy Form will not be treated as valid.

14. The Proxy Form must be executed under the hand of the appointed or of his attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised. Where the Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.

NOTICE OF ANNUAL GENERAL MEETING

15. 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 with respect to the AGM, in accordance with Section 179 of the Companies Act 1967 and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

16. The Company shall be entitled to reject the Proxy Form if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the Proxy Form.

17. In the case of a member of the Company whose shares are entered against his/her name in the Depositor Register, the Company may reject any Proxy Form if the member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

<u>CPF and SRS Investment Account Holders</u>

18. CPF and SRS Investment Account Holders who wish to participate in the AGM by:

    (a) observing and/or listening to the proceedings of the AGM through the Live Webcast, must pre-register at the following URL: https://globalmeeting.bigbangdesign.co/wpm2022/ in the manner outlined in Notes 3 to 6 above;

    (b) submitting questions ahead of the AGM, must submit their questions in the manner outlined in Notes 7 to 10 above; and/or

    (c) exercising their votes in respect of the resolutions to be tabled at the AGM, must appoint the Chairman of the Meeting as proxy. To submit their voting instructions, CPF and SRS Investment Account Holders should contact their respective CPF Agent Banks or SRS Approved Banks through which they hold their shares as soon as possible, and in any case at least seven (7) working days prior to the date of the AGM. **The Proxy Form referred to in Note 11 above is NOT valid for use by CPF and SRS Investment Account Holders and will be treated as invalid for all intents and purposes if used or purported to be used by such account holders.**

<u>Persons holding Shares through relevant intermediaries* (other than CPF/SRS Investment Account Holders)</u>

19. Persons who hold shares through relevant intermediaries* (other than for CPF and SRS Investment Account Holders) will NOT be able to pre-register for the AGM via the following URL: https://globalmeeting.bigbangdesign.co/wpm2022/, as it is not possible for the Company to verify their status as Shareholder.

    Such persons who wish to participate in the AGM should contact their relevant intermediaries through which they hold their shares as soon as possible, so that the necessary arrangements can be made through such relevant intermediaries for such persons to attend the AGM via the Live Webcast. Arrangements will also have to be made through such relevant intermediaries for such persons to submit questions and/or exercise their votes in respect of the resolutions to be tabled at the AGM.

    In particular, such persons who wish to exercise their votes by appointing the Chairman of the Meeting as proxy should approach their relevant intermediaries as soon as possible and at least seven (7) working days prior to the date of the AGM to make the necessary arrangements.

    *A relevant intermediary is:

    (a) a banking corporation licensed under the Banking Act 1970 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; or

    (b) a person holding a capital markets services licence to provide custodial services under the Securities and Futures Act 2001 and who holds shares in that capacity; or

NOTICE OF ANNUAL GENERAL MEETING

(c) the Central Provident Fund Board established by the Central Provident Fund Act 1953 (the "**CPF Act**"), in respect of shares purchased under the subsidiary legislation made under the CPF 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 Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal data privacy:

By pre-registering for the Live Webcast, submitting a Proxy Form appointing the Chairman of the Meeting as proxy to vote at the AGM and/or any adjournment thereof, and/or submitting questions relating to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations, a member of the Company: (i) consents to the collection, use and disclosure of such 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 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (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 such member discloses the personal data of such member's proxy(ies) and/or representative(s) to the Company (or its agents), such 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 such member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of such member's breach of warranty.

WORLD PRECISION MACHINERY LIMITED
(Incorporated in the Republic of Singapore)
(Co. Reg. No: 200409453N)

PROXY FORM

*This Proxy Form has been made available on the Company's corporate website (www.wpmlimited.com) and SGXNET. A printed copy of this Proxy Form will **not** be despatched to members of the Company.*

IMPORTANT:
- Alternative arrangements relating to, amongst others, attendance, submission of questions in advance and voting by proxy at the AGM are set out in the Company's announcement dated 14 April 2022 which, together with the Notice of Annual General Meeting dated 14 April 2022 which has been uploaded on SGXNET on the same day. The announcement and the Notice of Annual General Meeting can also be assessed at the Company's corporate website (www.wpmlimited.com).
- A member will not be able to attend the AGM in person. Please see Note 2 below for further details.
- 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.

I/We*, ______________________________ (Name), NRIC/Passport number* ______________

of ____ (Address)

being a member/members of World Precision Machinery Limited (the "**Company**"), hereby appoint the **Chairman of the Meeting** as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting ("**AGM**" or the "**Meeting**") of the Company, to be held by way of electronic means on Friday, 29 April 2022 at 2.00 p.m. and at any adjournment thereof.

The proxy shall vote on the Resolutions set out in the Notice of Annual General Meeting dated 14 April 2022 in accordance with my/our directions as indicated hereunder.

No.	Resolutions relating to:	For(1)	Against(1)	Abstain(1)
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2021			
2	Payment of proposed final tax-exempt (one-tier) dividend			
3	Re-election of Mr. Wang Weiyao as a Director who is retiring pursuant to Article 89 of the Company's Constitution			
4a	Re-election of Mr. Phang Kin Seng (Lawrence) as a Director who is retiring pursuant to (i) Article 89 of the Company's Constitution and (ii) Rule 210(5)(d)(iii) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**")			
4b	Subject to and contingent upon the passing of Ordinary Resolution 4a above, approval of the continued appointment of Mr. Phang Kin Seng (Lawrence) as an Independent Director of the Company, pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST, for a period ending on the earlier of the following: (a) the retirement or resignation of Mr. Phang Kin Seng (Lawrence) as a director; or (b) the conclusion of the third annual general meeting of the Company following the passing of Ordinary Resolution 4b			
5	Approval of Directors' fees amounting to S$180,000 for the financial year ending 31 December 2022, to be paid quarterly in arrears			
6	Re-appointment of KPMG LLP as Auditors			
7	Share Issue Mandate			
8	The Proposed Renewal of Interested Person Transactions Mandate			

(1) Voting will be conducted by poll. If you wish the Chairman of the Meeting, as your proxy, to cast all your votes for or against a Resolution, please indicate with a "√" in the space provided under "For" or "Against". If you wish the Chairman of the Meeting as your proxy to abstain from voting on a Resolution, please indicate with a "√" in the space provided under "Abstain". Alternatively, please indicate the number of shares that the Chairman of the Meeting as your proxy is directed to vote "For" or "Against" or to abstain from voting. In the absence of specific directions, the appointment of the Chairman of the Meeting as your proxy will be treated as invalid.

Dated this ____________ day of April 2022

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

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 2001), 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 form of proxy shall be deemed to relate to all the Shares held by you.

2. Pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (as amended from time to time), the AGM will be held by way of electronic means and members of the Company will NOT be allowed to attend the AGM in person. Members will be able to observe and/or listen to the AGM proceedings by "live" audio-visual webcast on their mobile phones, tablets or computers or via a "live" audio-only stream on their phones ("**Live Webcast**").

3. Please note that Members will not be able to vote at the AGM during the Live Webcast. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at AGM, he/she/it must appoint the Chairman of the meeting as his/her/its proxy to vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, such member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in this Proxy Form, failing which the appointment will be treated as invalid.

4. The Chairman of the Meeting, as proxy, need not be a member of the Company.

5. The Proxy Form must be submitted:

   (a) by depositing a physical copy at the registered office of the Company's Share Registrar, B.A.C.S. Private Limited, at 77 Robinson Road #06-03 Robinson 77 Singapore 068896; or
   (b) by sending a scanned signed PDF copy by email to main@zicoholdings.com.

   in each case, not later than 2.00 p.m. on 27 April 2022, and failing which, the Proxy Form will not be treated as valid.

   If any Member has made multiple submissions of this Proxy Form, the submission last received by the Company before the cut-off date and time will be treated as the final submission.

6. This Proxy Form must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where this Proxy Form is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised. Where this Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this Proxy Form, failing which this Proxy Form may be treated as invalid.

7. 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 with respect to the AGM, in accordance with Section 179 of the Companies Act 1967 of Singapore and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

8. A member of the Company who holds his/her shares through a relevant intermediary* (including CPF and SRS Investment Account Holders) and who wish to exercise his/her votes by appointing the Chairman of the Meeting as proxy should approach his/her/its relevant intermediary (including his/her CPF Agent Bank or SRS Approved Bank) to submit his/her/its voting instructions at least seven (7) working days prior to the date of the AGM.

*A relevant intermediary is:

(a) a banking corporation licensed under the Banking Act 1970 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; or

(b) a person holding a capital markets services licence to provide custodial services under the Securities and Futures Act 2001 and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act 1953, 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 Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PERSONAL DATA PRIVACY:

By submitting a Proxy Form appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 April 2022.

GENERAL:

The Company shall be entitled to reject this Proxy Form 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 this Proxy Form. In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any Proxy Form 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 COMMITEE
Lim Yoke Hean *(Chairman)*
Phang Kin Seng (Lawrence)
Wang Weiyao

COMPANY SECRETARY
Yuen Pei Lur Perry

REGISTERED OFFICE
120 Robinson Road
#08-01
Singapore 068913
Tel: (65) 6535 3600
Fax: (65) 6225 7725

BUSINESS OFFICE
World Industrial Park, Picheng Village,
Danbei Town, Danyang City, Jiangsu Province
People's Republic of China
Postal Code 212311
Tel: (86) 511 8634 6999
Fax: (86) 511 8634 2767

SHARE REGISTRAR
B.A.C.S. Private Limited
77 Robinson Road
#06-03 Robinson 77
Singapore 068896

EXTERNAL AUDITORS
KPMG LLP
Public Accountants and Chartered Accountants
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

AUDIT PARTNER-IN-CHARGE
Teo Han Jo
(Appointed wef financial year ended 31 December 2019)

INTERNAL AUDITORS
Nexia TS Risk Advisory Pte. Ltd.
80 Robinson Road
#25-00, Singapore 068898

沃得
WORLD

WORLD PRECISION MACHINERY LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200409453N)

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