SAPPHIRE CORPORATION LIMITED
REGISTRATION NUMBER: 198502465W
QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2014

PART 1
Information required for announcements of quarterly (Q1, Q2, Q3), Half Year and Full Year Announcements

1(a)(i) An income statement and statement of comprehensive income, for the Group, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group			Group		
	3Q2014 $'000	**3Q2013 $'000**	**Change %**	**9M2014 $'000**	**9M2013 $'000**	**Change %**
Revenue	15,507	-	NM	43,396	-	NM
Cost of sales	(11,608)	-	NM	(32,669)	-	NM
Gross profit	**3,899**	**-**	**NM**	**10,727**	**-**	**NM**
Other income	82	571	(85.6)	548	2,181	(74.9)
Administrative expenses	(2,737)	(3,751)	(27.0)	(8,173)	(6,008)	36.0
Other expenses	(543)	(300)	81.0	(739)	(346)	113.6
Profit/(loss) from operations	**701**	**(3,480)**	**NM**	**2,363**	**(4,173)**	**NM**
Finance costs	(406)	-	NM	(1,193)	(1)	NM
Share of results of associates	(42)	39	NM	(14)	44	NM
Profit/(loss) before income tax	**253**	**(3,441)**	**NM**	**1,156**	**(4,130)**	**NM**
Income tax expense	(180)	-	NM	(878)	-	NM
Profit/(loss) from Continuing Operations[#1]	**73**	**(3,441)**	**NM**	**278**	**(4,130)**	**NM**
Results of Discontinued Operations*						
Discontinued Operations[#2]						
Loss from Discontinued Operations (net of tax)	(1,291)	(48,831)	(97.4)	(8,557)	(84,977)	(89.9)
Loss for the period	**(1,218)**	**(52,272)**	(97.7)	**(8,279)**	**(89,107)**	(90.7)

	3Q2014	9M2014
[#1] Details of profit from Continuing Operations in 3Q & 9M2014		
- Mancala Australia	*544*	*1,641*
- Corporate Function - expenses	*(471)*	*(1,363)*
	73	*278*

[#2] Shareholders approved the sale of Steel Business (Discontinued Operations) for S$70 million at EGM held on 30 July 2014 and loss for Discontinued Operations will be compensated by gain on disposal on completion of the sale.

* *see details on Page 2*

Note:
NM – Not Meaningful.

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The Group's steel-making operations consist of investments (i) in its 100%-owned subsidiaries, namely Sapphire Mineral Resources (HK) Limited ("SMRHK") and Lucky Art Holdings Limited ("Lucky Art"); and (ii) in its available-for-sale financial assets in 16% of Prime Empire Limited ("Prime Empire") and 16% of Precise Skill Limited ("Precise Skill") (collectively the "Steel Business"). The financial statements of the Steel Business are presented here as Assets Held-For-Sale given the management decision to sell the Steel Business. On 26 April 2014, the Group announced the sale of the Steel Business and on 30 July 2014, this was approved by shareholders at Extraordinary General Meeting.

Accordingly, the financials for the Steel Business have been re-presented, on the face of Profit and Loss Account, as Discontinued Operations and the comparatives of which have also been re-presented as part of the Discontinued Operations.

	Group			Group		
Results of Discontinued Operations	**3Q2014 $'000**	**3Q2013 $'000**	**Change %**	**9M2014 $'000**	**9M2013 $'000**	**Change %**
Revenue	23,432	56,466	(58.5)	80,351	115,983	(30.7)
Cost of sales	(23,586)	(53,892)	(56.2)	(82,374)	(108,730)	(24.2)
Gross (loss)/profit	**(154)**	**2,574**	**NM**	**(2,023)**	**7,253**	**NM**
Other income	476	1,199	(60.3)	2,439	3,132	(22.1)
Distribution costs	(101)	(216)	(53.2)	(651)	(537)	21.2
Administrative expenses	(1,197)	(1,142)	4.8	(4,599)	(4,500)	2.2
Other expenses	476	(47,585)	NM	(792)	(87,291)	(99.1)
Loss from operations	**(500)**	**(45,170)**	**(98.9)**	**(5,626)**	**(81,943)**	**(93.1)**
Finance costs	(839)	(854)	(1.8)	(2,810)	(2,963)	(5.2)
Loss before income tax	**(1,339)**	**(46,024)**	**(97.1)**	**(8,436)**	**(84,906)**	**(90.1)**
Income tax credit/(expense)	48	(2,807)	NM	(121)	(71)	70.4
Loss from Discontinued Operations	**(1,291)**	**(48,831)**	**(97.4)**	**(8,557)**	**(84,977)**	**(89.9)**

Consolidated Statement of Comprehensive Income

	Group			Group		
	3Q2014 $'000	**3Q2013 $'000**	**Change %**	**9M2014 $'000**	**9M2013 $'000**	**Change %**
Loss for the period	(1,218)	(52,272)	(97.7)	(8,279)	(89,107)	(90.7)
Other comprehensive income						
Translation differences relating to financial statements of foreign subsidiaries	2,611*	(1,262)	NM	(736)	4,987	NM
Movement of available-for-sale financial assets reserve	-	(4)	(100.0)	-	(1,324)	(100.0)
Reclassification to profit or loss from equity on disposal of available-for-sale financial assets	-	648	(100.0)	-	588	(100.0)
Other comprehensive income for the period, net of tax	2,611	(618)	NM	(736)	4,251	NM
Total comprehensive income for the Period	1,393	(52,890)	NM	(9,015)	(84,856)	(89.4)

Note:

NM – Not Meaningful.

Cumulative income or expense recognised in other comprehensive income

* Included in translation difference relating to financial statements of foreign subsidiaries, there is a recorded cumulative translation loss of $422,000 relating to the Assets Held-For-Sale.

Notes to other comprehensive income:

1. Translation differences relate to accounting translation of RMB and Australia dollar denominated financial statements of our foreign subsidiaries to S$ term. Translation gain in 3Q2014 recorded in comprehensive income was attributed mainly to stronger RMB against the S$.

1(a)(ii) Items, which if significant must be included in the income statement.

Notes to Income Statement

	Group Continued Operations			Group Continued Operations		
	3Q2014 $'000	**3Q2013 $'000**	**Change %**	**9M2014 $'000**	**9M2013 $'000**	**Change %**
Revenue includes the following:						
Mining services	15,507	-	NM	43,396	-	NM
Other income include the following:						
Exchange gain, net	(22)	329	NM	-	1,904	(100.0)
Interest income – banks	3	5	(40.0)	11	11	-
Gain on disposal of property, plant and equipment	-	-	-	275	-	NM
Other expenses include the following:						
Exchange loss, net	(329)	-	NM	(329)	-	NM
Loss on disposal of property, plant and equipment	(120)	-	NM	(120)	(1)	NM
Finance costs include the following:						
Interest expense in relation to bank loans	(150)	-	NM	(384)	-	NM
Interest expense in relation to finance lease	(256)	-	NM	(809)	(1)	NM
Profit before income tax is arrived after deducting:						
Depreciation of property, plant and equipment	(881)	(16)	NM	(2,752)	(50)	NM
Reversal of impairment losses on doubtful receivables	11	24	(54.2)	11	121	(90.9)

Notes to Income Statement

	Group Discontinued Operations			Group Discontinued Operations		
	3Q2014 $'000	**3Q2013 $'000**	**Change %**	**9M2014 $'000**	**9M2013 $'000**	**Change %**
Revenue include the following:						
Sale of manufactured vanadium products	16,260	18,009	(9.7)	52,102	44,681	16.6
Processing fees from rebars and hot rolled coil	-	7,337	(100.0)	-	29,882	(100.0)
Sale of manufactured steel products	7,158	30,705	(76.7)	27,629	39,803	(30.6)
Commission from trading of steel products	-	276	(100.0)	247	1,271	(80.6)
Others	14	139	(89.9)	373	346	7.8
Other income include the following:						
Exchange gain, net	-	188	(100.0)	-	473	(100.0)
Interest income – banks	84	135	(37.8)	229	363	(36.9)
Rental income	637	881	(27.7)	2,121	2,299	(7.7)
Other expenses include the following:						
Amortisation of intangible assets and prepaid leases	-	(313)	(100.0)	-	(1,722)	(100.0)
Exchange gain/(loss), net	501	-	NM	(667)	-	NM
Loss on disposal of available-for-sale financial assets	-	(564)	(100.0)	-	(560)	(100.0)
Impairment loss on available-for-sale financial assets	-	(2,900)	(100.0)	-	(26,400)	(100.0)
Impairment loss on intangibles	-	(10)	(100.0)	-	(1,102)	(100.0)
Impairment loss on property, plant and equipment	-	(38,716)	(100.0)	-	(51,835)	(100.0)
Finance costs include the following:						
Amortisation of fees in relation to bank loans	-	-	-	-	(165)	(100.0)
Interest expense – long term payable to affiliated party	(839)	(850)	(1.3)	(2,401)	(2,532)	(5.2)
Interest expense – banks loans	-	(2)	(100.0)	(112)	(267)	(58.1)
Receivable factoring fee	-	-	-	(297)	-	NM
Profit before income tax is arrived after deducting:						
Depreciation of property, plant and equipment	-	(4,511)	(100.0)	-	(13,273)	(100.0)
Net realisable value adjustment on invetories	(656)	(4,785)	86.3	(3,547)	(4,785)	(25.9)

1(b)(i) A statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	30.09.2014 $'000	31.12.2013 $'000	30.09.2014 $'000	31.12.2013 $'000
Assets				
Property, plant and equipment	28,081	144	115	144
Interests in subsidiaries	-	-	11,073	-
Interests in associates	869	883	637	637
Other investments	93	1	1	1
Total non-current assets	29,043	1,028	11,826	782
Short term loans receivables	-	2,255	5,545	2,255
Inventories	8,251	-	-	-
Trade and other receivables	12,594	300	15,625	15,610
Cash and cash equivalents	1,782	6,719	1,709	6,303
Assets classified as held for sale	295,951	295,630	50,687	50,687
Total current assets	318,578	304,904	73,566	74,855
Total assets	347,621	305,932	85,392	75,637
Equity				
Share capital	260,489	260,489	260,489	260,489
Reserves	(196,019)	(187,004)	(189,255)	(187,289)
Total equity	64,470	73,485	71,234	73,200
Liabilities				
Long term payable	510	-	-	-
Financial liabilities	6,252	-	-	-
Total non-current liabilities	6,762	-	-	-
Trade and other payables	30,723	2,616	14,158	2,248
Financial liabilities	6,557	-	-	-
Provisions	-	201	-	189
Current tax liabilities	847	-	-	-
Liabilities classified as held for sale	238,262	229,630	-	-
Total current liabilities	276,389	232,447	14,158	2,437
Total liabilities	283,151	232,447	14,158	2,437
Total equity and liabilities	347,621	305,932	85,392	75,637

Details of the assets and liabilities classified as held for sale are as follows:

	Group 30.09.2014 $'000	Group 31.12.2013 $'000
Assets of a disposal group classified as held for sale		
Property, plant and equipment	71,455	71,776
Prepaid leases	29,825	30,207
Other investments	9,600	9,600
Inventories	23,246	25,969
Trade and other receivables	85,405	70,850
Deposit with an affiliated party	64,940	63,184
Current tax asset	1,006	1,252
Cash at bank and in hand	10,474	22,792
	295,951	295,630
Liabilities of a disposal group classified as held for sale		
Trade and other payables	114,402	109,879
Financial liabilities	5,228	-
Long term payable to an affiliated party	109,815	110,708
Deferred tax liabilities	8,817	9,043
	238,262	229,630
Net assets	57,689	66,000

1(b)(ii) Aggregate amount of Group's borrowings and debt securities.

	30.09.2014		31.12.2013	
	Secured $'000	**Unsecured $'000**	**Secured $'000**	**Unsecured $'000**
Amount repayable in one year or less, or on demand	144,601	-	160,225	-
Amount repayable after one year	6,252	-	-	-
Relating to:				
Disposal Group				
- Notes Payable (for trade bills)	23,001	-	49,517	-
- Short-term bank borrowings	5,228	-	-	-
- Long term payable to an affiliated party	109,815	-	110,708	-
Mancala Australia				
- Bank Overdraft	131	-	-	-
- Short-term bank borrowings	2,910	-	-	-
- Current portion of finance lease	3,516	-	-	-
- Non-current portion of finance lease	6,252	-	-	-
Total	**150,853**	**-**	**160,225**	**-**

Details of any collateral as at 30 September 2014

(i) The notes payables for Disposal Group are secured with cash deposit of approximately $9.4 million.

(ii) Sichuan Longwei Metel Products Co., Ltd ("Longwei") has provided corporate guarantees and has granted mortgages over its land, buildings, equipment and facilities with net book value totaling $52.7 million to secure loans of a total $86.4 million borrowed by affiliated parties.

(iii) The bank overdraft and short term bank loans are secured by personal guarantees of the vendors of Mancala Australia and subordinated loans of A$5 million from Sapphire to Mancala Australia.

(iv) The carrying value of fixed assets under finance lease as at 30 September 2014 approximates $13.0 million.

1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group		Group	
	3Q2014 $'000	3Q2013 $'000	9M2014 $'000	9M2013 $'000
Operating activities				
Profit/(loss) before income tax	253	(3,441)	1,156	(4,130)
Adjustments for:				
Depreciation of property, plant and equipment	881	16	2,752	50
Loss/(gain) on disposal of property, plant and equipment	120	-	(155)	-
Interest income	(3)	(5)	(11)	(11)
Interest expense	406	-	1,193	-
Reversal of provision for rectification costs	(80)	-	(127)	-
Share of results of associates	42	(39)	14	(44)
Operating profit/(loss) before working capital changes	1,619	(3,469)	4,822	(4,135)
Changes in working capital:				
Inventories	335	-	313	-
Trade and other payables	1,456	96,139	(3,655)	95,168
Trade and other receivables	(1,213)	(50,409)	(1,241)	(52,352)
Cash flows generated from operations	2,197	42,261	239	38,681
Payment of rectification costs	(27)	(28)	(74)	(84)
Cash flows generated from operating activities	2,170	42,233	165	38,597
Net cash used in operating activities from discontinued operations	(5,977)	(46,106)	(7,380)	(17,004)
	(3,807)	(3,873)	(7,215)	21,593
Investing activities				
Net cash outflow from acquisition of subsidiary (note A)	-	-	(824)	-
Deposit received for sale of Steel Business	-	-	2,000	-
Interest received	3	5	11	11
Payment for purchase of property, plant and equipment	(137)	-	(226)	(172)
Proceed from disposal of property, plant and equipment	141	-	1,384	-
Repayment of loan from an affiliated party	-	-	-	933
Cash flows generated from investing activities	7	5	2,345	772
Net cash generated from investing activities from discontinued operations	84	3,199	229	13,431
	91	3,204	2,574	14,203

	Group		Group	
	3Q2014	3Q2013	9M2014	9M2013
	$'000	$'000	$'000	$'000
Financing activities				
Interest paid	(406)	-	(1,193)	-
Payment of short term bank borrowings	(519)		(1,948)	
Payment of finance lease liabilities	(746)	-	(3,460)	(5)
Cash flows used in financing activities	(1,671)	-	(6,601)	(5)
Net cash generated from/(used in) financing activities from discontinued operations	5,228	(2)	5,116	(26,969)
	3,557	(2)	(1,485)	(26,974)
Net (decrease)/increase in cash and cash equivalents	(159)	(671)	(6,126)	8,822
Cash and cash equivalents at beginning of the period (inclusive of discontinued operations)	3,032	14,583	9,854	7,820
Effect of exchange rate changes on the balances held in foreign currencies	(158)	(880)	(1,013)	(3,610)
Cash and cash equivalents classified as held for sale	(1,064)	(5,680)	(1,064)	(5,680)
Cash and cash equivalents at end of the period	1,651	7,352	1,651	7,352
Cash and cash equivalents for continuing operations consist of the following:				
Fixed deposits	1,559	-	1,559	-
Cash and bank balances	223	7,352	223	7,352
Cash and cash equivalents	1,782	7,352	1,782	7,352
Bank overdraft (included in financial liabilities)	(131)	-	(131)	-
	1,651	7,352	1,651	7,352
Cash and cash equivalents for discontinued operations consist of the following:				
Fixed deposits	9,410	15,277	9,410	15,277
Cash and bank balances	1,064	5,680	1,064	5,680
Cash at bank and in hand	10,474	20,957	10,474	20,957
Less: fixed deposits pledged	(9,410)	(15,277)	(9,410)	(15,277)
	1,064	5,680	1,064	5,680

Note A

On 7 January 2014, the Group acquired 100% of the equity interest in Mancala Holdings Pty Ltd ("Mancala Australia"), a specialist mining services company based in Australia. The effect of cash flow arising from the acquisition of 100% equity interests in Mancala Australia, is set out below:

	Group	
	9M2014 $'000	**9M2013 $'000**
Property, plant and equipment	32,084	-
Other investment	93	-
Inventories	8,707	-
Trade and other receivables	11,281	-
Cash and cash equivalent	(824)	-
Trade and other payables	(17,395)	-
Current provisions	(1,513)	-
Current financial liabilities (Bank loans and finance leases)	(7,413)	-
Long term payables	(2,856)	-
Long term financial liabilities (finance leases)	(10,973)	-
Long term provisions	(118)	-
Provisional identifiable net assets acquired (1)	11,073	-
Provisional goodwill / negative goodwill (2)	-	-
Provisional total consideration (deferred consideration) (2)	11,073	-
Consideration payable (2)	(11,073)	-
Cash and cash equivalent of the subsidiary acquired	(824)	-
Cash outflow on acquisition, net of cash acquired	(824)	-

(1) The provisional identifiable net assets acquired were determined with reference to the unaudited management accounts of Mancala Australia as at the acquisition date. The Group will be engaging an independent professional valuer to determine the fair values of the assets and liabilities acquired as part of the Purchase Price Allocation exercise ("PPA Exercise"). The provisional fair value of the identifiable net assets will be finalized within 12 months from the date of acquisition, and adjustments, if any, will be made to related balances as at 31 December 2014.

(2) The provisional total consideration were determined based on management's estimate of the value of deferred consideration, taking into consideration the probability of various range of profit after tax that Mancala Australia is likely to record for FY2014 and FY2015, discounted at market rate. The Group will be engaging an independent professional valuer to determine the fair value of the total consideration as part of the PPA exercise. The provisional total consideration will be finalized within 12 months from the date of acquisition, and adjustments, if any, will be made to related balances as at 31 December 2014.

The consideration payable of $11.1 million had been included in other payables of the Group and Company's balance sheet. The resultant goodwill or negative goodwill will be adjusted accordingly upon finalization of the PPA exercise by an independent professional valuer.

1(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

(Bi) Consolidated Statement of Changes in Equity

	Share capital $'000	Capital reserve $'000	Merger reserve $'000	Other reserves $'000	Statutory reserve $'000	Currency translation reserve $'000	Fair value reserve $'000	Accumulated profit/ (losses) $'000	Total equity $'000
6M2013									
Group									
At 1 January 2013	260,489	1,235	418	(1,353)	4,803	(6,198)	619	(35,264)	224,749
Loss for the period	–	–	–	–	–	–	–	(36,835)	(36,835)
Other comprehensive income									
Translation differences relating to financial statements of foreign subsidiaries	–	–	–	–	–	6,249	–	–	6,249
Movement of available-for-sale financial assets reserves	–	–	–	–	–	–	(1,320)	–	(1,320)
Reclassification to profit or loss from equity on disposal of available-for-sale financial asset	–	–	–	–	–	–	(60)	–	(60)
Total other comprehensive income	–	–	–	–	–	6,249	(1,380)	–	4,869
Total comprehensive income	–	–	–	–	–	6,249	(1,380)	(36,835)	(31,966)
At 30 June 2013	260,489	1,235	418	(1,353)	4,803	51	(761)	(72,099)	192,783

(Bi) Consolidated Statement of Changes in Equity

	Share capital $'000	Capital reserve $'000	Merger reserve $'000	Other reserves $'000	Statutory reserve $'000	Currency translation reserve $'000	Fair value reserve $'000	Accumulated profit/ (losses) $'000	Total equity $'000
3Q2013									
Group									
Loss for the period	–	–	–	–	–	–	–	(52,272)	(52,272)
Other comprehensive income									
Translation differences relating to financial statements of foreign subsidiaries	–	–	–	–	–	(1,262)	–	–	(1,262)
Movement of available-for-sale financial assets reserves	–	–	–	–	–	–	(4)	–	(4)
Reclassification to profit or loss from equity on disposal of available-for-sale financial asset	–	–	–	–	–	–	648	–	648
Total other comprehensive income	–	–	–	–	–	(1,262)	644	–	(618)
Total comprehensive income	–	–	–	–	–	(1,262)	644	(52,272)	(52,890)
At 30 September 2013	260,489	1,235	418	(1,353)	4,803	(1,211)	(117)	(124,371)	139,893

(Bi) Consolidated Statement of Changes in Equity

	Share capital $'000	Capital reserve $'000	Merger reserve $'000	Other reserves $'000	Statutory reserve $'000	Currency translation reserve $'000	Fair value reserve $'000	Accumulated profit/ (losses) $'000	Total equity $'000
6M2014									
Group									
At 1 January 2014	260,489	1,235	418	(1,353)	4,954	333	–	(192,591)	73,485
Loss for the period	–	–	–	–	–	–	–	(7,061)	(7,061)
Other comprehensive income									
Translation differences relating to financial statements of foreign subsidiaries	–	–	–	–	–	(3,347)	–	–	(3,347)
Total other comprehensive income	–	–	–	–	–	(3,347)	–	–	(3,347)
Total comprehensive income	–	–	–	–	–	(3,347)	–	(7,061)	(10,408)
Transfer to statutory reserve	–	–	–	–	(3)	–	–	3	–
At 30 June 2014	260,489	1,235	418	(1,353)	4,951	(3,014)	–	(199,649)	63,077

(Bi) Consolidated Statement of Changes in Equity

	Share capital $'000	Capital reserve $'000	Merger reserve $'000	Other reserves $'000	Statutory reserve $'000	Currency translation reserve $'000	Fair value reserve $'000	Accumulated profit/ (losses) $'000	Total equity $'000
3Q2014									
Group									
Loss for the period	–	–	–	–	–	–	–	(1,218)	(1,218)
Other comprehensive income									
Translation differences relating to financial statements of foreign subsidiaries	–	–	–	–	–	2,611	–	–	2,611
Total other comprehensive income	–	–	–	–	–	2,611	–	–	2,611
Total comprehensive income	–	–	–	–	–	2,611	–	(1,218)	1,393
Transfer to statutory reserve	–	–	–	–	–	–	–	–	–
At 30 September 2014	260,489	1,235	418	(1,353)	4,951	(403)	–	(200,867)	64,470

(Bii) Statement of Changes in Equity

	Share capital $'000	Capital reserve $'000	Other reserves $'000	Fair value reserve $'000	Accumulated losses $'000	Total equity $'000
6M2013						
Company						
At 1 January 2013	260,489	1,084	(1,353)	10,374	(99,839)	170,755
Loss for the period	–	–	–	–	(11,400)	(11,400)
Other comprehensive income						
Movement of available-for-sale financial assets reserves	–	–	–	(8,239)	–	(8,239)
Reclassification to profit or loss from equity on disposal of available-for-sale financial asset	–	–	–	(156)	–	(156)
Total other comprehensive income	–	–	–	(8,395)	–	(8,395)
Total comprehensive income	–	–	–	(8,395)	(11,400)	(19,795)
At 30 June 2013	260,489	1,084	(1,353)	1,979	(111,239)	150,960
3Q2013						
Company						
Loss for the period	–	–	–	–	(6,113)	(6,113)
Other comprehensive income						
Movement of available-for-sale financial assets reserves	–	–	–	(462)	–	(462)
Total other comprehensive income	–	–	–	(462)	–	(462)
Total comprehensive income	–	–	–	(462)	(6,113)	(6,575)
At 30 September 2013	260,489	1,084	(1,353)	1,517	(117,352)	144,385

(Bii) Statement of Changes in Equity

	Share capital $'000	Capital reserve $'000	Other reserves $'000	Fair value reserve $'000	Accumulated losses $'000	Total equity $'000
6M2014						
Company						
At 1 January 2014	260,489	1,084	(1,353)	1,497	(188,517)	73,200
Loss for the period	–	–	–	–	(981)	(981)
Total comprehensive income	–	–	–	–	(981)	(981)
At 30 June 2014	260,489	1,084	(1,353)	1,497	(189,498)	72,219
3Q2014						
Company						
Loss for the period	–	–	–	–	(985)	(985)
Total comprehensive income	–	–	–	–	(985)	(985)
At 30 September 2014	260,489	1,084	(1,353)	1,497	(190,483)	71,234

1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

Share Capital
There was no change in the Company's issued capital since the previous period reported on.

Convertible Securities
The Company has no outstanding convertible securities as at end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

1d(iii) To show the total number of issued shares excluding treasury shares as at end of the current financial period and as at end of the immediately preceding year

	30.09.2014	31.12.2013
Total number of issued shares excluding treasury shares	810,949,328	810,949,328

1d(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at end of the current financial period reported on

There were no treasury shares as at end of the current financial period.

2 Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice

The figures have not been audited or reviewed by our auditors.

3 Where the figures have been audited, or reviewed, the auditors' report (including any qualification or emphasis of a matter)

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for current reporting year compared with the audited financial statements for the year ended 31 December 2013.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as reasons for, and the effect of, the change

The Group adopted the new/revised FRS and INT FRS applicable for the financial period beginning 1 January 2014. The adoption of the new/revised FRSs did not result in any substantial change to the Group accounting policies or has any significant impact on the interim financial statements.

6 Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Continuing operations		Discontinued operations		Total	
	3Q2014	**3Q2013**	**3Q2014**	**3Q2013**	**3Q2014**	**3Q2013**
Basic earnings per share (cents)	0.00	(0.42)	(0.16)	(6.02)	(0.16)	(6.44)
Diluted earnings per share (cents)	0.00	(0.42)	(0.16)	(6.02)	(0.16)	(6.44)

	Continuing operations		Discontinued operations		Total	
	9M2014	**9M2013**	**9M2014**	**9M2013**	**9M2014**	**9M2013**
Basic earnings per share (cents)	0.03	(0.51)	(1.05)	(10.48)	(1.02)	(10.99)
Diluted earnings per share (cents)	0.03	(0.51)	(1.05)	(10.48)	(1.02)	(10.99)

The calculation of the above basic earnings per share was based on weighted average number of shares outstanding of 810,949,328 (2013: 810,949,328).

7 Net asset value (for the issuer and the Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the current financial period reported on and the immediately preceding financial year

	Group		Company	
	30.09.2014	**31.12.2013**	**30.09.2014**	**31.12.2013**
Net asset value per ordinary share (cents)	7.95	9.06	8.78	9.03
Number of shares in issue	810,949,328	810,949,328	810,949,328	810,949,328

8 A review of the performance of the Group to the extent necessary for a reasonable understanding of the Group's business. The review must discuss any significant factors that affected the turnover, costs and earnings of the Group for the current financial period reported on, including (where applicable) seasonal, or cyclical factors. It must also discuss any material factors that affected the cashflow, working capital, assets or liabilities of the Group during the current financial period reported on.

Review of Group Performance

Overview

On 7 January 2014, we completed the acquisition of the entire equity stake of Mancala Holdings Pty Ltd ("Mancala Australia"), a specialist mining services company based in Australia.

Following the release of our full year 2013 results in which the Group announced the weak financial performance of the steel-making business, the management decided to exit the steel-making industry. Accordingly,

- On 26 April 2014, we announced the proposed sale of our Steel Business ("Sale of Steel Business");
- On 30 July 2014, we received shareholders' approval for the Sale of Steel Business at the Extraordinary General Meeting ("EGM"); and
- Following the EGM, we have appointed a PRC-based lawyer to handle legal documentation and key administrative matters pertaining to registration of shares transfer and secured bond for completion of the Sale of Steel Business, which is expected to take approximately one month from now. (Note: In accordance with the accounting standards; we have to continually account for the results of the Steel Business as Discontinued Operations until completion of the sale).

Given the above strategic decisions:

- The financial performance for the Steel Business has since been presented as part of the Discontinued Operations while its financial position has been classified as Assets Held-For-Sale;
- The financials of the Continuing Operations for 3Q2014 and 9M2014 reflect the operations of the mining services segment of Mancala Australia and the Group's Corporate Functions;
- The financial performance for the Continuing Operations improved significantly to report a net profit in 9M2014, reversing a net loss in the comparative period;
- We generated 'cash profit' (or operating profit before working capital changes) of $1.6 million for 3Q2014 compared to operating loss before working capital changes of $3.5 million for 3Q2013; and
- We generated 'cash profit' (or operating profit before working capital changes) of $4.8 million for 9M2014 compared to operating loss before working capital changes of $4.1 million for 9M2013;

In both 3Q2014 and 9M2014, our newly acquired subsidiary, Mancala Australia, contributed positively to the financial performance of the Group. Given our strategic changes and operational streamlining efforts, Continuing Operations were profitable for both 3Q2014 and 9M2014. However, the Steel Business – which we decided to exit – continued to suffer losses for the corresponding periods.

Review of Financial Performance (3Q2014 vs 3Q2013)

Continuing Operations

On consolidation of the results of Mancala Australia, our mining services segment recorded revenues of $15.5 million in 3Q2014 with a gross profit of $3.9 million, representing a margin of 25.1%.

Other income fell by $0.5 million to $0.1 million in the absence of an exchange gain in 3Q2014 as a result of stronger US$ against the S$.

Administrative expenses fell by $1.0 million to $2.7 million despite an inclusion of the $2.3 million administrative expenses incurred by Mancala Australia. Meanwhile, our administrative expenses for Corporate Functions also fell by S$3.3 million, despite one-offs such as professional fee of $1.4 million incurred for the disposal of Steel Business in 3Q2013 as well as compensation payable on rationalization, due mainly to improved efficiencies following our operational streamlining exercise.

Other expenses rose by $0.2 million due mainly to a higher exchange loss recorded in 3Q2014 as a result of weaker A$ against the S$.

Finance costs rose by $0.4 million with the inclusion of interest expense incurred by Mancala Australia, which has working capital borrowings and finance lease obligations.

Income tax expense was $0.2 million, attributable to a provision for income tax on taxable profits for Mancala Australia’s Vietnam operations (Vietnam has a higher effective tax rate).

Given the above,

- Continuing Operations in 3Q2014 improved sharply recording a profit of $0.07 million compared to a net loss of $3.4 million in 3Q2013; and
- For 9M2014, Continuing Operations recorded a net profit of $0.3 million, reversing a net loss of $4.1 million in 9M2013.

<u>Discontinued operations</u>

Revenues for Discontinued Operations (Steel Business) fell by 58.5% to $23.4 million from $56.5 million, as there was no processing fee income for rebar and lower sales of cold rolled coil and vanadium product.

Discontinued Operations recorded a gross loss of $0.2 million for 3Q2014 compared to a gross profit of $2.6 million over the comparative periods due mainly to lower average unit selling price, higher unit production cost (materials, wages and factory overheads) and an inventories write-off of $0.7 million. As a result, gross profit margin was negative compared to 4.6% in the corresponding period.

Other income fell by $0.7 million to $0.4 million in the absence of exchange gain (as a result of stronger US$ against the RMB), and lower interest income from banks.

Distribution costs fell by half to $0.1 million due mainly to cost control measures.

Other expenses fell by $48.1 million in 3Q2014 in the absence of impairment losses on available-for-sale financial assets, property, plant and equipment and intangibles which were recorded in 3Q2013.

Given the above,

- Discontinued Operations incurred a net loss of $1.3 million in 3Q2014. It should be noted that had the Depreciation and Amortization for the Disposal Group of $1.4 million been accounted for, the net loss for the Discontinued Operations in 3Q2014 would have been $2.7 million; and

- For 9M2014, Discontinued Operations incurred a net loss of $8.6 million. It should be noted that had the Depreciation and Amortization for the Disposal Group of $5.5 million been accounted for, the net loss for Discontinued Operations in 9M2014 would have been $14.1 million.

The higher losses for the Steel Business – which shareholders had approved the sale of the Steel Business at an EGM in July 2014 - in both 3Q2014 and 9M2014 reflects the continual weak market sentiment of the steel industry in China.

Review of Financial Position (30 September 2014 vs 31 December 2013)

Note: Significant changes in financial position during the quarter under review were mainly attributed to maiden consolidation of Mancala Australia's financial position as at 30 September 2014.

Property plant and equipment

Property, Plant and Equipment ("PPE") rose to $28.1 million on the maiden consolidation of Mancala Australia's PPE (see Note A on page 11).

Interest in subsidiaries (the Company's level)

The Company's interest in subsidiaries of $11.1 million relates to the provisional deferred consideration payable for the acquisition of Mancala Australia. The total consideration of A$15 million is payable in cash and shares upon the issue of FY2014 and FY2015 financial statements of Mancala Australia and is subject to adjustment if the Net Profit After Tax ("NPAT") of Mancala Australia for FY2014 and FY2015 is less than A$3 million and A$5 million respectively ("Deferred Consideration"). The provisional consideration payable (as recorded) represents the management's estimation of the value of Deferred Consideration (see Note A on page 11), which is subject to a Purchase Price Allocation (PPA) Exercise to be conducted by an independent professional valuer within 12 months from the date of completion of the acquisition.

Other investments

Other Investments rose to $0.1 million on consolidation of Mancala Australia's financial position. This represents Mancala Australia's 1.95% interest in Bass Metal Limited, which is listed on the Australian Securities Exchange.

Short term loan receivables

Short-term loan receivables of $2.3 million as at 31 December 2013 represent a secured loan to Mancala Australia prior to completion of the acquisition. On completion of the acquisition, the amount was then offset as inter-company loan on consolidation.

Inventories

Inventories rose to $8.3 million on consolidation of Mancala Australia's financial position. This comprised drill rods, hydraulic and mechanical parts, hardware and other work-in-progress for mining services business.

Trade and other receivables

Trade and other receivables rose to $12.6 million upon consolidation of Mancala Australia's financial position. This comprised trade receivables of $10.0 million and other receivables, deposits and prepayment of $2.6 million. Trade receivables of $10.0 million included $4.1 million from the nickel mine project in Ban Phuc, Vietnam as at 30 September 2014.

Cash and cash equivalents

The Group recorded positive operating cash inflows for both 3Q2014 and 9M2014 due mainly to cash profits (operating profits before working capital changes) generated by Mancala Australia in the period under review while the Steel Business, used more cash than it generated due to weak market conditions.

Overall, cash and cash equivalents fell by $4.9 million to $1.8 million as at 30 September 2014 compared to 31 December 2013 due mainly to repayment of finance lease obligations and short term bank borrowings of Mancala Australia. The debts repayment budgets have been specifically planned for in order to reduce the overall gearing position of Mancala Australia.

Assets and liabilities classified as held for sale

This relates to the assets and liabilities of the Steel Business (as detailed on page 7). The carrying value of the Steel Business fell by $8.3 million from $66.0 million as at 31 December 2013 to $57.7 million as at 30 September 2014 due mainly to losses of $8.6 million incurred for the 9 months ended 30 September 2014.

Long-term payable

The long-term payable of $0.5 million was recorded on consolidation of Mancala Australia's financial position. It relates to interest-free loans previously advanced by the vendors/founders of Mancala Australia, and is not expected to be repaid within the next 12 months.

Financial liabilities

The Group recorded current and long-term financial liabilities totaling $12.8 million on consolidation of Mancala Australia's financial position. This comprised $0.1 million in bank overdraft, $2.9 million in short-term bank borrowings and $9.8 million of finance leases obligations.

Trade and other payables

Trade and other payables rose by $28.1 million to $30.7 million on consolidation of Mancala Australia's financial position. This comprised trade payables of $7.9 million and other payables of $22.8 million. Included in other payables were mainly the provisional deferred consideration of $11.1 million payable for the acquisition of Mancala Australia (see note A on page 11), $2.0 million deposit received for sale of Steel Business, $5.3 million of PAYG withholding in Australia and withholding tax in Vietnam to meet employees' personal tax obligations and $1.5 million of leave provision.

Current tax liabilities

The Group recorded current tax liabilities of $0.8 million on consolidation of Mancala Australia's financial position which relate to provision for income tax on taxable profits of Mancala Australia's operations in Vietnam.

Share capital and reserves

There has been no change in the Company's issued share capital since the previous financial year ended 31 December 2013.

Reserves include translation reserve, merger reserve, capital reserve, statutory reserve, other reserves, fair value reserve and accumulated profit/losses of the Group. Reserves are represented by net deficit reserves, which rose by $8.0 million from $187.0 million to $196.0 million due mainly to current nine months losses and translation losses of the Steel Business.

As a result of the above, total equity fell by $9.0 million to $64.5 million as at 30 September 2014.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

In the 1H2014 results announcement, the Board highlighted that the Steel Business in China continues to be loss making, while the Group has seen maiden profit contribution from Mancala Australia. The Board also stated that by taking into account of the gain on disposal arising from the Steel Business, the Board expects the financial performance for FY2014 to improve significantly over that of FY2013, barring unforeseen circumstances.

- In 3Q2014, our Continuing Operations improved significantly with a small profit of $0.07 million compared to a net loss of $3.4 million in 3Q2013. For 9M2014, our Continuing Operations recorded a profit of $0.3 million as compared to a net loss of $4.1 million in 9M2013; and

- In 3Q2014, our Discontinued Operations (the Steel Business) recorded a net loss of $1.3 million, as continued from the previous trend despite streamlining efforts. For 9M2014, our Discontinued Operations (the Steel Business) recorded a net loss of $8.6 million.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months

Our recent strategic reviews with the management of Mancala Australia (our mining services specialist) indicated that we can continue to capitalise on the team's technical expertise in expanding into multi-faceted projects with high degree of complexity, which generally deliver much higher margins than those conventional mining contracts. In these areas, Mancala Australia will remain focused in Contract Mining (for project management), Specialized Mining Services (for shaft construction and rehabilitation) and raise drilling, which it has secured orders book of A$62 million as at 30 September 2014.

Notably, Mancala Australia team has been able to achieve production targets for its major project in Ban Phuc, the largest nickel mine in Vietnam. More recently, the team has also been proactively quoting jobs for the largest coal-mining operator in Vietnam; major gold and copper mines in South America. We are, however, well aware of the volatility of commodity prices and the weaker-than-expected demand for commodities, which thus require Mancala Australia to deploy its resources more efficiently and manage its costs more effectively. In these aspects, we have seen improvements in return on asset and output per headcount for our mining services business.

As previously announced, we have streamlined our Corporate Functions following the disposal of the Steel Business to save on fixed costs. To further streamline our operations in Singapore, we announced on 14 October 2014, the disposal of our other non-core businesses involving in painting and renovation services, which would result in a total cost saving of approximately $0.6 million despite an accounting loss on disposal of $0.5 million.

We note that the steel industry in China remains weak and appears no obvious signs of recovery. The good news is those losses incurred for our Discontinued Operations – the Steel Business – will be compensated by a gain on disposal on legal completion. Our lawyer in PRC is in the midst of handling the legal documentation for completion of sale of the Steel Business, which is expected to occur before end of the financial year.

Given the above and taking into account the expected gain on disposal arising from the Steel Business, the Board continues to believe that the financial performance for FY2014 will improve significantly over that of FY2013, barring unforeseen circumstances.

As previously updated – we are evaluating a profitable EPC (Engineering, Procurement and Construction) business that specializes in undertaking and managing highly complex and large-scale municipal land transport infrastructure projects in China, India, Bangladesh and Saudi Arabia. This business could offer much potential for growth in view of the recent 5-year Plan adopted by the China's National People's Congress. We have since engaged independent professionals to conduct due diligence on the EPC business and meanwhile, the commercial negotiations with the owners of EPC business have been on going. More recently, both parties have made good progress in finalizing various pertinent terms leading to specific discussions on the proposed deal structure. We will update shareholders soon on the status of the proposed investment.

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2014

11 Dividend

(a) Current Financial Period Reported on – any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year – any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12 If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared/recommended in the current period reported on.

13 Disclosure of Interested Person Transaction Conducted under a Shareholder Mandate for the period ended 30 September 2014

There was no such interested person transaction in the current period reported on.

14 Confirmations by Directors

The Board of Directors of the Company hereby confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim consolidated financial statements for the period ended 30 September 2014 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Teh Wing Kwan
Executive Director and Group Chief Executive Officer

14 November 2014