

SAPPHIRE CORPORATION LIMITED
REGISTRATION NUMBER: 198502465W



FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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		Change %
	2014 \$'000	2013 \$'000	
Revenue	58,487	6	NM
Cost of sales	(43,746)	(5)	NM
Gross profit	14,741	1	NM
Other income	547	1,845	(70.4)
Administrative expenses*	(13,528)	(6,104)	121.6
Other expenses	(3,883)	(490)	NM
Loss from operations	(2,123)	(4,748)	(55.3)
Finance costs	(1,593)	–	NM
Share of results of associates	(14)	44	NM
Loss before income tax	(3,730)	(4,704)	(20.7)
Income tax expense	(1,438)	–	NM
Loss from Continuing Operations	(5,168)	(4,704)	9.9
Loss from Continuing Operations before discontinued business segment^{#1}	(4,414)	(4,704)	(6.2)
Loss on disposal of associates (discontinued business segment) ^{#2}	(754)	–	NM
Loss from Continuing Operations	(5,168)	(4,704)	9.9

Results of Discontinued Operations**

Discontinued Operations^{#3}

Profit/(loss) from Discontinued Operations (net of tax)	5,306	(152,472)	NM
Profit/(loss) for the year	138	(157,176)	NM

^{#1} Details of loss from Continuing Operations before discontinued business segment in 2014

- Mancala Australia	1,365
- Corporate Function – expenses	(3,047)
- Unrealised foreign exchange loss	(2,400)
- Acquisition-related expenses	(332)
	<u>(4,414)</u>

^{#2} Discontinued business segment related to our non-core business in painting and renovation services which we sold on 14 October 2014 and realised a loss on disposal of associates of \$0.8 million.

^{#3} The sale of Steel Business (Discontinued Operations) was completed on 29 December 2014 and loss for Discontinued Operations was compensated by the gain on disposal of Steel Business.

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* *Details of Administrative expense*

- <i>Mancala Australia</i>	10,590	–
- <i>Corporate Function – expenses</i>	2,606	5,740
- <i>Acquisition-related expenses</i>	332	364
	13,528	6,104

** *see details on Page 3*

Note:

NM – Not Meaningful.

1. 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"). On 26 April 2014, the Group announced the sale of the Steel Business and on 30 July 2014, shareholders approved the sale of Steel Business at Extraordinary General Meeting. The sale was completed on 29 December 2014.
2. Accordingly, the financials for the Steel Business have been presented on the face of Profit and Loss Account as Discontinued Operations.

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	Group		
	2014 \$'000	2013 \$'000	Change %
Results of discontinued operations			
Revenue	94,291	174,483	(46.0)
Cost of sales	(96,630)	(172,237)	(43.9)
Gross (loss)/profit	(2,339)	2,246	NM
Other income	3,308	3,782	(12.5)
Distribution costs	(766)	(963)	(20.5)
Administrative expenses	(3,679)	(5,931)	(38.0)
Other expenses			
- Other operating expenses	(1,603)	(3,199)	(49.9)
- Assets impairment	(9,600)	(87,349)	(89.0)
- Loss on re-measurement of Assets Held-For-Sale	-	(58,001)	(100.0)
Loss from operations	(14,679)	(149,415)	(90.2)
Finance costs	(4,112)	(3,812)	7.9
Loss before income tax	(18,791)	(153,227)	(87.7)
Income tax expense	(91)	755	NM
Loss from discontinued operations	(18,882)	(152,472)	(87.6)
Gain on disposal of discontinued operations	24,188	-	NM
Profit/(loss) for the year from discontinued operations	5,306	(152,472)	NM
Net operating loss after tax	(9,282)	(7,122)	30.3
Gain on disposal of discontinued operations	24,188	-	NM
Assets impairment and loss on re-measurement of Assets Held-For-Sale	(9,600)	(145,350)	(93.4)
Profit/(loss) from discontinued operations	5,306	(152,472)	NM

Consolidated Statement of Comprehensive Income

	Group		
	2014 \$'000	2013 \$'000	Change %
Profit/(loss) for the year	138	(157,176)	NM
Other comprehensive income			
Translation differences relating to financial statements of foreign subsidiaries	(1,023)	6,531	NM
Movement of available-for-sale financial assets reserve	-	(1,324)	(100.0)
Reclassification to profit or loss from equity on disposal of available-for-sale financial assets	-	705	(100.0)
Other comprehensive income for the year, net of tax	(885)	5,912	NM
Total comprehensive income for the year	(885)	(151,264)	(99.4)

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Note:

NM – Not Meaningful.

Notes to other comprehensive income:

1. Translation differences relating to accounting translation of financial statements of our foreign subsidiaries to S\$ term. Translation loss in 2014 arose from a weakening AUD against the SGD.

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

Notes to Income Statement

	Group Discontinued operations			Group Continuing operations		
	2014 \$'000	2013 \$'000	Change %	2014 \$'000	2013 \$'000	Change %
Revenue includes the following:						
Mining services	–	–	–	58,487	–	NM
Sale of manufactured vanadium products	62,391	63,201	(1.3)	–	–	–
Processing fees from rebars and hot rolled coil	–	30,346	–	–	–	–
Sale of manufactured steel products	31,268	79,322	(60.6)	–	–	–
Commission from trading of steel products	249	1,191	(79.1)	–	–	–
Others	383	423	(9.5)	–	6	NM

Other income includes the following:

Exchange gain, net	–	950	NM	67	1,763	(96.2)
Gain on disposal of property, plant and equipment	–	–	–	150	–	NM
Interest income – banks	532	422	26.1	17	12	41.7
Interest income – third party	–	–	–	–	20	NM
Rental income	2,726	3,065	(11.1)	63	–	NM

Other expenses include the following:

Amortisation of intangible assets and prepaid leases	–	(2,030)	NM	(175)	–	NM
Exchange loss, net	(1,454)	–	NM	(2,400)	–	NM
Loss on disposal of available-for-sale financial assets	–	(670)	NM	–	–	–
Loss on disposal of associates	–	–	–	(754)	–	NM
Impairment loss on available-for-sale financial assets	(9,600)	(26,400)	(63.6)	–	–	–
Impairment loss on intangible	–	(1,105)	NM	–	–	–
Impairment loss on property, plant and equipment	–	(59,844)	NM	–	–	–
Loss on re-measurement of Assets Held-For-Sale	–	(58,001)	NM	–	–	–

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Finance costs include the following:

Amortisation of fees in relation to bank loans	–	(166)	NM	–	–	–
Interest expense in relation to bank loans	(305)	(268)	13.8	(573)	–	NM
Interest expense in relation to long term payable to affiliated party	(3,807)	(3,378)	12.7	–	–	–
Interest expense in relation to finance lease	–	–	–	(1,020)	–	NM

Profit before income tax is arrived after deducting:

Depreciation of property, plant and equipment	–	(17,754)	NM	(3,727)	(68)	NM
Net realisable value adjustment on inventories	–	(4,802)	NM	–	–	–
Reversal/(allowance) of impairment losses on doubtful receivables	–	–	–	11	(116)	NM

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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	
	31.12.2014 \$'000	31.12.2013 \$'000	31.12.2014 \$'000	31.12.2013 \$'000
Assets				
Property, plant and equipment	37,352	144	110	144
Intangible assets	553	–	–	–
Goodwill	1,215	–	–	–
Interests in subsidiaries	–	–	13,036	–
Interests in associates	–	883	–	637
Long term loan receivable	–	–	5,414	–
Other investments	90	1	1	1
Total non-current assets	39,210	1,028	18,561	782
Inventories	2,054	–	–	–
Short term loans receivables	–	2,255	–	–
Trade and other receivables	68,884	300	56,579	17,865
Cash at bank and in hand	12,247	6,719	10,509	6,303
Assets classified as held for sale	–	295,630	–	50,687
Total current assets	83,185	304,904	67,088	74,855
Total assets	122,395	305,932	85,649	75,637
Equity				
Share capital	260,489	260,489	260,489	260,489
Reserves	(187,889)	(187,004)	(189,452)	(187,289)
Total equity	72,600	73,485	71,037	73,200
Liabilities				
Long term payable	780	–	–	–
Financial liabilities	5,649	–	–	–
Deferred tax liabilities	463	–	–	–
Total non-current liabilities	6,892	–	–	–
Trade and other payables	34,687	2,616	14,612	2,248
Financial liabilities	7,170	–	–	–
Provisions	–	201	–	189
Current tax liabilities	1,046	–	–	–
Liabilities classified as held for sale	–	229,630	–	–
Total current liabilities	42,903	232,447	14,612	2,437
Total liabilities	49,795	232,447	14,612	2,437
Total equity and liabilities	122,395	305,932	85,649	75,637

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As at 31 December, the disposal group comprised the following assets and liabilities:

	Group 2014 \$'000	Group 2013 \$'000
Assets of a disposal group classified as held for sale		
Property, plant and equipment	–	71,776
Prepaid leases	–	30,207
Other investments	–	9,600
Inventories	–	25,969
Trade and other receivables	–	70,850
Deposit with an affiliated party	–	63,184
Current tax asset	–	1,252
Cash at bank and in hand	–	22,792
	<hr/>	<hr/>
	–	295,630
Liabilities of a disposal group classified as held for sale		
Trade and other payables	–	109,879
Financial liabilities	–	–
Long term payable to an affiliated party	–	110,708
Deferred tax liabilities	–	9,043
	<hr/>	<hr/>
	–	229,630
	<hr/>	<hr/>
Net assets	–	66,000

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

	31.12.2014		31.12.2013	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Amount repayable in one year or less, or on demand	7,170	-	160,225	-
Amount repayable after one year	5,649	-	-	-
Relating to:				
Disposal Group				
- Notes Payable (for trade bills)	-	-	49,517	-
- Long term payable to an affiliated party	-	-	110,708	-
Mancala Australia				
- Short-term bank borrowings	4,152	-	-	-
- Current portion of finance lease	3,018	-	-	-
- Non-current portion of finance lease	5,649	-	-	-
Total	12,819	-	160,225	-

Details of any collateral as at 31 December 2014

- (i) The bank overdraft and short term bank loans for Mancala Australia are secured by personal guarantees granted by the vendors of Mancala Australia and subordinated loans of A\$5 million from Sapphire to Mancala Australia.
- (ii) The carrying value of fixed assets under finance lease as at 31 December 2014 approximates \$11.0 million.

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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	
	2014 \$'000	2013 \$'000
Operating activities		
Loss before income tax	(3,730)	(4,704)
Adjustments for:		
Amortisation of intangible assets	175	–
Depreciation of property, plant and equipment	3,727	68
Interest expense	1,593	–
Interest income	(17)	(32)
Gain on disposal of property, plant and equipment	(150)	–
Loss on disposal of associates	742	–
Share of results of associates	14	(44)
Operating profit/(loss) before working capital changes	2,354	(4,712)
Changes in working capital:		
Inventories	177	–
Trade and other payables	(373)	(7,841)
Trade and other receivables	1,672	7,544
Cash flows from/(used in) operations	3,830	(5,009)
Payment of rectification costs	(74)	(104)
Cash flows from/(used in) operating activities	3,756	(5,113)
Net cash from operating activities for discontinued operations	3,860	26,231
	7,616	21,118
Investing activities		
Acquisition of Mancala (Note A)	384	–
Interest received	17	32
Payment for purchase of property, plant and equipment	(346)	(175)
Proceeds from disposal of property development	–	5,061
Proceeds from disposal of property, plant and equipment	1,306	1
Repayment of loan from an affiliated party	–	933
Loan to a third party	–	(2,255)
Cash flows from investing activities	1,361	3,597
Cash flows from investing activities for discontinued operations	9,296	8,334
	10,657	11,931
Financing activities		
Interest paid	(1,593)	–
Payment of finance lease liabilities	(5,564)	(5)
Payment of bank loan	(1,914)	–
Release of fixed deposit pledged to bank	–	611
Cash flows (used in)/from financing activities	(9,071)	606
Cash flows used in financing activities for discontinued operations	(305)	(27,581)
	(9,376)	(26,975)

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	Group	
	2014 \$'000	2013 \$'000
Net increase in cash and cash equivalents	8,897	6,074
Cash and cash equivalents at beginning of the year	6,719	2,923
Effect of exchange rate changes on the balances held in foreign currencies	(3,369)	857
Cash and cash equivalents classified as held for sales	–	(3,135)
Cash and cash equivalents at end of the year	12,247	6,719
Cash and cash equivalents consist of the following:		
Fixed deposits classified as held for sale	–	19,657
Cash and bank balances classified as held for sale	–	3,135
Cash and bank balances	12,247	6,719
Cash at bank and in hand	12,247	29,511
Less: Fixed deposits pledged	–	(19,657)
Less: Cash and bank balances classified as held for sale	–	(3,135)
	12,247	6,719

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 2014 \$'000
Property, plant and equipment	40,951
Intangibles	748
Other investment	93
Inventories	2,322
Trade and other receivables	12,136
Cash and cash equivalent	384
Trade and other payables	(18,461)
Current provisions	(1,564)
Current financial liabilities (Bank loans and finance leases)	(10,349)
Long term payables	(3,044)
Long term financial liabilities (finance leases)	(10,786)
Long term provisions	(184)
Deferred tax liabilities	(425)
Identifiable net assets acquired ⁽¹⁾	11,821
Goodwill ⁽²⁾	1,215
Provisional total consideration (deferred consideration) ⁽²⁾	13,036
Consideration payable ⁽²⁾	(13,036)
Cash and cash equivalent of the subsidiary acquired	384
Acquisition of subsidiary, net of cash acquired	384

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⁽¹⁾ The identifiable net assets acquired were determined with reference to the audited financial statements of Mancala Australia as at the acquisition date. The Group had engaged 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").

⁽²⁾ The 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 had engaged an independent professional valuer to determine the fair value of the total consideration as part of the PPA exercise.

The consideration payable of A\$11.5 million had been included in other payables of the Group and Company's balance sheet. The resultant goodwill had been adjusted accordingly upon finalization of the PPA exercise by an independent professional valuer.

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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
2013 Group									
At 1 January 2013	260,489	1,235	418	(1,353)	4,803	(6,198)	619	(35,264)	224,749
Loss for the year	–	–	–	–	–	–	–	(157,176)	(157,176)
Other comprehensive income									
Translation differences relating to financial statements of foreign subsidiaries	–	–	–	–	–	6,531	–	–	6,531
Movement of available-for-sale financial assets reserves	–	–	–	–	–	–	(1,324)	–	(1,324)
Reclassification to profit or loss from equity on disposal of available-for-sale financial asset	–	–	–	–	–	–	705	–	705
Total other comprehensive income	–	–	–	–	–	6,531	(619)	–	5,912
Total comprehensive income	–	–	–	–	–	6,531	(619)	(157,176)	(151,264)
Transfer to statutory reserve	–	–	–	–	151	–	–	(151)	–
At 31 December 2013	260,489	1,235	418	(1,353)	4,954	333	–	(192,591)	73,485

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(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	Accumulated profit/ (losses) \$'000	Total equity \$'000
2014 Group								
At 1 January 2014	260,489	1,235	418	(1,353)	4,954	333	(192,591)	73,485
Profit for the year	–	–	–	–	–	–	138	138
Other comprehensive income								
Translation differences relating to financial statements of foreign subsidiaries	–	–	–	–	–	(1,023)	–	(1,023)
Total other comprehensive income	–	–	–	–	–	(1,023)	–	(1,023)
Total comprehensive income	–	–	–	–	–	(1,023)	138	(885)
Changes in ownership of subsidiaries								
Disposal of subsidiaries	–	–	–	–	(4,954)	–	4,954	–
At 31 December 2014	260,489	1,235	418	(1,353)	–	(690)	(187,499)	72,600

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(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
2013						
Company						
At 1 January 2013	260,489	1,084	(1,353)	10,374	(99,839)	170,755
Loss for the year	–	–	–	–	(88,678)	(88,678)
Other comprehensive income						
Movement of available-for-sale financial assets reserves	–	–	–	(8,547)	–	(8,547)
Reclassification to profit or loss from equity on disposal of available-for-sale financial asset	–	–	–	(330)	–	(330)
Total other comprehensive income	–	–	–	(8,877)	–	(8,877)
Total comprehensive income	–	–	–	(8,877)	(88,678)	(97,555)
At 31 December 2013	260,489	1,084	(1,353)	1,497	(188,517)	73,200

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(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
2014						
Company						
At 1 January 2014	260,489	1,084	(1,353)	1,497	(188,517)	73,200
Loss for the year	–	–	–	–	(666)	(666)
Other comprehensive income						
Reclassification to profit or loss from equity on disposal of available-for-sale financial asset	–	–	–	(1,497)	–	(1,497)
Total other comprehensive income	–	–	–	(1,497)	–	(1,497)
Total comprehensive income	–	–	–	(1,497)	(666)	(2,164)
At 31 December 2014	260,489	1,084	(1,353)	–	(189,183)	71,037

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- 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 year and as at the immediately preceding financial year.

- 1(d)(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**

	31.12.2014	31.12.2013
Total number of issued shares excluding treasury shares	810,949,328	810,949,328

- 1(d)(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 year.

- 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.

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- 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 full year financial statements for FY2014.

- 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**

	For the 12 months ended					
	Continuing operations		Discontinued operations		Total	
	2014	2013	2014	2013	2014	2013
Basic earnings per share (cents)	(0.64)	(0.58)	0.65	(18.80)	0.01	(19.38)
Diluted earnings per share (cents)	(0.64)	(0.58)	0.65	(18.80)	0.01	(19.38)

The calculation of the above basic earnings per share and diluted earnings per share was based on total number of issued shares of 810,949,328 (2013: 810,949,328).

In 2013 and 2014, the diluted earnings per share are the same as basic earnings per share as the Group does not have any dilutive capital instruments.

- 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	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Net asset value per ordinary share (cents)	8.95	9.06	8.76	9.03
Number of shares in issue	810,949,328	810,949,328	810,949,328	810,949,328

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- 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 for FY2014

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.

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");

On 14 October 2014, we announced the sale of our non-core business in painting and renovation services to further streamline our operations; and

On 29 December 2014, we announced the completion of the proposed sale of our Steel Business. (Note: In accordance with the accounting standards, we have to account for the results of the Steel Business as Discontinued Operations until completion of the sale).

Given the above:

- The financial performance for the Steel Business has since been presented as part of the Discontinued Operations;
- The financials of the Continuing Operations reflect the operations of the mining services segment of Mancala Australia and the Group's Corporate Functions (which also included the loss on disposal of discontinued business segment of our non-core business in painting and renovation services and unrealized foreign exchange losses);

Continuing Operations generated a total operating cash inflows of \$3.8 million for FY2014 compared to a deficit of \$5.1 million for FY2013.

Our newly acquired subsidiary, Mancala Australia, contributed positively to the financial performance of the Group in FY2014. However, the Steel Business – which was disposed off – continued to suffer losses for the corresponding periods.

Review of Financial Performance (FY2014 vs FY2013)

Continuing Operations

Note: Significant changes in revenues, cost of sales and operating expenses during the financial year under review were mainly attributed to maiden consolidation of Mancala Australia's financial performance in FY2014.

On consolidation of the results of Mancala Australia, our mining services segment recorded revenue of \$58.4 million in FY2014 with a gross profit of \$14.7 million, representing a margin of 25.2%.

Other income fell by \$1.3 million to \$0.5 million mainly due to lower exchange gain.

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Administrative expenses rose by \$7.4 million to \$13.5 million due mainly to the inclusion of \$10.6 million administrative expenses incurred by Mancala Australia. Meanwhile, administrative expenses for Corporate Functions fell sharply by \$3.1 million following our corporate streamlining exercise, despite acquisition-related expenses of \$0.3 million.

Other expenses rose by \$3.4 million due mainly to unrealised foreign exchange loss relating to revaluation of receivables from disposal of Discontinued Business of \$56.1 million and loss on disposal of associates.

Finance costs rose by \$1.6 million with the inclusion of interest expense incurred by Mancala Australia, which has working capital borrowings and finance lease obligations.

Income tax expense was \$1.4 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,

- Loss from Continuing Operations (before discontinued business segment) for FY2014 was \$4.4 million compared to \$4.7 million in 2013; and
- Loss from Continuing Operations for 2014 was \$5.2 million after accounting for loss on disposal of the discontinued business segment of \$0.8 million.

Discontinued Operations (Steel Business)

Revenue for Discontinued Operations fell by 46.0% to \$94.3 million from \$174.5 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 \$2.3 million for FY2014 compared to a gross profit of \$2.2 million over the comparative periods due mainly to lower average unit selling price, higher unit production cost (materials, wages and factory overheads) and inventories write-off. As a result, gross profit margin was negative compared to 1.3% in the corresponding period.

Other income fell by \$0.5 million to \$3.3 million in the absence of foreign exchange gain (as a result of stronger US\$ against the RMB) and lower rental income.

Distribution costs fell by \$0.2 million to \$0.8 million due mainly to cost control measures and on the back of lower revenues.

Other expenses fell sharply by \$137.3 million in FY2014 in the absence of impairment losses on available-for-sale financial assets, property, plant and equipment and intangibles which were recorded in FY2013.

Given the above,

- Loss from Discontinued Operations was S\$18.9 million reflected the continual weak market sentiment of the steel industry in China; and
- Including a gain on disposal of the steel Business of S\$24.2 million, we recorded a net profit of \$5.3 million for FY2014 from the Discontinued Operations, reversing a net loss of \$152.5 million.

Taking into account of the results for both Continuing Operations and Discontinued Operations, our financial performance for FY2014 improved recording a Net Profit of \$0.14 million, reversing a Net Loss of \$157.2 million in FY2013.

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

Note: Significant changes in financial position during the financial year under review were mainly attributed to maiden consolidation of Mancala Australia's financial position as at 31 December 2014.

Property plant and equipment

Property, Plant and Equipment ("PPE") rose to \$37.4 million on the maiden consolidation of Mancala Australia's PPE, which is now recorded at fair value after the Purchase Price Allocation exercise conducted by the independent professional valuer.

Intangible assets

Intangible assets of \$0.6 million was 'customer-related' such as order backlog of Mancala Australia as identified by the independent professional valuer in the Purchase Price Allocation exercise and it is now recorded at fair value.

Goodwill

The Group recognised goodwill of \$1.2 million as an asset on the acquisition of Mancala Australia, being the excess of our cost of investment over our interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of Mancala Australia.

Other investments

Other investments of \$0.09 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.

Inventories

Inventories rose to \$2.1 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 \$68.9 million which comprised mainly:

- (i) the remaining proceeds receivable from the disposal of Steel Business of \$56.1 million or RMB 263.2 million; and
- (ii) Mancala Australia's trade receivables of \$10.6 million; and other receivables, deposits and prepayment of \$1.9 million on consolidation of Mancala Australia's financial position.

Cash and cash equivalents

The Group recorded positive operating cash inflows for FY2014 due mainly to cash profits (operating profits before working capital changes) of \$2.4 million generated by our Continuing Operations during the period under review. Cash flows from operating activities for Continuing Operations improved to \$3.8 million compared to a deficit of \$5.1 million.

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Overall, cash and cash equivalents rose by \$5.5 million to \$12.2 million as at 31 December 2014 compared to 31 December 2013 due mainly to receipt of partial proceeds from disposal of the Steel Business, cash from disposal of non-core assets of Mancala Australia, partially offset by repayment of finance lease obligations and short term bank borrowings of Mancala Australia and net of foreign exchange effects. The debts repayment budgets have been specifically planned so as 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 8).

Long-term payable

The long-term payable of \$0.8 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 \$4.1 million in short-term bank borrowings and \$8.7 million of finance lease obligations.

Trade and other payables

Trade and other payables rose by \$32.1 million to \$34.7 million on consolidation of Mancala Australia's financial position. This comprised trade payables of \$11.3 million and other payables of \$22.9 million. Included in other payables were mainly the provisional deferred consideration of A\$11.5 million payable for the acquisition of Mancala Australia (subject to adjustments in the event that the actual consideration paid differs from the accounting provision for deferred consideration), PAYG withholding in Australia and withholding tax in Vietnam to meet employees' personal tax obligations and \$2.0 million of leave provision.

Current tax liabilities

The Group recorded current tax liabilities of \$1.0 million on consolidation of Mancala Australia's financial position due mainly 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.

Total equity fell by \$0.9 million to \$72.6 million as at 31 December 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 3Q2014 results announcement, the Board had highlighted that the Steel Business in China continues to be loss making, while the Group had recorded maiden profit contribution from Mancala Australia. The Board also stated that by taking into account of the gain on

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disposal arising from the Steel Business, the Board expects the financial performance for FY2014 to improve significantly over that of FY2013, barring unforeseen circumstances.

The Group reported a net profit of \$0.14 million for FY2014 compared to a net loss of \$157.2 million for FY2013.

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

Amidst volatile market conditions and recent falls in commodity prices, there is an increasing shift of emphasis by mining operators from capital expenditure (“capex”) to operational expenditure (“opex”). This trend, along with a renewed focus by mining operators to lower costs further and improve optimization of existing assets, opens up opportunities for Mancala Australia to position its capabilities as a mining services specialist to mine owners and operators. At the same time, Mancala Australia will have to improve its own operating cost structure and production efficiencies with a view to improve return on asset and output per headcount for its mining services business in the long run.

Mancala Australia will continue to focus on higher-margin multi-faceted projects with high degree of complexity, which includes Contract Mining (for project management), Specialized Mining Services (for shaft construction and rehabilitation) and raise drilling. The team has secured and stabilised operations in its largest nickel mine project in Vietnam and is also quoting jobs in South America. As at 31 December 2014, Mancala Australia had an order book of A\$60.4 million.

We are however well aware of the risk of having a sustained slowdown in the resource sector due to weak commodity prices which will continue to affect the mining services industry in Australia. Mancala Australia will continue to monitor the situation closely.

On a positive note, following the Group’s completion of its disposal of the Steel Business on 29 December 2014, the Group will cease to incur further losses from its Discontinued Operations.

On major strategic change, the Group had also announced on 25 November 2014, its intention to acquire the entire share capital of Hong Kong incorporated Ranken Infrastructure Limited (“Ranken”), a profitable China-based 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 for RMB 360 million (S\$75.9 million). Ranken possesses fully integrated Triple-A qualifications and licenses in relation to design, construction and project consultation in the rail transit sector in China. This is part of a new corporate and turnaround strategy to propel growth via railway infrastructure and engineering projects after disposing its loss-making steel business.

Leveraging on Ranken’s capabilities and track record, the Group intends to accelerate growth through two strategies:

- a) Increase its order book of metro, urban rail transit and other major land transport infrastructure projects in China and South East Asia ; and
- b) Enter into strategic partnerships or joint-ventures with State-Owned Enterprises (SOEs) or provincial governments through which Ranken can participate in major infrastructure projects over a longer term on Public-Private-Partnership (PPP) Build-Operate-Transfer

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(“BOT”) and, possibly, Build-Lease-Transfer (“BLT”) basis.

Ranken has an existing order book of RMB 2.1 billion (S\$442.1 million). The acquisition is subject to approval by Sapphire shareholders at an extraordinary general meeting to be convened. Upon completion of the Proposed Acquisition, Ranken is expected to be the Group’s biggest revenue contributor for the financial year ending 31 December 2015 (“FY2015”)

Given the above and as the Group executes strategies to drive growth, the Board believes that the financial performance for FY2015 will remain profitable, barring unforeseen circumstances.

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/recommendeded, a statement to that effect

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

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13 Segmented revenue and results for business or geographical segments (of the Group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

(a) By business segment: FY2014

Discontinued operations			Continuing operations	
Integrated steel-making operations*				
Manufacturing	Investments	Others^	Mining services	Total
\$'000	\$'000	\$'000	\$'000	\$'000

Revenue and expenses

2014

Total revenue from external customer	93,907	–	384	58,487	152,778
Interest income	531	–	1	17	549
Interest expense	(305)	–	–	(1,593)	(1,898)
Amortisation of intangible assets	–	–	–	(175)	(175)
Depreciation	–	–	–	(3,687)	(3,687)
Reportable segment profit/(loss) after income tax	(6,818)	(2,519)	165	1,365	(7,807)
Reportable segment assets	–	–	–	54,090	54,090
Reportable segment liabilities	–	–	–	40,804	40,804

*Integrated steel-making operations include manufacture of steel and vanadium products and processing fee and Group's shares of results from associates which engage in activities similar to the segment. Transactions relating to available-for-sale financial assets are also included in this segment.

^Others include sales of wines.

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(b) By business segment: FY 2013

	Discontinued operations			Continuing operations			Total
	Integrated steel-making operations*			Trading of minerals	Development properties	Others^	
	Manufacturing	Investments	Others^				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue and expenses							
2013							
Total revenue from external customer	174,060	–	423	–	–	6	174,489
Interest income	421	–	1	–	–	–	422
Interest expense	(3,490)	(156)	–	–	–	–	(3,646)
Depreciation and amortization	(19,784)	–	–	(20)	–	–	(19,804)
Share of results of Associates	–	–	–	–	–	44	44
Reportable segment profit/(loss) after income tax	(126,175)	(26,687)	(365)	(822)	(85)	(58)	(154,192)
Other material non-cash items:							
- Allowance for impairment loss on doubtful receivables, trade and others, net	–	–	–	(39)	–	(77)	(116)
- Impairment loss of available-for-sale financial assets	–	(26,400)	–	–	–	–	(26,400)
- Impairment loss of property, plant and equipment	(59,844)	–	–	–	–	–	(59,844)
- Impairment loss of re-measurement of disposal group	(58,001)	–	–	–	–	–	(58,001)
- Impairment loss on intangible	(1,105)	–	–	–	–	–	(1,105)
- Provision for allowance of inventories	(4,802)	–	–	–	–	–	(4,802)
Investment in associates	–	–	–	–	–	883	883
Reportable segment assets	285,057	9,601	972	284	47	2,455	298,416
Capital expenditure	2,020	–	3	–	–	–	2,023
Reportable segment liabilities	229,153	24	453	339	4	581	230,554

*Integrated steel-making operations include manufacture of steel and vanadium products and processing fee and Group's shares of results from associates which engage in activities similar to the segment. Transactions relating to available-for-sale financial assets are also included in this segment.

^Others include building maintenance & architectural finishing products and sales of wines.

FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

Reconciliations of reportable segment revenues, profit and loss, assets and liabilities and other material items

	2014	2013
	\$'000	\$'000
Revenues		
Total revenue for reportable segment	152,778	174,489
Elimination of inter-segment	–	–
Total revenue	152,778	174,489
Less: Total revenue for discontinued segment	(94,291)	(174,483)
Consolidated revenue	<u>58,487</u>	<u>6</u>
Profit or loss		
Total loss for reportable segment	(7,807)	(154,192)
Elimination of inter-segment profit	–	–
Unallocated amounts:		
- Other income	24,735	1,845
- Other expenses	(15,261)	(5,584)
- Tax expenses	(1,529)	755
Consolidated profit/(loss) for the year	<u>138</u>	<u>(157,176)</u>
Assets		
Total assets for reportable segments	54,090	298,416
Elimination of inter-segment assets	–	–
Investments in associates	–	883
Other unallocated amounts	68,305	6,633
Consolidated total assets	<u>122,395</u>	<u>305,932</u>
Liabilities		
Total liabilities for reportable segments	40,804	230,554
Elimination of inter-segment liabilities	–	–
Other unallocated amounts	8,991	1,893
Consolidated total liabilities	<u>49,795</u>	<u>232,447</u>

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	Reportable segment total	Unallocated amounts	Consolidated total
	\$'000	\$'000	\$'000
FY2014			
Other material items			
Interest income	549	–	549
Interest expense	(1,898)	–	(1,898)
Depreciation and amortization	(3,862)	(40)	(3,902)

	Reportable segment total	Unallocated amounts	Consolidated total
	\$'000	\$'000	\$'000
FY2013			
Other material items			
Interest income	422	32	454
Interest expense	(267)	(1)	(268)
Capital expenditure	2,023	175	2,198
Depreciation and amortization	(19,804)	(48)	(19,852)

(c) By geographical segment

	Revenue \$'000	Non-current assets \$'000
FY2014		
Australia	38,308	30,905
Vietnam	20,179	6,980
People's Republic of China	94,291	–
	152,778	37,885

	Revenue \$'000	Non-current assets \$'000
FY2013		
Singapore	6	1,027
People's Republic of China	174,483	111,583*
	174,489	112,610

* The Non-current assets disclosed above has been reclassified to Assets Held-For-Sale and included as current assets on the balance sheet in year 2013

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14 Disclosure of Interested Person Transaction Conducted under a Shareholder Mandate for the period ended 31 December 2014

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

15 Report of persons occupying managerial positions who are related to a director, CEO or substantial shareholder

Pursuant to Rule 704(13) of the SGX-ST Listing Manual, the Company wishes to inform that none of the persons occupying a managerial position in the Company or any of its principal subsidiaries is related to a Director or Chief Executive Officer of Substantial Shareholder of the Company as at 31 December 2014.

BY ORDER OF THE BOARD

Teh Wing Kwan
Managing Director and Group Chief Executive Officer

28 February 2015