Sapphire Corporation Limited

PROPELLING GROWTH THROUGH NEW VENTURE

ANNUAL REPORT 2014

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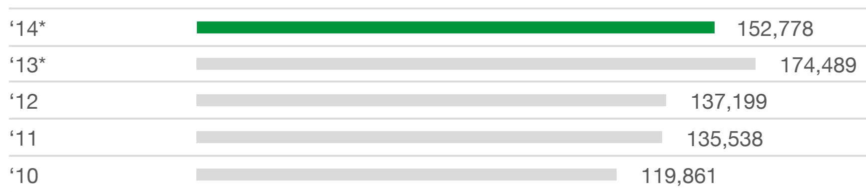
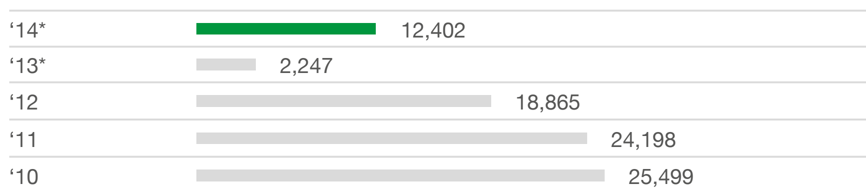
FINANCIAL HIGHLIGHTS

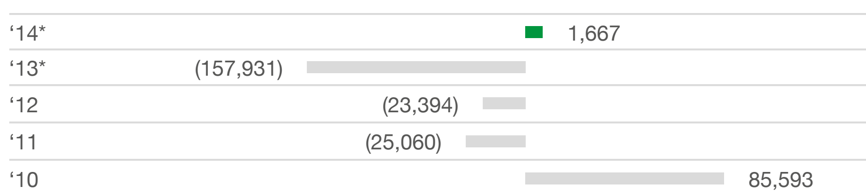
REVENUE
($'000)



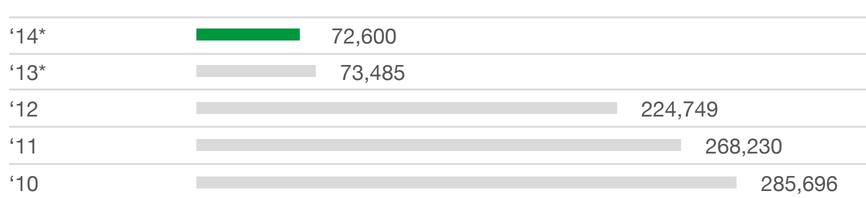
GROSS PROFIT
($'000)



PROFIT / (LOSS)
BEFORE INCOME TAX
($'000)



SHAREHOLDERS' FUNDS
($'000)



* Including discontinued operations

CORPORATE PROFILE
公司简介

Sapphire Corporation Limited (“Sapphire” or the “Group”) is principally engaged in the mining services business and investment holding following the divestment of its steel business. Sapphire currently owns 100% of Mancala Holdings Pty Ltd (“Mancala”), a specialist mining services company based in Australia focusing on Contract Mining (for project management), Specialized Mining Services (for shaft construction and rehabilitation), raise drilling and other engineering services.

Mancala has technical expertise to expand multi-faceted projects with high degree of complexity. It has a strong track record, having completed more than 100 projects both in Australia and internationally since its incorporation in 1990. It is now operating the largest nickel mine in Son La Province, Vietnam.

On 25 November 2014, Sapphire announced the proposed acquisition of the China-based Ranken Infrastructure Limited (“Ranken”) for RMB 360 million as part of Sapphire’s corporate turnaround strategy to propel growth. Ranken specializes in design, civil engineering and construction for land transport infrastructure specifically, in rail transit sector. Ranken has established itself as one of the key market players as evidenced from its profile of completed projects in China, India and Bangladesh.

The Group has been exploring other investment opportunities, which include diversifying its investment base and embarking on a Merger & Acquisition spree when the opportunities arise.

Sapphire is based in Singapore and has been listed on the Singapore Exchange since 1999.

盛世企业有限公司 (以下简称“盛世”或“集团”) 在剥离其钢铁业务之后，主要从事矿山开采服务和投资控股业务。盛世目前持有曼卡拉控股私人有限公司(以下简称“曼卡拉”)100%的股份。曼卡拉位于澳大利亚， 专营矿山承包(矿山项目管理)，尤其擅长矿业开采(竖 井建设和修复)、井筒掘进和其他工程服务。

曼卡拉拥有专业技术，其业务已拓展到高度复杂的多断面矿山项目。自1990年成立以来，曼卡拉拥有良好的业绩记录，它已经在澳大利亚和国际上完成了100多个项目。目前正在越南山罗省运营越南最大的镍矿。

盛世于2014年11月25日公告建议以3亿6千万元人民币收购Ranken工程集团有限公司 (以下简称“Ranken”)，作为盛世推进增长转型战略的一部分。Ranken 是一家民营的工程总承包企业。主要从事城市轨道交通工程土建施工总承包、设计、监理业务。Ranken拥有几十项已经完工和在建的城市轨道交通施工、设计、监理项目，这些项目分布在中国，印度，孟加拉等国家。

盛世一直在拓展投资机会，包括同时把投资地区多元化。

盛世的总部位于新加坡，自1999年起在新加坡证券交易所上市。

PROPELLING GROWTH

CHAIRMAN'S MESSAGE
主席致辞

Steven Lim
林隽雄

Non-Executive Chairman
非执行主席

"Our commitment and efforts to deliver long-term value have begun to reap results as reflected in our turnaround in FY2014."

Dear Shareholders,

This has been an eventful year for Sapphire Corporation ("Sapphire" or the "Group") during which we carried out significant restructuring to re-position ourselves for a new growth direction and reversed three years of consecutive losses to post a net profit and positive operating cash flow.

Year Under Review

Our financial performance for the full year ended 31 December 2014 ("FY2014") reflects the significant corporate restructuring undertaken. We commenced the year with completion of the acquisition of the entire share capital of Mancala Australia, a specialised mining service provider with more than 20 years' operating experience.

While we are aware of the volatile market conditions and recent falls in commodity prices in the mining industry, Mancala Australia presented the Group with a good start through its active tendering activities. With a redefined focus on more complex higher-margin multi-faceted projects, along with further operational streamlining efforts, I am pleased to report that Mancala Australia was profitable for FY2014.

As part of the corporate restructuring for the Group's recovery under the leadership of Mr Teh Wing Kwan, who is Group CEO and Managing Director, we also conducted a streamlining exercise to improve corporate efficiencies which lowered our Corporate Functions expenses by S$3.1 million despite acquisition-related expenses. The further losses of the discontinued steel business validate our decision to sell this business altogether. The sale of the steel business – which had contributed the bulk of losses over FY2011, FY2012 and FY2013 – was completed on 29 December 2014. Following this sale, we will cease to incur further losses from this Discontinued Operations.

尊敬的各位股东，

2014年是盛世集团非凡的一年，在2014年我们实施了意义重大的重组，调整了新的发展方向， 扭转了连续三年的亏损，实现了盈利，并确保了经营现金流为正。

年度回顾

截至到2014年12月31日（2014年度）我们的财务表现是公司正在进行的重大重组的写照，2014年伊始我们完成了对有20多年专业矿业服务运营经验的澳洲公司曼卡拉的全面收购 。

尽管我们都知道近期矿业市场的不稳定性和大宗商品价格一直呈下降趋势，但澳洲曼卡拉公司通过积极参与投标活动为集团呈上了亮丽的结果。我很高兴向各位股东报告，初次并表的澳洲曼卡拉公司通过重新调整重要项目，聚焦高收益高品位多断面开采项目，已经取得了盈利 。

在集团首席执行官/总裁郑永权带领下，做为集团复兴重组的一部分，我们也采取了优化精简措施，提高集团的效率，尽管兼并发生了相关费用，但是我们还是降低集团功能费用达310万新币； 虽然采取了运行精简措施，非持续钢铁业务仍继续亏损，这也验证了我们剥离钢铁业务的决定是正确的。钢铁业务的剥离--连续2011，2012和2013年度亏损--于2014年12月29日完成，伴随着钢铁业务剥离的完成，由非持续业务运营带来的进一步亏损将得以停止；比照一年前1亿5千7百多万新币的亏损，尽管有剥离非核心业务带来的80万新币亏损和账面外汇兑换损失240万新币，2014年度集团还是录得14万元新币的净利润。

Overall, the Group posted a net profit of S$0.14 million for FY2014, reversing a loss of S$157.2 million a year ago, after accounting for loss on disposal of our other non-core business of S$0.8 million and unrealised foreign exchange loss of S$2.4 million.

Shareholders should also note that operating cash flows for our continuing operations in FY2014 improved sharply to S$3.9 million from a deficit of S$5.1 million from the previous year due mainly to operating "cash profit" and partial receipt of sale proceeds from disposal of the steel business.

股东们应该也注意到，2014年度我们继续运营业务的运营现金流从前一年510万元新币的赤字大幅改进提升为正390万元新币，这是因为集团以"现金利润"运营为方针的良好的运营管理和剥离钢铁业务获得的部分收益。

New Direction

In line with our plans to explore strategic investments to propel growth, we announced on 25 November 2014, our 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).

Founded in 1998, Ranken is now China's second-largest privately-owned integrated rail transport infrastructure construction group possessing fully integrated Triple-A qualifications and licences in relation to design, construction and project consultation in the rail transit sector in China.

This acquisition, which allows Sapphire to own the business of a value-added land transport infrastructure and engineering specialist, is subject to approval by Sapphire shareholders at an extraordinary general meeting to be convened.

新的方向

公司一直以推进成长为我们的目标，并不断探索战略投资以使公司不断壮大。2014年11月25日我们宣布公司有意收购Ranken100%股权。Ranken以中国为基地，是一个从事EPC业务的工程公司，主要领域是承建和管理复杂和大型的陆地交通设施工程特别是铁路工程，其业务分布在中国，印度，孟加拉和沙特。

Ranken成立于1998年，公司主要运营中心在成都和北京，Ranken是中国铁路轨道领域拥有3A和EPC资质的从事铁路轨道交通设施建设的第二大民营企业。

这个并购如果获得特别股东大会盛世股东的批准，盛世将会投资3亿6千万元人民币（相当于新币7590万元），变成一个高增值的从事陆地交通设施和工程的专业公司。

Going Forward

Our commitment and efforts to deliver long-term value have begun to reap results as reflected in our turnaround in FY2014. I am confident that under the leadership of Mr Teh and his senior management, we will chart a new era of recovery and sustainable growth.

展望未来

我们履行了追求长期价值的承诺，我们的努力已经开始取得了结果，这已经反映在我们2014年度的财报中。在郑先生和他的管理团队的带领下，我对盛世的未来充满信心，我们将进入一个复兴和不断成长的新时代 。

CHAIRMAN'S MESSAGE
主席致辞

Board and Executive Changes

We welcome Mr. Fong Heng Boo, who was appointed on 15 January 2014 to the Board as Non-Executive and Independent Director of the Group.

The Board would also like to thank Mr. Ng Hoi-Gee who resigned as Chief Financial Officer, to pursue other career opportunities, for his valuable contributions, as well as welcome Mr. Joseph Lim as Group Chief Financial Officer going forward.

Appreciation

On behalf of the Board, I would like to extend my sincere appreciation to you, our shareholders, for your continued support. I would also like to thank the management team and all employees of the Group for their hard work and contributions over the past year.

We look forward to meeting you in the upcoming AGM, thank you.

Steven Lim
Non-Executive Chairman

董事局和管理层变动

我们欢迎庞廷武先生进入董事局，庞先生2014年1月15日正式被委任为集团非执行独立董事。

我代表董事局也表达我们对吴海麒先生的谢意，感谢他为公司做出的贡献，吴先生由于寻求其他职业机会，已辞去了首席财务官的职位。同时我们也欢迎林永明先生接任集团首席财务官的职务。

致谢

我代表董事局表达我们对盛世股东的真诚谢意，感谢您们一如既往的支持！我也借此机会感谢集团的管理团队和全体员工，感谢他们过去一年的努力工作和贡献！

期待与您们在即将召开的股东大会相见！谢谢！

林隽雄
非执行主席

THROUGH
NEW
VENTURE

GROUP CEO'S REVIEW

集团首席执行官回顾

Teh Wing Kwan
郑永权

Group Chief Executive Officer
and Managing Director
集团首席执行官/总裁

"I believe Sapphire (or rather the new incarnation of Sapphire) is in a much better shape now with a strong foundation and a clear direction of growth."

Dear Shareholders,

I wrote to update you, the owners of Sapphire, several times since my appointment as your Group CEO in October 2013. Last year, I warned about the struggling steel business, guided you through our strategic reviews, talked about the operational streamlining needs and set out those re-investment parameters. I also highlighted that the Board is and has been on top of things and I am pleased to tell you that most, if not all, of these corporate plans have since been evaluated, discussed and implemented.

As always, it is important to keep you posted on the corporate restructuring process in a timely manner and it is also important to provide you with further insight in this 2014 Annual Report. As usual, we have also summarized the financials under the heading of "Results At A Glance" for your easy reference, which explains to you in brief – and in simple English – on those key changes in financials. I hope you find it useful. You may also write to me via email (either in English or Chinese) if you wish so.

Overview

Last year alone, there were many commercial discussions and negotiations. I had been travelling to meet people around this region and taking countless conference calls for those corporate plans, which I mapped out for execution. Frankly, the restructuring efforts had been strenuous for just simple reasons – to boost profits and cut costs. Seriously, the corporate transformation is crucial as we would continue to look gloomy and gray without it. Apparently, these major corporate restructuring caused a stir among some investors, which in a way suggests that the new strategic directions are right.

All these are in sharp contrast to a period not long ago when Sapphire was on the brink of being placed on "SGX Watchlist" (almost) after announcing three years of consecutive losses as the steel business continued to wobble – which was quite unsettling for us. We thus decided to sell it and we announced the sale (which sent Sapphire's share price up by 38% in a single day) – that would have pleased some of you.

尊敬的各位股东，

从2013年10月我成为您们的CEO以来， 我一直都和股东们保持沟通， 也通过新交所网络公告平台，发布致盛世全体股东公开信，对处境艰难的钢铁业务提前发出了预 警信息。并及时公告了公司的最新进展情况。同时我也向董事会提出了新的公司发展战略方针并得到了董事局成员的支持；根据公 司的战略方针，一方面我在内部采取了精细化运营管理措施，一方面将公司的战略计划进行专业评估和论证，并逐步实施落实。现在我很高兴地告诉您我们采取的措施已经初见成效。

一直以来我都认为及时的向各位股东报告公司的重组进展是非常重要的，让您了解2014年度公司财务状况也同样非常重要。为方便您阅读和理解我们摘要了2014年度财务报告中"业绩概览"里的财务数据，我尽可能把复杂的财务专业术语以简明扼要的方式向您解释主要的财务数据的变化，以加深您对公司财务状况的了解。我非常欢迎您和我讨论公司发展事宜，也欢迎您随时发送邮件（中英文皆可）给我。（邮箱地址见后）

概览

过去一年来，围绕公司的战略实施计划，我和相关公司和人员进行过无数次的商业探讨和商业谈判，也亲临现场考察论证并于目标公司商讨合作计划，并开过无数次电话会议商讨合作方案。我们重组要达到的目的如果用语言表达是非常简单的，甚至可以用一句成语"开源节流"来表达，但是其实施过程是非常繁重的，需要绞尽脑汁不断 应对重组过程中出现的各种意想不到的问题，但这次的重组对公司而言非常关键，因为公司再不改变，将会面临更加灰暗黯淡的前景，经过许多商讨后，我们宣布了重组计划，值得欣慰的是我们的计划不仅得到您们的关注也得到了新的投资人的积极关注，这都表明公司的战略方向是正确的。

回顾前一阶段，在我们宣布公司连续3年亏损后，盛世几乎濒临进入新交所"观察名 单"范围。由于整个钢铁行业持低迷和续摇摆不定，我们的钢铁业务也使我们陷入进退两难的境地。经过慎重考虑并和专业机构评估之后，我们决定出售钢铁业务并发出 了公告，使我们欣慰的是公告后第一个交易日， 盛世的股价升飚升的幅度达到38%。 随即之后我和董事局讨论，重新调整了我们的投资战略，经过不懈努力，我们终于在2014年底假期阶段来临之前宣布建议收购专业从事铁路设施建设并有良好利润的工程公司Ranken（公告后盛世

We then guided on our new investment strategies and we announced the proposed acquisition of Ranken, a profitable engineering business specialising in railway infrastructure, before the year-end holiday session (which subsequently led to a 36% surge in Sapphire's share price to a 52-week high, with good trading momentum) – that's encouraging indeed. Immediately after this announcement, I bought some 11.6 million Sapphire shares at an average price of $0.108 each in November 2014 and I increased my stake to just below 12 million shares in less than two months' time. My own investment underscores my confidence in, and commitment to, Sapphire as we chart a new growth strategy.

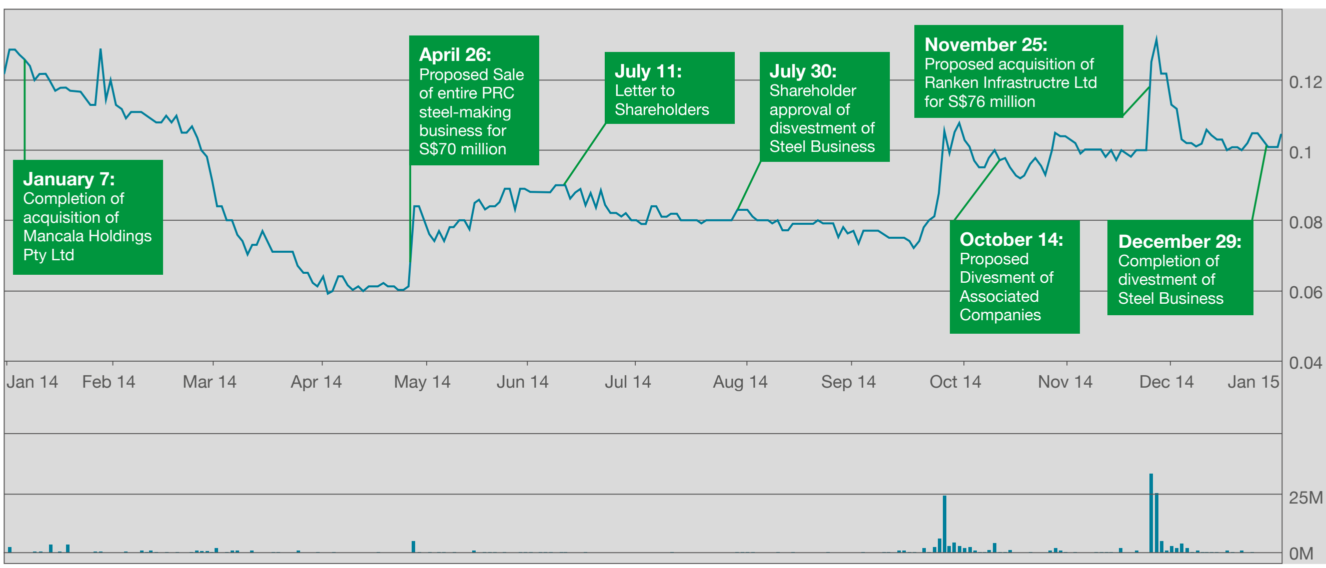
的股价上升了36%，达到52周最高并成交量大幅上升明显的非常活跃）。公告宣布之后，我在2014年11月末以每股均价0.108新币购入了1160万股盛世股票并在不到两个月的时间里增持盛世的股票几近1200万股，以表明我对盛世新的增长战略的信心和承诺。

Shortly after Christmas, the steel business was officially out of the Group and fenced us off from further losses. The restructuring exercise is like taking the punctured tyre off your car and replacing it with a good runflat. The restructuring objectives and growth strategies are clear. We want to get back to solid recovery path. We want revenue stream to be sustainable. We want corporate profits to improve.

随即过完圣诞节之后，钢铁业务正式在交割日完成出售,这使我们停止了进一步的亏损。这是非常正面的结果。要强调的是我们的战略布署和发展战略是很明确的，就是要坚决回到稳定复兴的路上。保证公司的持续稳定发展和利润不断提高。

For your information, you may find below the one-year Stock Chart of Sapphire useful too – which tracked against some of our corporate announcements in FY2014.

请见以下盛世去年一年股票走势图表，这张表格清楚的标示了我们在2014年度公司所有公告之后股票行情走势。



Share price chart retrieved from Shareinvestor

Operationally, our Continuing Operations now consist of our corporate function and the mining services business in Australia. Our corporate and operational streamlining exercises, including the disposal of the non-core painting business at a loss, resulted in significant fixed cost savings. Whilst commodity prices remain volatile, our mining services business – Mancala Australia – was profitable for FY2014 with major contracts came from the largest nickel mine in Vietnam. The existing order book of Mancala is healthy and the management is also quoting jobs in Indonesia and South America (Chile and Peru) in addition to those in Australia. We are, however, well aware of the risk factors for the mining industry or the resource sector (we have also highlighted the Key Operational Risks in the 2014 Corporate Governance Report). In the mean time, we completed the sale of the steel business – the Discontinued Operations – just before the year-end which we recorded a significant gain on disposal.

运营方面：公司持续运营业务主要是公司的集团运营和位于澳洲的矿业服务业务。我们的公司运营精细化实施步骤已经见效，固定费用得到大幅节约，并同时剥离了亏损 的非核心涂料业务。尽管矿业领域内大宗商品价格波动剧烈，我们的矿业服务业务--澳洲曼卡拉公司--在2014年度仍然取得了盈利,这主要归结于来自越南的服务合约，目前曼卡拉运营着越南最大的镍矿。曼卡拉现时录得的合约很充足。管理层同时也在继续寻求澳洲之外的服务业务，目前在印尼和南美(智利和秘鲁)都在竞标。当然我们 也清楚地意识到矿业或者说是资源领域所存在的风险。在年底之前我们完成了钢铁业务的出售—非持续运营-业务的剥离为我们取得了账面收益。

Financially, we reversed three years of losses to post a small (but encouraging) net profit despite a loss on disposal of non-core business and unrealised forex loss in FY2014. Upon discontinuance of the legacy steel business, you may also take comfort that our operating cash flows position has improved too. Quite obviously, the financial results for FY2014 are in sharp contrast with huge loss of more than S$150 million reported in FY2013.

财务方面：尽管2014年度剥离非核心业务和账面上汇率亏损，但我们还是扭转了连续三年的亏损并取得了少但很令人鼓舞的净利润。随着钢铁业务的剥离，我们运营现金流也得到了明显改善并成为正数，您会看到2014年度的财务结果相比2013年度超过1.5亿新币的亏损形成了鲜明的对照。

GROUP CEO'S REVIEW
集团首席执行官回顾

More recently, we negotiated with the steel business buyer that we would like to receive the remaining proceeds in RMB instead of S$. In anticipation of our need to pay Ranken deal in RMB (if you approve the deal at an EGM to be convened), we need to keep RMB. The RMB has also been appreciating over the last few months meaning that had the S$ sale proceeds been received in full and converted to RMB at the current spot rate, we would have received lower RMB in equivalents. We finally agreed to fix and exchange rate for S$/RMB at 4.75, which was close to 5% higher than the last 30 - day average exchange rate. This is of commercial relevance.

近期我们也在和钢铁买家协商余款的支付货币，我们希望他们可以支付我们人民币而不是新币。我们预期我们需要人民币来完成交易(如果您在特别股东大会上批准我们对Ranken的收购)。我们特需保留人民币。最近几个月月以来人民币一直处于强势，如果我们未收取的出售钢铁的余款以现时的汇率将新币兑换成人民币，如果我们用人民币和Ranken对价，这意味着我们会减少我们的人民币持有“等价”。我们最终同意固定汇率在1新币对4.75人民币，这比过去30天平均汇率高出将近5%。这是符合我们商业目的。

Financial Performance

Reflecting the corporate development in FY2014, we presented our financial results on the face of our Profit and Loss as Continuing Operations and Discontinued Operations.

财务业绩

为真实清楚地反映2014年度公司的发展状况，我们把财务业绩损益部分，分成了持续运营业务和非持续运营业务两个部分。

Summarised profit and loss account Year ended 31 December

$'000	2014	2013	2012	2011
		← 3-year consecutive losses →		
Revenue	58,487	6	137,199	135,538
Gross profit	14,741	1	18,865	24,198
Loss before income tax	(3,730)	(4,704)	(23,394)	(25,060)
Income tax expense	(1,438)	-	(6,021)	(6,214)
Loss from continuing operations	(5,168)	(4,704)	(29,415)	(31,274)
Profit/(loss) from discontinued operations	5,306	(152,472)	-	-
Profit/(loss) for the year	138	(157,176)	(29,415)	(31,274)

Continuing Operations

Continuing Operations reflect the results for corporate functions and Mancala's operations. There were significant changes in revenue, cost of sales and operating expenses in FY2014, which were mainly attributed to maiden consolidation of Mancala's results as part of the Group's numbers. Specifically,

- We recorded revenue and gross profit of S$58.5 million and S$14.7 million respectively, which mainly derived from contract mining, project management, shaft construction and raise drilling jobs for Mancala;
- Other income fell by S$1.3 million due to lower exchange gain;
- Other expenses rose sharply due mainly to an unrealised forex loss of S$2.4 million (we revalued our proceeds receivable from disposal of the steel business) and loss of $0.8 million on disposal of other non-core business (we sold our painting and renovation services to our ex-staff);
- Administrative expenses rose by S$7.4 million due mainly to inclusion of Mancala's expenses of S$10.5 million and acquisition-related expenses of S$0.3 million, despite a sharp fall in corporate function expenses (we saved a substantial S$3.1 million in corporate expenses given our corporate streamlining exercise);
- Finance costs of $1.6 million relating to interest expense on Mancala's borrowings; and

持续运营业务

持续运营业务反映了公司集团运营和曼卡拉公司运营的结果。2014年度无论收入还是销售费用和运营费用都有非常大的变化，这主要是因为作为集团的一部分曼卡拉的业绩初次并表。

集团业绩说明如下:

- 我们取得了5850万新币的营业额和1470万新币的毛利，这主要来自曼卡拉承包矿山，项目管理，竖井建设和掘井钻探业务
- 由于较低的兑换利率其他收入下降了130万新币
- 其他费用大幅提高是因为发生了240万新币汇率账面汇兑损失和80万新币剥离非核心业务的亏损(我们出售了涂料和装修服务给我们之前的员工)
- 行政费用有所提高，上涨了740万新币，这个数字包含了澳洲曼卡拉的费用1050万新币和其他收购费用30万新币。另一方面公司的集团运营费用得到大幅下降 (通过采取公司精细化管理措施,我们节省了310万新币的费用)
- 160万新币的财务费用主要是曼卡拉的贷款利息;

- Income tax expense of $1.4 million was provided for based on the taxable profit of Mancala's operations in Vietnam (which has a higher effective tax rate).

- 140万新币的所得税用于未来曼卡拉在越南运营(越南当地的税率很高)

While Continuing Operations reported a net loss of S$5.2 million in FY2014, it is important to note that the net loss included those non-operating expenses and non-recurring losses such as (i) loss on disposal of our other non-core business and (ii) accounting translation loss. You will, however, be pleased to know that (i) we generated a total operating cash inflows of S$3.9 million for FY2014 (compared to a deficit of S$5.1 million for FY2013); and (ii) we controlled our fixed costs well, resulting in significantly lower corporate expenses after the operational streamlining.

2014年度尽管持续运营业务录得净亏损520万新币，但是净亏损包括了那些非运营开支和不再会产生的一次性亏损例如 (1) 剥离非核心业务的亏损; (2) 帐面汇率亏损这是非常正面的信息即: (2.1) 我们在2014年度赚取了390万新币的现金流 (对比2013年度510万新币的赤赤字) (2.2) 我们很好的控制了固定费用，大幅降低了公司运营费用 。

Discontinued Operations

Discontinued Operations represent the financial performance for the flagging steel business, which has since been disposed. Generally, the financial performance of the steel business was adversely affected by lower trade volume, lower average selling price, lower capacity utilisation, higher unit production costs and inventory write-off. As a result, loss from Discontinued Operations for FY2014 was S$18.9 million due to continual weak market sentiments of the steel industry in China but our decision to exit the steel industry 'protected' you from suffering this loss further – we recorded a gain of S$24.2 million on disposal.

As a result, we were better off by selling off the steel business in FY2014, which allowed us to record a net profit of S$5.3 million for Discontinued Operations. In other words, we sold our steel business at a price S$5.3 million higher than the net asset base of the steel business – reversing a net loss of S$152.5 million reported in FY2013.

非持续运营业务

非持续运营业务呈现的是曾经的主营业务钢铁板块的财务业绩，这部分已经剥离了。总体而言，钢铁业务的财务业绩主要受贸易量低下，销售价格低下，开工率低下，单位生产成本较高，库存处置等不利因素影响。由于中国钢铁行业持续疲弱的结果导致2014年度非持续业务亏损1890万新币。但是我们剥离钢铁行行业的决定"保护"了您，免去了您承受钢铁业务2014年度的亏损—通过剥离我们录得了2420万新币的账面收益。

2014年度通过剥离钢铁业务，非持续运营业务为我们带来了530万新币的净利润。换句话说，我们出售钢铁业务的价格比我们钢铁业务的净资产高出530万元新币--这意味着我们彻底扭转了2013年度1亿5千2百50万元新币的亏损。

Overall Financial Performance

Given the above and the disposal gain (excluding those accounting or 'non-cash' forex losses arising from the Continuing Operations), our Net Profit would have been S$3.3 million instead of S$0.14 million for FY2014, compared to Net Loss of S$157.2 million.

整体财务业绩

综上所述和我们剥离钢铁业务的收益 (不包括那些账面或者由持续运营业务产生的 "非现金" 外汇兑换损失，我们2014年度的现金净利润应该是330万元新币，比公告的14万元新币高处很多，这和2013年度1亿5千720万元新币的净亏损形成鲜明的对比。

Financial Position

Overview

There were significant changes in our financial position (assets and liabilities) as at 31 December 2014 on maiden consolidation of Mancala's net assets. Some of our assets are now carried at fair value as suggested by an independent professional valuer in a Purchase Price Allocation (PPA) exercise – whereby the valuer reviewed assets of Mancala at fair values; suggested the values to be recorded in our books and evaluated goodwill arising from our acquisition of Mancala. Separately, total liabilities increased mainly from short-term borrowings and finance lease obligations of Mancala on consolidation.

Assets

Non-current assets rose to S$37.4 million, which comprised mainly PPE, Intangible Asset and Goodwill – these assets are now recorded at fair value following the PPA exercise. PPE, mainly, is the operating fixed assets for Mancala of S$35.6 million. Intangible asset of S$0.6 million is 'customer-related' arising from order backlog of Mancala. Goodwill of S$1.2 million was recorded on acquisition of Mancala – being the excess of the estimated cost of investment over the net asset of Mancala at the time of buying.

财务状况

概览

截至到2014年12月31日，作为集团的一部分，曼卡拉的净资产初次并表。在独立专业评估师的建议下，公司采取了PPA (采购价格分配) 会计法，对大部分资产采用了公允价值计值—我们的评估师就是使用了这种方法来评估曼卡拉的资产，并建议我们并购曼卡拉使用这种方法记账和评估商誉。另外由于曼卡拉的短期借贷和财务租赁负债合并报表之后也带来了总负债增加。

资产状况

非流动资产增加了3740万元新币，主要包括固定资产，无形资产和商誉—-这些资产按照PPA方法以公允价值计值。固定资产主要包括曼卡拉运营的固定费用3560万元新币，无形资产60万元新币是由于曼卡拉订单滞后产生的和客户相关的资产。商誉120万元新币是曼卡拉收购的计值 。

GROUP CEO'S REVIEW
集团首席执行官回顾

Current assets fell to $85.0 million, which comprised mainly inventories, receivables (trade and other) and cash. Significant changes can be explained as follows:

- Current assets fell sharply on exclusion of asset held-for-sale from our balance sheet on completion of sale of the steel business;
- Inventories rose to S$1.9 million, which comprised mainly drill rods, hydraulic and mechanical parts and hardware for the mining services operations of Mancala;
- Trade and other receivables rose to S$69.0 million, which comprised mainly (i) the remaining proceeds of S$56.1 million (now in RMB-denominated) receivable from disposal of the steel business; and (ii) Mancala's trade and other receivables of S$12.1 million from its clients and (iii) other deposits and prepayments; and
- Cash rose by S$5.5 million to S$12.2 million – we received part of the sale proceeds from disposal of the steel business which increased our cash position but Mancala required cash for its working capital requirements.

Liabilities

Total financial liabilities (both current and long-term) were S$12.8 million, relating mainly to S$4.1 million short-term bank borrowings and S$8.7 million finance lease obligations of Mancala. Total long-term payable was S$7.8 million, relating mainly to S$7.0 million payable (non-current portion) for the acquisition of Mancala and S$0.8 million unsecured loans from the vendors of Mancala. Current liabilities fell sharply to S$35.9 million due mainly to exclusion of liabilities held-for-sale from our Balance Sheet on completion of the sale of steel business. Trade and other payables of S$27.6 million were mainly from the total payables for Mancala's goods and services supplies and $6.0 million payable (current portion) for the acquisition of Mancala. There was a tax provision based on taxable profit of Mancala's operations in Vietnam.

Overall Financial Position

You may also note that, as at 31 December 2014:

- for every dollar of liabilities the Group incurred, it had S$2.46 worth of assets backing;
- for every dollar of current liabilities the Group incurred, it had S$2.37 worth of current asset support; and
- net assets or shareholders' equity means assets and monies you have entrusted with us. Your entrusted funds with us was S$72.6 million or approximately S$0.09 per share.

Cash Flows

Our Continuing Operations recorded positive cash inflows for FY2014 due mainly to 'cash profits' (or operating profit before working capital changes) of S$2.4 million. During the year under review, we received part of the proceeds from sale of the steel business but Mancala needed to invest in its working capital that resulted in only a net increase of cash flows from operating activities of S$3.9 million (a significant improvement compared to a deficit of S$5.1 million in FY2013). Cash used in financing activities was S$14.2 million due mainly to continual repayment of Mancala's bank loans and lease obligations. Given all these and excluding the 'non-cash' forex effect, our overall cash position (net of bank overdraft) rose to S$10.5 million as at 31 December 2014.

流动资产下降到8500万元新币，主要包括了库存，应收账款(贸易和其他) 和现金。 主要变化详见如下解释:

- 流动资产下降是因为在资产负债表里待售资产未包括在内，因为钢铁业务的剥离已经完成。
- 库存上升190万元新币，主要包括曼卡拉矿山机械部件和硬件设施
- 贸易和其他应收账款增加到6900万元新币，这主要包括 (1) 5610万新币 (现在以人民币计值) 出售钢铁业务应收余款; (2) 曼卡拉贸易应收账款及其他应收款1210万元 新币; (3) 其他定金和预付款
- 现金从550万新币上升到1220万元新币—这是因为我们收到的部分钢铁业务出售的现金增强了我们的现金流状况，但曼卡拉仍需要现金以满足流动资金的需求。

债务状况

整体财务负债 (流动和长期的) 是1280万元新币，主要包括曼卡拉410万元新币的短期银行行贷款和870万元新币的租赁负债。长期应付账款主要是收购曼卡拉应付款和曼卡拉之前股东提供曼卡拉的无担保贷款。流动负债大幅下降到3590万元新币主要是由于钢铁业务出售完成后，我们在资产负债表里未包括待售资产的负债。2760万元新币的贸易和其他应付账款主要是曼卡拉的应付账款，收购曼卡拉应付款和曼卡拉在越南的运营应付的所得税 。

整体财务业绩

截至到2014年12月31日:

- 集团每一块钱的负债，都有2.46元新币的资产支撑;
- 集团每一块钱的流动负债都有2.37元新币的资产支持;
- 净资产或者说股东权益 (就是您信托给我们的资产和金钱) 是7260万元新币或者说相当于每股0.09分新币;

现金金流状况

2014年度我们持续运营业务取得了正现金流，这主要是由于取得了240万元新币的“现金利润”(流动资金改变前的运营利润)。在本年度的概览中，我提到我们收到了由于钢铁业务出售所得到的部分现金，但是曼卡拉仍然需要流动资金的投入，这导致运营活动的净现金流只提高到390万元新币 (相比2013年度510万新币的负现金流)。财务运营活动中现金的使用量是1420万元新币，这主要由于集团积极地把曼卡拉的银行贷款和租赁债务逐渐降低。综合以上因素，如果不包括“非现金”汇率兑换因素，我们的现金流截至到2014年12月31日上升到1050万元新币 。

Going Forward

The series of events in the past year have allowed us to build a good foundation for our strategic shift and in yet another move that we have been proactively working on plans to boost long term earnings potential as we make inroads into the infrastructure sector – we announced the proposed acquisition of Ranken in November 2014. As you would have read Ranken is a full-fledged Engineering, Procurement and Construction ("EPC") firm specializing in design, civil engineering and construction for land transport infrastructure (specifically, railway infrastructure for urban rail transit and metro).

Ranken is profitable and has established itself as a key market player in China's civil engineering industry – as evidenced through its profile and portfolio of many successful major projects completed in China, Bangladesh and India. If you approve the Ranken deal, we will commit RMB 360 million or about S$76 million in investment, a combination of shares and cash – of which, we will issue $16.5 million in new Sapphire shares at S$0.10 each and pay close to $60 million in cash (subject to Ranken achieving certain earning targets). We will update you further in due course.

Strategically, I believe the acquisition of Ranken will allow us to discuss on strategic partnerships with state-owned enterprises or provincial governments in China and other emerging countries through which we may undertake longer-term infrastructure projects on a Public-Private-Partnership ("PPP") model. I believe this model would help to boost our assets base substantially, if it can be executed successfully.

From a macro perspective, it seems that the infrastructure investments in China and many parts of the emerging markets or near home, in the Southeast Asia region remain healthy. While there are talks about slowing economy in China, one should not ignore the growth potential in this sector for the time being. More recently, I have been reading news about setting up of the China-led Asian Infrastructure Investment Bank (AIIB). AIIB focuses on infrastructure development in Asia, which means there could be a lot more serious money there to fund larger scale projects in this sector. I will speak to my business associates in China to understand more about the opportunities it may create for us.

Generally, we did ask ourselves does it really matter if the mining industry remains volatile or if industrial big boys try to cut capex again or if some of them start to put long-term projects on ice? Yes, it does concern us as we know this will affect Mancala's earnings and ability to secure more jobs – so, there are reasons for us to remain cautious and the volatility of commodity prices does bear close watching. But no, it may not. We think the impact would be manageable if we could own an established infrastructure business in time to come – so, the new investment initiatives are extremely important to us. The good news here is Mancala's team is highly efficient and Ranken's business is commercially viable.

All things considered, I believe Sapphire (or rather the new incarnation of Sapphire) is in a much better shape now with a strong foundation and a clear direction of growth. I look forward to your continuing faith and confidence as we turn the page of an exciting new chapter.

My sincere thank you, our very faithful and supportive shareholders of new Sapphire.

Regards

Teh Wing Kwan
Group Chief Executive Officer and Managing Director
Email: wkteh@sapphirecorp.com.sg

展望未来

过去一年取得的成绩为集团的战略转变奠定了良好的基础，我们一直为公司寻求可持续增长和具备长期发展潜能的并可盈利的项目努力工作。经过反复论证，我们决定投资基础设施行业一我们在2014年11月宣布建议收购Ranken。正如您在公告中看到，Ranken是一个完整的EPC公司，主要从事陆地交通设施（特别是城市铁路交通的铁路设施）设计，工程和建设业务。

Ranken拥有良好的工程业绩和财务业绩，是中国一家民营的工程总承包企业。主要从事城市轨道交通工程土建施工总承包，设计和监理业。在中国，从事城市轨道交通土建工程总承包， 同时从事地铁设计和监理的私营公司屈指可数，这点可以从Ranken在中国，孟加拉和印度完成的众多工程中可以得到证明。如果您批准公司和Ranken的合作，我们将根据Ranken取得的由我们设定的收益目标， 以发行股票和现金付款的方式对Ranken进行分阶段投资。预计总投资不超过人民币3亿6千万元或者是7600万元新币一其中我们将会发行1650万元新币的盛世股票价值为新币1毛一股和接近6000万元新币的现金。我们会向您更新进展。

从战略角度看，我相信收购Ranken的建议可以使我们有机会和中国的央企 以及新兴国家的大企业有机会商讨合作并成为战略合作伙伴，通过合作可以使盛世和Ranken以PPP形式参与长期的大型基础设施项目。如果这个模式可以执行成功的话，我相信PPP模式可以帮助盛世大幅提高我们的资产规模。

从整体方向看，基础设施投资仍然涌入中国和新兴市场包括东南亚地区 。尽管有些观点认为中国经济放缓，但是在目前阶段这个领域的增长潜力是不容被忽视的，这仍将是未来经济发展增长的动力。最近有大量的新闻报道中国主导的亚洲基础设施投资银行（“亚投行”），亚投行专注于亚洲地区的基础设施建设，这意味着亚洲地区的大型基础设施项目未来有可能将有大量的资金投入。我将会与我们的中国伙伴多了解细节和讨论商机。

我们一直在关注矿业领域的发展趋势和动向，因为假如一些工业大佬们试图消减投资或者如果他们推迟或者截至已经开始的长期开矿项目，这些问题都会直接影响到我们澳洲曼卡拉公司的收益。正因如此我们才一直小心谨慎，密切观察矿业的发展局势。 同时我们积极推进对Ranken的收购。因为如果我们在不久的将来可以拥有一个成熟的基础设施业务，将会减少大宗商品波动带给我们的冲击一-从这个角度看新的投资机会对我们是极其重要的，因此公司业务多元化战略实施也是非常重要的。 值得欣慰的是，曼卡拉的团队具有高效率的生产力，Ranken具有多元化的商业条件 。

综上所述，我相信盛世（或者说全新的盛世）现在处于较好的发展状态，与此同时我们正在执行新的投资策略，把我们的投资集中在高增长领域。我希望您对我和公司充满信心，相信公司正在进行的正面的重组。

我衷心的感谢您们--对我和公司充满信心和全力支持我们的新盛世股东们!

此致，敬礼!

郑永权
盛世集团首席执行官/总裁
邮箱:wkteh@sapphirecorp.com.sg

BOARD OF DIRECTORS & KEY EXECUTIVE

董事会与管理层









1. Mr Lim Jun Xiong Steven 林隽雄先生
2. Mr Teh Wing Kwan 郑永权先生
3. Mdm Emma Cheung Kam Wa 张锦华女士
4. Mr Teo Cheng Kwee 张青贵先生
5. Mr Foo Tee Heng 符师鋆先生
6. Mr Yang Jian 杨健先生
7. Mr Fong Heng Boo 庞廷武先生
8. Mr Tao Yeoh Chi 陶耀建先生
9. Mr Joseph Lim 林永明先生 (Non-board member)(非董事会员)

Mr Lim Jun Xiong Steven
Non-Executive Chairman and Independent Director

Mr Lim Jun Xiong Steven was appointed as the Non-Executive Chairman and Non-Executive Director of the Company with effect from 1 October 2013. He has more than 30 years' experience in the financial, trust and wealth management industry, including chief executive positions in HSBC Private Bank (Suisse) SA, the Global Wealth Solutions arm of the HSBC Group, and SG Trust (Asia) Ltd, a subsidiary of Societe Generale Private Banking. He holds directorships in Bund Center Investment Ltd, Hong Fok Corporation Limited, Keong Hong Holdings Ltd and Mirach Energy Ltd, companies listed on Singapore Stock Exchange (SGX). Mr Lim has a Bachelor's degree in Commerce from the University of Newcastle, Australia.

林隽雄先生
非执行主席兼独立董事

林隽雄先生于2013年10月1日获委任为公司的非执行主席及非执行董事。他在金融，信托及财富管理行业 拥有超过30年的经验，曾担任汇丰私人银行（瑞士），汇丰集团全球财富解决方案和法国兴业私人银行的附属公司，法国兴业信托（亚洲）有限公司的首席执行官。他也是几家新加坡证券交易所（新交所）上市公司的董事，包括外滩中心投资，鸿福实业有限公司，强枫控股有限公司和Mirach Energy Ltd。他拥有澳大利亚纽卡斯尔大学工商学士学位。

Mr Teh Wing Kwan
Group Chief Executive Officer and Managing Director

Mr Teh Wing Kwan has been appointed as the Group Chief Executive Officer (CEO) of the Company with effect from 3 October 2013.

Mr Teh specializes in corporate finance, corporate restructuring and merger & acquisition. He has had significant experience having been a financial professional who has been advising and investing in companies, family-owned enterprises and regional asset owners with their businesses listed in and preparing to list in Singapore, Australia, Malaysia, Vietnam and Taiwan. He is currently a non-executive and non-independent director of Singapore eDevelopment Limited (listed on the Catalist of the Singapore Exchange ("SGX-ST") and previously known as CCM Group Limited) and Asian American Medical Group Limited (listed on the Australian Securities Exchange and previously known as Asian Centre For Liver Diseases And Transplantation Limited). Mr Teh is also a sophisticated investor, a Director of BMI Capital Partners Limited (Hong Kong), and appointed Advisor to the Board of Koda Ltd (listed on the Main Board of the SGX-ST). He served as a non-executive and non-independent director of a public company listed on the Hong Kong Stock Exchange and was also previously appointed Audit Committee Chairman and Independent Director of other public companies listed on the SGX-ST.

Mr Teh is a Fellow of the Association of Chartered Certified Accountants (United Kingdom), a Chartered Accountant of Institute of Singapore Chartered Accountant, an International Affiliate of the Hong Kong Institute of Certified Public Accountants, a Chartered Accountant of Malaysian Institute of Accountants, a Full Member of Singapore Institute of Directors and a member of Hong Kong Securities and Investment Institute.

郑永权先生
集团首席执行官 / 总裁

郑永权先生于2013年10月3日获委任为公司的集团首席执行官 。

郑先生特别擅长企业金融、企业重组和并购。他的经验丰富并为那些已经或者准备在新加坡、澳大利亚、马来西亚、越南和台湾上市的公司、家族企业和地区资产拥有者提供建议或是对它们进行投资。他目前是Singapore eDevelopment Limited（新交所凯利板上市公司，前身为 CCM Group Limited）和Asian American Medical Group Limited（澳大利亚证券交易所上市公司，前身为Asian Centre For Liver Diseases And Transplantation Limited）的非独立兼非执行董事。郑先生也是一位资深投资者，他是 BMI资本伙伴有限公司（香港）的董事，同时也获委任为高大有限公司（ 新交所主板上市公司）的董事会顾问。他也曾是一间香港主板上市公司的非独立兼非执行董事，也曾获委任为其他新交所上市公司的审计委员会主席和独立董事。

郑先生是英国特许公认会计师（英国），新加坡特许会计师，香港会计师公会国际联系会员，马来西亚特许会计师，新加坡董事学会正式会员和香港证券与投资协会会员。

Madam Emma Cheung Kam Wa
Chief Operating Officer and Executive Director

Mdm Cheung Kam Wa Emma has been appointed as a Member of the Board with effect from 14 November 2012. She joined the Company as Chief Operating Officer on 3 January 2012. She has more than 20 years of company management experience mainly in the area of commodity trading, logistics, merger and acquisition and is familiar with China and Hong Kong commercial and accounting regulations. Prior to joining the Company, Mdm Cheung held senior management position in Sichuan TranVic Group in China and as the General Manager of HSC Resources Ltd in Hong Kong. Now she assists the Chief Executive Officer in the Company's day-to-day operations. She holds a Master Degree in law from the Graduate School, Chinese Academy of Social Sciences.

张锦华女士
首席营运官兼执行董事

张锦华女士在2012年11月14日获委任为公司的董事会成员。她于2012 年1月3 日加入公司，担任首席营运官。她在中国地区拥有超过20年的 企业管理经验，尤其是在商品交易、物流、合并以及收购等方面，且熟悉中国和香港的商业和会计法规. 在加入盛世之前，张女士曾经在四川川威集团担任管理层的职位以及香港港威有限公司的总经理。她目前的职务是协助集团首席执行官处理日常的运作。她拥有中国社会科学院法学硕士学位。

BOARD OF DIRECTORS & KEY EXECUTIVE

董事会与管理层

Mr Teo Cheng Kwee
Non-Executive and Non Independent Director

Mr Teo Cheng Kwee has been re-designated as Non-Executive and Non Independent Director of the Company with effect from 3 October 2013. He was the founder of the Group and was the Company's CEO for nearly 40 years before his re-designation. During his reign, he was responsible for charting the Company's direction and has led a series of successful acquisitions that enhances the value of the Company. He also brought the Company to the Mainboard of SGX in 2011 from its Catalist listing. Mr Teo's vast experience and acute business acumen would value-add to the Company going forward.

张青贵先生
非执行董事

张青贵先生于2013年10月3日调任为公司的非执行董事。他是盛世集团 的创始人，在集团担任执行官近40年。他在位期间负责策划公司的方 针，并领导了一系列成功的收购，提升了公司的价值。在2011年，他还使盛世从新交所的凯利板晋升到了主板。张先生的丰富经验和敏锐的 商业触觉将有益于公司的未来发展。

Mr Foo Tee Heng
Non-Executive and Non Independent Director

Mr Foo Tee Heng has been re-designated as Non-Executive and Non Independent Director of the Company with effect from 3 October 2013. Prior to the redesignation, he was its Executive Director overseeing the marketing, administration and human resource matters. Mr Foo has more than 30 years of experience in the building and construction industry and has led the Company to set foot in Myanmar as early as 1978 for its construction business.

符师鋆先生
非执行董事

符师鋆先生于2013年10月3日调任为公司的非执行董事。调任之前，他是执行董事，负责监督市场推广，行政及人力资源事宜。符先生拥有超 过30年的管理经验，尤其是在建筑和施工领域。早在1978年，他就带 领公司进军缅甸的建造业。

Mr Yang Jian
Non-Executive and Non Independent Director

Mr Yang Jian has been appointed to the Board with effect from 20 July 2009. He was last re-elected on 24 April 2012. Mr Yang holds directorships in several other companies including Trisonic International Limited (since 2006) and Sichuan Chuanwei Group Co., Ltd (since 2001). Prior to that, he was also the Company Secretary of Sichuan Chuanwei Group Co., Ltd (since 1998). Mr Yang holds a Master's Degree in Administration from Chongqing University.

杨健先生
非独立兼非执行董事

杨健先生于 2009年7月2 0日获委任为董事。他于2012年4月24日再次当选。杨先生也是其他几家公司的董事，包括合创国际有限公司 (从2006 年至今) 和四川省川威集团有限公司 (从 2001 年至今)。
在此之 前，他一直在四川省川威集团有限公司的董事会工作 (从1998年至今)。 杨先生持有重庆大学管理学硕士学位。

Mr Fong Heng Boo
Non-Executive and Independent Director

Mr Fong Heng Boo has been appointed to the Board on 15 January 2014 as a Non-Executive and Independent Director. Mr Fong's career started in 1975 as an Auditor in Singapore Auditor- General's Office. He was holding the appointment of Assistant Auditor General when he left in 1993. He later joined Amcol Holdings as General Manager (Corporate Development) and then Easy Call International Pte Ltd as Chief Financial Officer. In 1998, he was Deputy General Manager (Corporate Service) in Singapore Turf Club and was later redesignated to Senior Vice President (Corporate Service). In 2004, he was seconded to Singapore Totalisator Board as Director (Special Duties) where he led the Board's Finance & Investment functions until his retirement in December 2014.
Mr Fong's expertise lies in the area of audit, finance and corporate management. He holds directorship in three other public-listed companies. Mr Fong graduated in 1973 from the University of Singapore (now known as National University of Singapore) with a Second Class Honours Degree in Bachelor of Accountancy.

庞廷武先生
独立兼非执行董事

庞廷武先生于2014年1月15日获委任为独立兼非执行董事。庞先生的 职业生涯始于1975年。他在新加坡公共审计处担任审计师。 当他在 1993年离职时，已经是副审计长。后来他加入Amcol控股公司担任总经理 (企业发展)，接着在Easy Call International Pte Ltd担任首席财务官。 1998年，他加入新加坡赛马公会为公司副总经理（企业服务），随后调任为高级副总裁（企业服务）。2004年，他被借调到新加坡赛马博彩管理局为董事（特别职务），负责董事会的融资与投资业务直到2014年12月届满为止。庞先生的擅长领域为企业金融及企业管理。目前，他也是另三家上市公 司的董事。庞先生在1973年毕业于新加坡国立大学，拥有会计学学士 二等荣誉学位。

Mr Tao Yeoh Chi
Non-Executive and Independent Director

Mr Tao Yeoh Chi has been appointed to the Board with effect from 1 October 2013 as a Non-Executive and Independent Director. Mr Tao started his career in the public service sector, held senior positions in various ministries. He later joined a few multi-national companies before he started his own business. He holds directorship in several companies listed on SGX, including Hanwell Corporation, Singapore eDevelopment Ltd and ST Telecommunications (Beijing). Mr Tao graduated in 1975 from Newcastle University, Australia with a First Class Honours Degree in Bachelor of Engineering and a Degree in Bachelor of Arts (Economics).

陶耀建先生
独立兼非执行董事

陶耀建先生于2013年10月1日获委任为独立兼非执行董事。陶先生的职业生涯从公共服务部门开始。他在各部门担任过要职。他随后也相继在几个跨国公司就职，直到他开始自己的生意。目前他也是新交所几家上市公司的董事，包括恒威集团，Singapore eDevelopment Ltd和新科电信（北京）。陶先生于1975年毕业于澳大利亚纽卡斯尔大学，拥有工程学士一级荣誉学位。

Mr Wei Jian Ping
Non-Executive and Independent Director

Mr Wei Jian Ping has been appointed to the Board with effect from 18 September 2008. He was last re-elected on 25 April 2011. Mr Wei graduated from Southwest China University of Political Science and also holds a degree from China Sichuan University of Economics. He joined the province of Sichuan Department of Justice from 1986 to 1994. Since 1997, he has been with Sichuan Tianwen Law Firm and is presently a senior partner of the firm. He was the Vice Chairman of the Ninth Sichuan Province Federation of Commerce and Industry and a Vice President of the Sichuan Province Bar Association. He is also a representative of Sichuan Peoples' Congress Committee.

魏建平先生
独立兼非执行董事

魏建平先生于 2008 年9月18日获委任为董事。他于 2011 年4月25日再次当选。魏先生毕业于中国西南政法大学，同时拥有中国四川大学经 济学学士学位。1986 年他加入四川司法部一直工作到1994年。自从 1997 年以来，他一直在四川天闻律师事务所工作，职位是事务所的高 级合伙人。他是四川省商业和工业联合会副会长以及四川省律师协会 副会长。他同时也是四川人民代表大会委员会的代表。

Mr Duan Bing
Non-Executive and Non Independent Director

Mr Duan Bing has been appointed to the Board with effect from 8 June 2009. He was last re-elected on 24 April 2012. Mr Duan started as an Application Specialist of Singapore Winsys Technology Pte Ltd in August 2001 and later joined Nanyang Technological University as a Project Officer. Currently, he is the manager of Chongqing Guanyu Corporation Limited. Mr Duan graduated from Department of Communication Engineering of Chongqing University. He also holds Master's Degree in Engineering from Nanyang Technological University.

段兵先生
非独立兼非执行董事

段兵先生于2009年6月8日获委任为董事，并于2012年4月24日再次当选。段先生于2001年8月开始在Singapore Winsys Technology Pte Ltd担任Application Specialist，并于同年加入南洋理工大学担任 Project Officer。目前，他担任重庆冠渝物资有限公司的总经理。段先生毕业于重庆大学通信工程学院，同时持有南洋理工大学工程硕士学位。

Mr Joseph Lim
Group Chief Financial Officer (Non-board member)

Mr Joseph Lim was appointed as Group Chief Financial Officer on 27 October 2014 and oversees the finance, accounting and treasury functions of the Group. He brings with him more than 19 years of post-graduation experience in accounting, auditing, treasury, risk management and investments with extensive background in public companies listed on SGX and ASX.

Mr Joseph Lim graduated from the Nanyang Technological University of Singapore with a Bachelor of Accountancy. He is a Fellow of the Institute of Singapore Chartered Accountants, a Certified Internal Auditor and a Chartered Financial Consultant.

林永明先生
集团首席财务官（非董事会员）

林永明先生于2014年10月27日获委任为集团首席财务官，负责监督集团的财务和会计事务。他在会计，审计，财务，风险管理和投资领域拥有超 过19年的广泛经验，尤其是新加坡交易所上市公司和澳大利亚证券交易所上市公司。

林先生毕业于新加坡南洋理工大学，拥有会计学学士学位。他是新加坡特许公认会计师公会的资深会员，注册内部审计师和特许财务顾问。

RESULTS AT A GLANCE

Results of Continuing Operations	Group 2014 $'000	Group 2013 $'000
Revenue	58,487	6
Cost of sales	(43,746)	(5)
Gross profit	**14,741**	**1**
Other income	547	1,845
Administrative expenses*	(13,528)	(6,104)
Other expenses	(3,883)	(490)
Loss from operations	**(2,123)**	**(4,748)**
Finance costs	(1,593)	-
Share of results of associates	(14)	44
Loss before income tax	**(3,730)**	**(4,704)**
Income tax expense	(1,438)	-
Loss from continuing operations	**(5,168)**	**(4,704)**
Discontinued operations		
Profit/(loss) from discontinued operations (net of tax)	5,306	(152,472)
Profit/(loss) for the year	**138**	**(157,176)**

	2014 $'000
Profit for the year	**138**
One off items:	
Loss on disposal of non-core business	754
Unrealised foreign exchange loss	2,400
Total	**3,292**

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

Results of Discontinued Operations	Group 2014 $'000	Group 2013 $'000
Revenue	94,291	174,483
Cost of sales	(96,630)	(172,237)
Gross (loss)/profit	**(2,339)**	**2,246**
Other income	3,308	3,782
Distribution costs	(766)	(963)
Administrative expenses	(3,679)	(5,931)
Other expenses		
• Other operating expenses	(1,603)	(3,199)
• Assets impairment	(9,600)	(87,349)
• Loss on re-measurement of Assets Held-For-Sale	-	(58,001)
Loss from operations	**(14,679)**	**(149,415)**
Finance costs	(4,112)	(3,812)
Loss before income tax	**(18,791)**	**(153,227)**
Income tax expense	(91)	755
Loss from discontinued operations	**(18,882)**	**(152,472)**
Gain on disposal of discontinued operations	24,188	-
Profit/(loss) for the year from discontinued operations	**5,306**	**(152,472)**

Revenue and Gross Profit

- Revenue was derived from Mancala Australia (mining services operation in Australia) on maiden consolidation of its results in FY2014. On the back of this revenue base, Mancala Australia generated a gross profit or some 25.2% gross margin.

Other income

- Fell sharply by $1.3 million to $0.5 million due mainly to lower exchange gain.

Administrative expenses

- Increased by $7.4 million due mainly to the inclusion of Mancala Australia's administrative expenses of $10.6 million, offset by a sharp fall in Corporate Functions' administrative expenses of $3.1 million given corporate streamlining exercise despite acquisition-related costs of $0.3 million.

Other expenses

- Rose by $3.4 million due mainly to $2.4 million unrealised foreign exchange loss relating to revaluation of receivables from disposal of Discontinued Business and $0.8 million loss on disposal of associates (other non-core business).

Finance costs

- Rose by $1.6 million with the inclusion of Mancala Australia's interest expense, which has working capital borrowings and finance lease obligations.

Income tax

- Attributable to a provision for income tax on taxable profits for Mancala Australia's operations in Vietnam, which has a higher effective tax rate.

Profit/(loss) from Discontinued Operations (net of tax)

- See explanatory notes for Results of Discontinued Operations

Profit/(loss) for the year

- Overall, the Group reported a net profit of $0.14 million for FY2014, reversing a loss of $157.2 million in FY2013. Excluding the loss on unrealised foreign exchange and loss on disposal of its non-core business, the Net Profit would have been $3.3 million for FY2014.

Discontinued operations

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).

Revenue

- Fell sharply due mainly to (i) no processing fee income for rebar and (ii) lower sales of cold rolled coil and vanadium product.

Gross (loss)/profit

- Fell due mainly to lower average unit selling price, higher unit production cost (materials, wages and factory overheads) and inventories write-off.

Other income

- Fell by $0.5 million in the absence of foreign exchange gain (as a result of stronger US$ against the RMB) and lower rental income.

Distribution costs

- Fell by $0.2 million due mainly to cost control measures and on the back of lower revenues.

Other expenses

- Fell sharply in the absence of impairment losses on available-for-sale financial assets, property, plant and equipment and intangibles (which were recorded in FY2013).

Gain on disposal of discontinued operations

- We completed the sale of Steel Business on 29 December 2014. Being the surplus of net sale proceeds over the net asset of the Steel Business as at date of completion.

Balance Sheet	Group 31/12/2014 $'000	Group 31/12/2013 $'000
Assets		
Property, plant and equipment	35,571	144
Intangible assets	553	-
Goodwill	1,215	-
Interests in subsidiaries	-	-
Interests in associates	-	883
Other investments	90	1
Total non-current assets	**37,429**	**1,028**
Inventories	1,923	-
Short term loans receivables	-	2,255
Trade and other receivables	69,015	300
Cash at bank and in hand	12,247	6,719
Assets classified as held for sale	-	295,630
Non-current assets held for sale	1,781	-
Total current assets	**84,966**	**304,904**
Total assets	**122,395**	**305,932**
Equity		
Share capital	260,489	260,489
Reserves	(187,889)	(187,004)
Total equity	**72,600**	**73,485**
Liabilities		
Long term payable	7,780	-
Financial liabilities	5,649	-
Deferred tax liabilities	463	-
Total non-current liabilities	**13,892**	**-**
Trade and other payables	27,568	2,616
Financial liabilities	7,170	-
Provisions	-	201
Current tax liabilities	1,165	-
Liabilities classified as held for sale	-	229,630
Total current liabilities	**35,903**	**232,447**
Total liabilities	**49,795**	**232,447**
Total equity and liabilities	**122,395**	**305,932**

Note: Significant changes in financial position were mainly attributed to maiden consolidation of Mancala Australia's financial position in FY2014.

Property plant and equipment

- Rose to $35.6 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

- Related to 'customer-related' intangible assets 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

- Recognised on acquisition of Mancala Australia, being the excess of our cost of investment over our equity interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of Mancala Australia.

Inventories

- Increased to $1.9 million on consolidation of Mancala Australia's financial position. This comprised drill rods, hydraulic and mechanical parts, hardware for mining services business.

Trade and other receivables

- Trade and other receivables rose to $69.0 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 at bank and in hand

- Rose by $5.5 million 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.

Non-current assets held for sale

- Increased to $1.8 million on consolidation of Mancala Australia's financial position. This related to plant and equipment currently held for sale and is expected to be sold within the next 12 months from the reporting date.

Equity

- On acquisiiton of Mancala Australia, maiden profit contribution from Mancala Australia and completion of disposal of the Steel Business, our Equity remained relatively unchanged at some $73 million.

Long-term payable

- This comprised of S$7.0 million which was the non-current portion of the contingent consideration payable for the acquisition of Mancala Australia and interest-free loans previously advanced by the vendors/founders of Mancala Australia, which is not expected to be repaid within the next 12 months.

Trade and other payables

- Increased by $25.0 million on consolidation of Mancala Australia's financial position. This comprised trade payables of $11.1 million and other payables of $15.6 million. Included in other payables were mainly the current portion of the provisional deferred consideration of $6.0 million payable for the acquisition of Mancala Australia (subject to adjustments if actual consideration paid differs from the accounting provision), PAYG withholding in Australia and withholding tax in Vietnam to meet employees' personal tax obligations and leave provision.

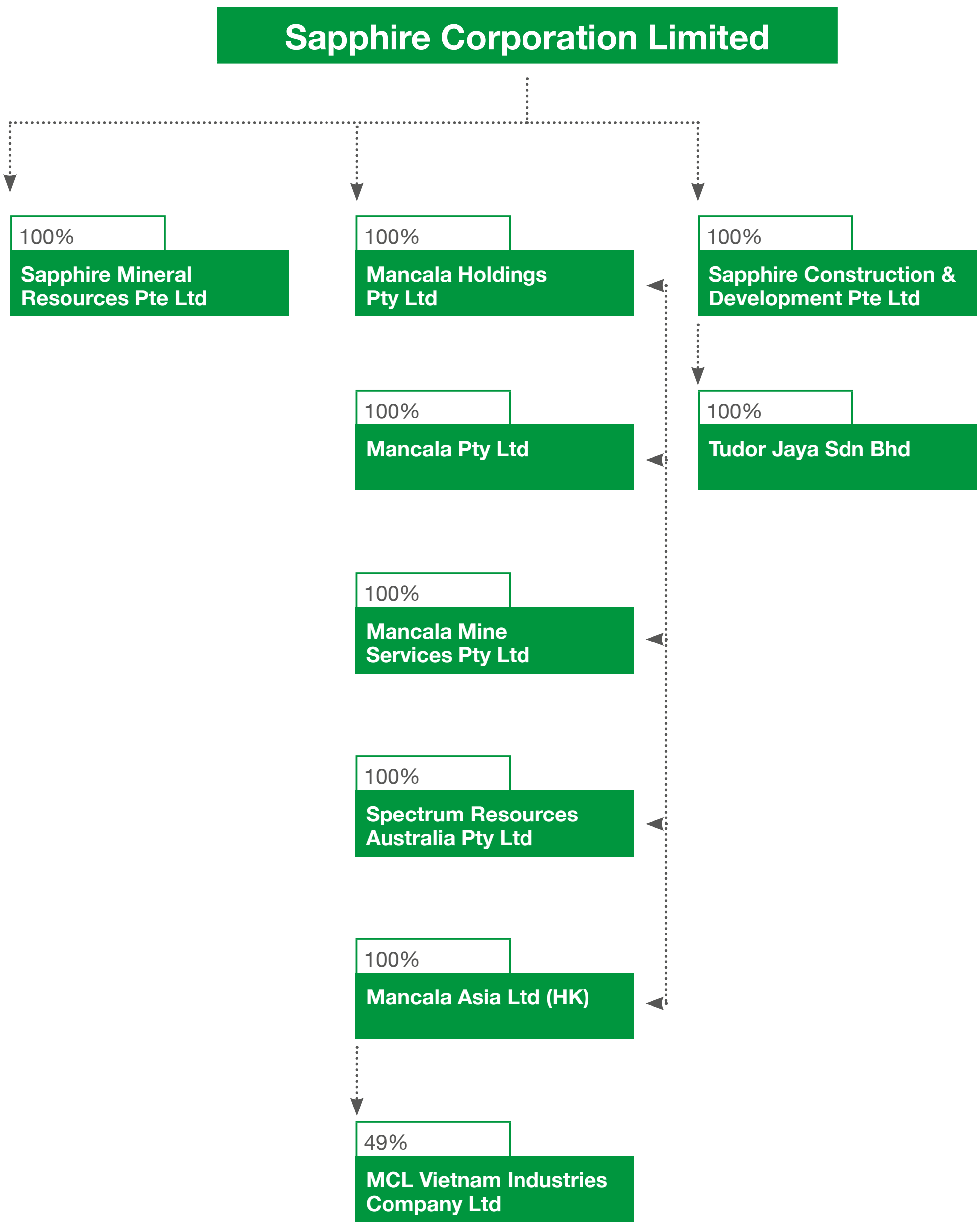
Financial liabilities

- Recorded current and long-term financial liabilities totalling $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.

Current tax liabilities

- Recorded 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.

CORPORATE STRUCTURE



FINANCIAL STATEMENTS

CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company recognises the importance of good corporate governance and the offering of high standards of accountability to shareholders, and are committed to achieving a high standard of corporate governance within the Group. The Company continues to evaluate and strives to put in place effective self-regulatory corporate practices to protect its shareholders' interests and enhance long-term shareholders' value.

This report describes the Company's corporate governance processes and framework and practices that were in place during the financial year ended 31 December 2014 ("**FY2014**"), in compliance with and with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**"). Taking into consideration the need to balance enterprise and accountability, and the unique characteristics of the industry and maturity of each company, the Company notes that Corporate Governance Committee's recommendation that a one-size-fits-all, prescriptive approach may not be suitable for all listed companies. Where the Company has therefore not complied fully with the guidelines of the Code, explanations and alternative corporate governance practices adopted by the Company in lieu of the recommendations have been provided in the sections in respect of the relevant guidelines.

THE CODE

The Code is divided into four main sections:

(A) Board Matters
(B) Remuneration Matters
(C) Accountability and Audit
(D) Shareholder Rights and Responsibilities

(A) BOARD MATTERS

BOARD'S CONDUCT OF ITS AFFAIRS (PRINCIPLE 1)

The primary function of the Board is to protect shareholders' interests and enhance long-term shareholders' value and returns.

Every Director, in the course of carrying out his duties, acts in good faith and considers at all times the interests of the Group. Besides its statutory duties and responsibilities, the key roles of the Board are:

- to set and guide the corporate strategy and directions of the Group, approve the broad policies, strategies and financial objectives of the Group and to monitor the performance of management;

- to establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;

- to review management performance;

- to identify the key stakeholder groups and recognize that their perceptions affect the Company's reputation;

- to provide guidance on values, ethics, standards and obligations to shareholders and other stakeholders to the Company;

- to consider sustainability of the issues e.g. environmental and social factors, as part of strategic formulation;

- to ensure effective management leadership of the highest quality and integrity;

CORPORATE GOVERNANCE REPORT

- to approve annual budgets, major funding proposals, investment and divestment proposals; and
- to provide overall insight in the proper conduct of the Group's business.

Matters which are specifically reserved for decision by the Board include those involving mergers and acquisitions, material acquisitions and disposals of assets, corporate or financial restructuring, major investments, declaration and proposal of dividends, major corporate policies on key areas of operations, the release of the Group's quarterly and full-year results, and substantial transactions which have a material effect on the Group.

To assist the Board in the execution of its responsibilities, specialised committees of the Board, namely the Audit and Risk Committee ("**ARC**"), Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**") have been established and delegated certain functions of the Board (collectively, the "**Board** Committees"). If and when the Board delegates the authority (without abdicating responsibility) to make decisions to a Board Committee, such delegation is disclosed. The ARC, NC and RC operate within clearly defined terms of reference and operating procedures, and these terms of reference and operating procedures are reviewed by the Board on a regular basis. Further details of the scope and functions of the ARC, NC and RC are provided in the relevant sections of this report.

The Board conducts at least four meetings a year and where necessary, additional board meetings are held to address significant issues or transactions. The Company's Articles of Association allow a board meeting to be conducted by way of a telephone conference or similar communication equipment, which facilitates the participation of Directors in Board and Board Committee meetings.

In FY2014, the Board held eight meetings. The attendance of the directors at meetings of the Board and Board Committees during FY2014 is as follows:

	BOARD		AUDIT AND RISK COMMITTEE		NOMINATING COMMITTEE		REMUNERATION COMMITTEE	
	No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr Lim Jun Xiong Steven	8	8	4	4	1	1	1	1
Mr Teh Wing Kwan	8	8(1)	4	4#	1	1#	1	1#
Madam Cheung Kam Wa	8	8	4	4#	1	-	1	-
Mr Fong Heng Boo	8	8(2)	4	4(2)	1	1(2)	1	1(2)
Mr Tao Yeoh Chi	8	8	4	4	1	1	1	1
Mr Teo Cheng Kwee	8	6	4	3#	1	1	1	1
Mr Foo Tee Heng	8	8	4	2#	1	-	1	-
Mr Yang Jian	8	6	4	4#	1	-	1	1
Mr Duan Bing	8	7	4	4#	1	-	1	-
Mr Wei Jian Ping	8	6	4	3	1	-	1	-

\# *By invitation*

(1) Re-designated as the Group CEO and Managing Director on 25 November 2014
(2) Appointed as a Director, Chairman of the ARC and a member of the NC and RC on 15 January 2014

CORPORATE GOVERNANCE REPORT

When new Directors are appointed to the Board, they are provided with a formal letter setting out the Director's duties and responsibilities, and are required to undergo an orientation programme. The orientation programme for a new Director is intended to provide background information on the Group and industry-specific knowledge, and includes briefings by the Group CEO on the Group's investment strategies, growth initiatives, business policies and governance practices; arrangements for on-site visits to the various overseas places of operations are made to familiarize a new Director with the Company's operations. Continuous and ongoing training programmes are also encouraged and made available to the Directors, including participation at courses, seminars and talks on directors' duties and responsibilities and new or updates to laws, regulations and commercial risks which are relevant to the Group.

To keep pace with regulatory changes, the Director's own initiatives are supplemented from time to time with information, updates and sponsored seminars conducted by external professionals, including any changes in legislation and financial reporting standards, government policies and regulations and guidelines from SGX-ST that affect the Company and/or the directors in discharging their duties. The Directors are informed of developments relevant to the Group, including changes in laws, regulations and risks that may impact the Group. The Directors may also, at any time, visit the Group's operations and facilities to gain a better understanding of the Group's business. If any specific or local regulatory change has a material impact on the Group, the management will brief the Directors at Board meetings.

BOARD COMPOSITION AND BALANCE (Principle 2)

The Board comprises 10 Directors of whom 8 are Non-Executive Directors. Of the 8 Non-Executive directors, 4 are Independent Directors. The Board considers an Independent Director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgment of the Group's affairs with a view to the best interests of the Company. The Board is able to exercise objective judgment on corporate affairs independently and constructively challenge key decisions and strategies taking into consideration the long term interests of the Group and its shareholders, as Independent Directors, which include the Chairman of the Board, comprise 40% of the Board. Each Board Committee is also chaired by an Independent Director and comprised of a majority of Independent Directors.

The Board comprises the following:-

Mr Lim Jun Xiong Steven	-	Chairman, Independent and Non-Executive Director
Mr Teh Wing Kwan	-	Group CEO and Managing Director
Madam Cheung Kam Wa	-	Executive Director and Chief Operating Officer
Mr Fong Heng Boo	-	Independent and Non-Executive Director
Mr Tao Yeoh Chi	-	Independent and Non-Executive Director
Mr Wei Jian Ping	-	Independent and Non-Executive Director
Mr Teo Cheng Kwee	-	Non-Executive and Non-Independent Director
Mr Foo Tee Heng	-	Non-Executive and Non-Independent Director
Mr Duan Bing	-	Non-Executive and Non-Independent Director
Mr Yang Jian	-	Non-Executive and Non-Independent Director

There is no alternate director on the Board.

The NC is responsible for and reviews the independence of each Director annually. The NC adopts the Code's definition of what constitutes an Independent Director in its review. Each Independent Director is also required to complete a Director's Independence Form annually to confirm his independence based on the guidelines as set out in the Code. The Independent Directors, namely Mr Lim Jun Xiong Steven, Mr Fong Heng Boo, Mr Tao Yeoh Chi and Mr Wei Jian Ping have confirmed that they do not have any relationship with the Company or its related corporations or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interests of the Company. The Board, with the recommendation and concurrence of the NC, has reviewed and determined that the said Directors are independent.

There are no Independent Directors who has served on the Board for more than nine years.
There is a clear separation of the roles of the Chairman and the Group Chief Executive Officer. This will provide a healthy professional relationship between the Board and Management to shape the strategic process.

CORPORATE GOVERNANCE REPORT

The NC periodically reviews the existing attributes and competencies of the Board in order to determine the desired expertise or experience required to strengthen or supplement the Board. This assists the NC in identifying and nominating suitable candidates for appointment to the Board. The Board comprises business leaders and professionals with the relevant industry and financial background. The Board has no formal policy with regard to diversity in identifying director nominees. Where the need arises to identify suitable director nominees, the NC will consider diversity in gender, in addition to skills, experience, and knowledge, as a factor. The Board, with the concurrence of the NC, is of the view that the board size of 10 Directors in FY2014 was appropriate after taking into consideration the nature and scope of the Group's operations for the effective conduct of the Group's affairs. The Board and the NC believe that the Board and its Board Committees have a good balance and diversity of Directors who have extensive business, financial, accounting, human resource and management experience. Details of the Directors' academic and professional qualifications are set out in the "Board of Directors" section of this Annual Report.

In accordance with Article 91 of the Articles of Association of the Company, Mr Yang Jian, Mr Wei Jian Ping and Mr Duan Bing will be retiring by rotation at the forthcoming AGM. Mr Wei Jian Pin and Mr Duan Bing have declined to seek re-election, and Mr Yang Jian has consented to offer himself for re-election. If Mr Yang Jian is re-elected at the forthcoming AGM, the Board shall comprise 8 Directors, including 3 Independent Directors, 3 Non-Executive Directors and 2 Executive Directors. The NC will continually assess the existing attributes and competencies and needs of the Board and will recommend the appointment of appropriate persons as Directors as may be suitable for the Board, if necessary.

The Board is also supported by the other Board Committees. The composition of the Board Committees in FY2014 was as follows:

Board and Board Committees Composition

	Audit and Risk Committee	Nominating Committee	Remuneration Committee
Board Member			
Lim Jun Xiong Steven *(Independent and Non-Executive Director)*	M	C	M
Fong Heng Boo *(Independent and Non-Executive Director)*	C	M	M
Tao Yeoh Chi *(Independent and Non-Executive Director)*	M	M	C
Wei Jian Ping* *(Independent and Non-Executive Director)*	M	-	M
Teo Cheng Kwee *(Non-Executive and Non-Independent Director)*	-	M	M
Yang Jian *(Non-Executive and Non-Independent Director)*	-	-	M
Teh Wing Kwan *(Group CEO and Managing Director)*			
Cheung Kam Wa *(Executive Director and Chief Operating Officer)*			
Foo Tee Heng *(Non-Executive and Non-Independent Director)*			
Duan Bing* *(Non-Executive and Non-Independent Director)*			

Note: C: Chairman
M: Member

* *Mr Wei Jian Ping and Mr Duan Bing will be retiring by rotation at the forthcoming AGM pursuant to Article 91, and have decided not to seek re-election.*

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER (Principle 3)

There is a clear separation of the roles and responsibilities between the Chairman and the Group CEO of the Company. The Chairman who is an Independent and Non-Executive Director is responsible for the functioning of the Board and is free to act independently in the best interests of the Group and shareholders. He plays a key role in promoting high standards of corporate governance, scheduling meetings that enable the Board to perform its duties, establishing the agenda for the Board meetings in consultation with the Group CEO and ensuring that the Board reviews and approves the Group's key strategies and policies. The Group CEO manages the day-to-day business activities of the Group and is responsible for developing and executing corporate strategies and the development and execution of such corporate and operational decisions. The Chairman ensures that the members of the Board work together with the Management and have the capability and authority to engage Management in constructive views on various matters, including strategic issues and business planning processes. The Board is able to exercise its power objectively and independently from Management. No individual or small group of individuals dominates the Board's decision making.

NOMINATING COMMITTEE (Principles 4 and 5)

The NC, whose terms of reference are approved by the Board, comprises the following 4 Non-Executive Directors:

Mr Lim Jun Xiong Steven	- Chairman, Independent and Non-Executive Director
Mr Fong Heng Boo	- Independent and Non-Executive Director
Mr Tao Yeoh Chi	- Independent and Non-Executive Director
Mr Teo Cheng Kwee	- Non-Independent and Non-Executive Director

The key roles of the NC are:

- to review and make recommendations to the Board on all appointments and re-appointment of members of the Board;
- to evaluate and assess the effectiveness of the Board as a whole, and the contribution by each director to the effectiveness of the Board; and
- to determine the independence of directors in accordance with Guideline 2.3 of the Code.

The NC meets no fewer than once each financial year.

The NC evaluated the Board's performance as a whole, each Board Committee, as well as each individual Director in FY2014 based on a formal board evaluation process and performance objectives. Each individual Director was also asked to assess the performance of the Board and Board Committees. The assessment parameters include amongst others, Board and Board Committee team spirit, quality of decision making, performance against specific targets, Directors' independence and quality and timeliness of board papers. Key performance indicators used to assess individual Directors include chairmanship/membership of Board Committees, attendance record at the meetings of the Board and the relevant committees, intensity of participation at meetings, quality of discussions, helping to gain access to new businesses and/or new markets and any special contributions. The Board also considers the Company's share price performance, return on equity and other financial performance criteria as some of the assessment parameters for both the Board and Management. That being said, the NC is of the view that such financial criteria are more relevant for the Board's evaluation of the performance of Management, as the Board's role is more in formulating, rather than executing, strategies and policies. The performance measurements ensure that the mix of skills and experience of the Directors continue to meet the needs of the Group.

The NC is of the view that the Board, the Board Committees and each individual Director's performance was satisfactory in FY2014. No external facilitator was used in the evaluation process.

CORPORATE GOVERNANCE REPORT

The NC has in place a selection and nomination process for the appointment of new Directors. For appointment of new Directors to the Board, the NC would, in consultation with the Board, evaluate and determine the selection criteria with due consideration to the mix of skills, knowledge and experience of the existing Board. The NC does so by first evaluating the existing strengths and capabilities of the Board, before it proceeds to assess the likely future needs of the Board, and assesses whether this need can be fulfilled by the appointment of one person and if not, then to consult the Board with respect to the appointment of two persons. The NC will then source for potential candidates and review and undertake background checks on the resumes received, narrow this list of resumes and finally invite the shortlisted candidates to an interview. This interview may include a briefing of the duties required to ensure that there are no expectations gap, and to ensure that any new Director appointed has the ability and capacity to adequately carry out his duties as a director of the Company, taking into consideration the number of listed company board representations he holds and other principal commitments he may have. The NC will take an open view in sourcing for candidates and does not solely rely on current Directors' recommendations or contacts, and is empowered to engage professional search firms. The NC will interview all potential candidates in frank and detailed meetings and make recommendations to the Board for approval.

The NC, in determining whether to recommend a Director for reappointment, will have regard to such Director's contribution and performance to the Group and whether such Director has been adequately carrying out his or her duties as a Director, taking into consideration that Director's number of listed company board representations and other principal commitments. Notwithstanding this, the replacement of a Director, when it occurs, does not necessarily reflect the Directors' performance, but may be due to the Board's or the Directors' view of a need to align the Board with the needs of the Group.

The present and past directorships (held in the last 5 years) of the Directors with other public listed companies are set out in the following tables:

Mr Lim Jun Xiong Steven

Other directorship with public listed companies

Company	Listed on	Position
Hong Fok Corporation Limited	SGX	Independent director
Keong Hong Holdings Limited	SGX	Independent director
Bund Center Investment Ltd	SGX	Independent director
Mirach Energy Limited	SGX	Independent director

Past directorship with other public listed companies (held in the last 5 years)

Company	Listed on	Position
Passion Holdings Limited	SGX	Independent director
MAP Technology Holdings Limited	SGX	Independent director

Mr Teh Wing Kwan

Other directorship with public listed companies

Company	Listed on	Position
Asian American Medical Group Ltd (previously known as Asian Centre for Liver Diseases and Transplantation Ltd)	ASX	Non-executive and non-independent director
Singapore eDevelopment Limited (previously known as CCM Group Limited)	SGX	Non-executive and non-independent director

CORPORATE GOVERNANCE REPORT

Past directorship with other public listed companies (held in the last 5 years)

Company	Listed on	Position
Heng Fai Enterprises Limited	HKEx	Non-executive and non-independent director
Creative Master Bermuda Limited	SGX	Independent director
China Titanium Ltd	SGX	Independent director

Mr Fong Heng Boo

Other directorship with public listed companies

Company	Listed on	Position
CapitaRetail China Trust Management Limited	SGX	Independent director
Pteris Global Limited	SGX	Independent director
Asian American Medical Group Limited (previously known as Asian Centre for Liver Disease and Transplantation Ltd)	ASX	Independent director
Colex Holdings Limited	SGX	Independent director

Past directorship with other public listed companies (held in the last 5 years)

Company	Listed on	Position
NIL	-	-

Mr Tao Yeoh Chi

Other directorship with public listed companies

Company	Listed on	Position
Hanwell Holdings Limited	SGX	Independent director
Singapore eDevelopment Limited (previously known as CCM Group Limited)	SGX	Independent director

Past directorship with other public listed companies (held in the last 5 years)

Company	Listed on	Position
China Titanium Ltd	SGX	Independent director
Eratat Lifestyle Ltd	SGX	Independent director

Mr Teo Cheng Kwee

Other directorship with public listed companies

Company	Listed on	Position
China Vanadium Titano-Magnetite Mining Company Limited	HKEx	Non-executive and non-independent director

CORPORATE GOVERNANCE REPORT

Past directorship with other public listed companies (held in the last 5 years)

Company	Listed on	Position
NIL	-	-

Mdm Cheung Kam Wa Emma (COO), Mr Foo Tee Heng (Non-Executive Director), Mr Yang Jian (Non-Executive Director), Mr Duan Bing (Non-Executive Director) and Mr Wei Jian Ping (Independent Director) do not hold directorships with other public listed companies and also did not hold such directorships in the past 5 years.

Details of the Directors' academic and professional qualifications, date of first appointment and other relevant information are set out in pages 14 to 17 of this Annual Report.

In accordance with the Company's Articles of Association, one-third of the Directors is required to retire from office at each annual general meeting of the Company. Mr Yang Jian, Mr Wei Jian Ping and Mr Duan Bing will be retiring by rotation at the forthcoming AGM pursuant to Article 91.

Although the Non-Executive Directors hold directorships in other companies which are not in the Group, the Board is of the view that such multiple board representations did not hinder them from carrying out their duties as Directors and that any maximum number established is unlikely to be representative of the participation, commitment and skills and expertise that a Director may contribute to the Board, and its overall effectiveness, and instead determines annually whether a Director with multiple board representations is able to and has been adequately carrying out his or her duties as a Director of the Company. These Directors will be able contribute their invaluable experiences to the Board and give it a broader perspective.

The Company's current policy stipulates that if a Director is an Executive Director or a key management personnel, he/she should not hold more than six listed company board representation concurrently, as the Board is of the view that more than six concurrent board representations will interfere the Executive Director or key management personnel's ability to devote sufficient time and attention to the affairs of the Company. During the year, no Director held more than six board seats in other listed companies concurrently.

The NC takes into account the results of the assessment of the effectiveness of each individual Director and the respective Directors' actual conduct on the Board in making the determination, and is satisfied that all the Directors have been able to and have adequately and sufficiently devoted time and attention and carried out their duties in FY2014, notwithstanding their multiple board representations in other listed companies. As at the date of this report, none of the Directors holds more than four directorships in listed companies concurrently.

ACCESS TO INFORMATION (Principle 6)

The Directors are regularly provided with complete and timely information prior to meetings to enable them to fulfil their duties. The Management will provide quarterly management accounts and other relevant information to the Board. The Management will submit the periodic group performance report and other relevant information to the Board. In addition, all other relevant information on material events and transactions are circulated by electronic mail and facsimile to the directors for review and approval. The senior management staff may be invited to attend the Board and Audit and Risk Committee Meetings to answer queries and to provide insights into its Group's operations. Where appropriate, the senior management staff will also arrange for external consultants engaged on specific projects or professional consultants to attend Board and Board Committee meetings to address the Board's queries.

The Board has separate and independent access to the senior management and the Company Secretary at all times. The Board will consult independent professional advice where appropriate. The Company Secretary attends all board meetings and most committee meetings and is responsible to ensure that board procedures are followed. The Company Secretary assists the Board to ensure that applicable rules and regulations (in particular the Companies Act, Cap. 50 and SGX-ST Listing Manual) are complied with.

The appointment and removal of the Company Secretary are subject to the Board's approval.

CORPORATE GOVERNANCE REPORT

All Directors have direct access to the Group's independent professional advisors, where necessary. Where necessary, the Directors may, individually or collectively, seek separate independent professional advice at the Company's expense to render advice for consideration, and will keep the Board informed of such advice.

(B) REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES (Principles 7 and 8)

The RC, whose terms of reference are approved by the Board, comprises the following 6 Non-Executive Directors:

Mr Tao Yeoh Chi	-	Chairman, Independent and Non-Executive Director
Mr Lim Jun Xiong Steven	-	Independent and Non-Executive Director
Mr Fong Heng Boo	-	Independent and Non-Executive Director
Mr Wei Jian Ping*	-	Independent and Non-Executive Director
Mr Teo Cheng Kwee	-	Non-Independent and Non-Executive Director
Mr Yang Jian	-	Non-Independent and Non-Executive Director

* *Mr Wei Jian Ping will be retiring by rotation at the forthcoming AGM pursuant to Article 91, and has decided not to seek re-election.*

The RC meets no fewer than once each financial year.

RC's main functions are:

- to review and recommend to the Board in consultation with Management and Chairman of the Board, a framework of remuneration and to determine specific remuneration packages and terms of employment for each of the Executive Directors and key executives of the Group including those employees related to Executive Directors and substantial/controlling shareholders of the Group;

- to recommend to the Board in consultation with management and the Chairman of the Board, the Sapphire Share Award Scheme or any long term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith; and

- to carry out its duties in the manner that it deemed expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board of Directors from time to time.

As part of its review, the RC shall ensure that:

- all aspects of remuneration including Director's fees, salaries, allowances, bonuses, options and benefits in-kinds should be covered;

- the remuneration packages should be comparable within the industry practices and norms and shall include a performance related element coupled with appropriate and meaningful measures of assessing individual Executive Directors' and key executives' performances; and

- the remuneration package of employees related to Executive Directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities.

No Director is involved in deciding his own remuneration.

The remuneration of Non-Executive Directors should be linked to the level of contribution, taking into account factors such as effort and time spent and responsibilities of the Directors. Non-Executive Directors shall not be over-compensated to the extent that their independence may be compromised. The Non-Executive and Independent Directors do not have any service contracts. They are paid a basic fee and additional fees for serving on any of the Board Committees. The Board recommends payment of such fees to be approved by shareholders at the AGM of the Company.

CORPORATE GOVERNANCE REPORT

The Executive Directors do not receive directors' fees. Service contracts for Executive Directors are for a fixed appointment period and are not excessively long or with onerous removal clauses. The RC considers what compensation the Directors' contracts of service would entail in the event of early termination and aims to be fair and avoid rewarding poor performance. The service contracts will be reviewed by the RC before expiry. Executive Directors' remuneration packages consist of salary, allowances and bonuses. There are no onerous compensation commitments on the part of the Company in the event of termination of services of the Executive Directors.

The RC also reviews the remuneration of senior management. In general, the Company adopts a remuneration policy for Executive Directors and key executives that comprises a fixed and a variable component. The fixed component is in the form of a base salary and the variable component is in the form of bonuses, which are linked to an individual's performance which is assessed based on particular performance criteria. The performance-related elements of remuneration are designed to align the interests of Directors and key executives with those of shareholders and link rewards to the Group's financial performance. In addition to the financial performance of the Company, non-financial performance conditions such as quality of work and diligence were chosen because of the emphasis the Company places on achieving its vision and goals. The RC is of the opinion that the performance conditions set by the Company were met by its Executive Directors and key executives in the past financial year. The Company will also consider the use of contractual provisions in the service contracts to enable the Company to reclaim incentive components of remuneration in exceptional circumstances.

The RC also administers the Sapphire Shares Award Scheme (the "Scheme"). The Scheme is based on the principle of strengthening the Company's competitiveness in attracting and retaining superior local and foreign talent. The Scheme allows the Company to target specific performance objectives and to provide an incentive for participants to achieve these targets. The purpose of the Scheme is to improve the Company's flexibility and effectiveness in rewarding, retaining and motivating its employees (including Directors) and to improve their performance.

Persons eligible to participate in the Scheme are as follows:

(i) Group Employees who have been employed for a minimum of one year or such shorter period as the Committee may determine;

(ii) Executive Directors; and

(iii) Non-Executive Directors.

Other information relating to the Scheme is set out below:

(i) The aggregate number of shares to be delivered ("Award Shares") on any date shall not exceed fifteen percent (15%) of the issued shares of the Company on the day preceding that date;

(ii) The Committee may grant Award Shares at any time during the financial year of the Company;

(iii) The awards of performance shares are conditional on performance target set within the prescribed performance period;

(iv) The selection of a participant, the number of shares to be awarded, the performance target(s) and other conditions of the award shall be determined at the absolute discretion of the Committee, which shall take into account criteria such as rank, job performance, years of service, potential for future development, contribution to the success of the Company and its subsidiaries ("the Group") and extent of effort required to achieve the performance targets within the performance period set;

(v) The participant has continued to be in employment with the Group from the date of the Award; and

(vi) The participant who met the performance targets but had ceased to be employed by the Company will receive the shares as may be allowed by the Scheme.

CORPORATE GOVERNANCE REPORT

During FY2014, no Award Shares were granted.

Non-Executive Directors are encouraged to purchase shares in the Company and to hold them until they leave the Board. The RC has recommended, and the Non-Executive Directors have consented, to the payment of a part of their fees for FY2014 in the form of Share Awards under the Scheme, subject to the approval of Shareholders at the forthcoming AGM. The RC is of the view that this will further align the interests of the Non-Executive Directors with the interests of Shareholders.

The RC will seek independent professional advice in discharging its functions, if necessary. No external consultants were engaged in FY2014.

DISCLOSURE OF REMUNERATION (Principle 9)

Since the commencement of the Scheme to 31 December 2014, the aggregate number of Award Shares granted to the Directors of the Company were as follows:-

Number of Award Shares granted to the Directors on 11 August 2008:

Former executive Directors	Number of Award Shares granted (1)
Teo Cheng Kwee (2)	2,880,000
Foo Tee Heng (2)	600,000
Former Non-executive Directors	
Dr Tan Eng Liang (3)	660,000
Chan Kum Onn Roger (3)	595,000
Goh Chee Whui (4)	400,000
	5,135,000

Notes:
(1) Equivalent number of shares after consolidation of twenty (20) ordinary shares into one (1) ordinary share in the capital of the Company on 28 February 2011
(2) Re-designated as non-executive director on 3 October 2013
(3) Resigned on 2 October 2013
(4) Resigned on 20 July 2009

Since the commencement of the Scheme, no shares award have been granted to controlling shareholders of the Company or associates of the Company and no employees have received 5% or more of the total share awards available under the Scheme.

CORPORATE GOVERNANCE REPORT

The remuneration for the Directors and key executives received in all forms is as follows:

Name of Director	Remuneration Band	Salary	Bonus	Other Benefits	Directors' Fees (1)	Total
	$	%	%	%	%	%
Executive Directors						
Mr Teh Wing Kwan	750,000 – 999,999	88	-	12	0	100
Mdm Cheung Kam Wa Emma	250,000 to 499,999	69	17	14	0	100
Non-Executive Directors(1)						
Mr Lim Jun Xiong Steven	0 to 249,999	0	0	0	100	100
Mr Fong Heng Boo (appointed on 15 January 2014)	0 to 249,999	0	0	0	100	100
Mr Tao Yeoh Chi	0 to 249,999	0	0	0	100	100
Mr Teo Cheng Kwee	0 to 249,999	0	0	0	100	100
Mr Foo Tee Heng	0 to 249,999	0	0	0	100	100
Mr Yang Jian	0 to 249,999	0	0	0	100	100
Mr Wei Jian Ping	0 to 249,999	0	0	0	100	100
Mr Duan Bing	0 to 249,999	0	0	0	100	100
Key Executives(2)						
Mr Ng Hoi Gee Kit (resigned on 15 October 2014)	0 to 249,999	69	19	12	0	100
Mr Joseph Lim (appointed on 27 October 2014)	0 to 249,999	88	8	4	0	100

Notes:

(1) These fees comprise Board and Board Committee fees for FY2014, which are subject to approval by shareholders at the 2015 AGM.

(2) The Code requires the disclosure of the remuneration of at least the top 5 key executives who are not also Directors to be disclosed in the bands of $250,000. The Company had two key executives (who are not Directors or the CEO) and their remuneration for FY2014 has been disclosed.

Due to confidentiality concerns, the Company only disclosed the remuneration (excluding compensation) of the Board of Directors and key management personnel in bands of $250,000. The Company believes the disclosure of further details is disadvantageous to its business interests, given the highly competitive industry conditions, where poaching has become common place in a liberalized environment.

The Company does not have any employee share option schemes or other long-term incentive scheme for Directors, except for the Sapphire Shares Award Scheme which was established by the Company in 2008. There are no retirement benefit schemes or share-based compensation schemes in plan for Non-Executive Directors.

The overall wage policy for the employee is linked to performances of the Group and the individual, and is determined by the Board and the RC. The Board will respond to any queries raised at AGMs pertaining to such policies.

CORPORATE GOVERNANCE REPORT

All incentives and bonuses paid are linked to the individual performance of the executive and overall performance of the Group.

There were no employees of the Group who are immediate family members of a Director or the CEO in FY 2014.

(C) ACCOUNTABILITY AND AUDIT (Principles 10 to 13)

The Board provides a balanced and understandable assessment of the Group's performance, position and prospects in its annual financial statements and quarterly announcements to Shareholders. The Board also reviews compliance issues, if any, with Management on a quarterly basis. For these purposes, Management provides the Board with a continuous flow of relevant information on a timely basis so that it can effectively perform its duties. Management also provides the Board with comprehensive quarterly financial statements and analysis of the results relative to both the budget and prior years' performance, so that the Board may effectively perform its duties and perform effective monitoring and decision making.

AUDIT AND RISK COMMITTEE

The ARC comprises the following 4 Independent and Non-Executive Directors:

Mr Fong Heng Boo	-	Chairman, Independent and Non-Executive Director
Mr Lim Jun Xiong Steven	-	Independent and Non-Executive Director
Mr Tao Yeoh Chi	-	Independent and Non-Executive Director
Mr Wei Jian Ping*	-	Independent and Non-Executive Director

** Mr Wei Jian Ping will be retiring by rotation at the forthcoming AGM pursuant to Article 91, and has decided not to seek re-election.*

The Board considers that the members of the ARC are appropriately qualified to fulfill their responsibilities as the members bring with them invaluable managerial and professional expertise in the financial, business and industry domains.

The ARC has written terms of reference. The ARC meets at least four times a year to perform the following functions:

- to review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- to review the Group's audit plans, scope and results with the external auditors and the evaluation of the Group's system of internal controls with the internal auditors at least annually;
- to review and approve the quarterly and year-end announcement results and annual financial statements before submission to Board of Directors;
- to review interested parties transactions;
- to nominate the external auditors for re-appointment and review their independence;
- to review the effectiveness of the Company's internal audit function;
- to review the co-operation given to auditors;
- to review the adequacy and effectiveness of the internal controls and compliance; and
- to oversee the Group's risk management framework, systems and policies.

CORPORATE GOVERNANCE REPORT

In addition to the above, the ARC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on our Group's operating results and/or financial position. Each member of the ARC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the ARC in respect of matters in which he is interested.

The ARC is kept abreast by Management and the external auditors of changes to accounting standards, Listing Rules of the SGX-ST and other regulations which could have an impact on the Group's business and financial statements. In addition, the members of the ARC may attend courses and seminars conducted by external professionals, including any changes in legislation and financial reporting standards, government policies and regulations and guidelines from SGX-ST that affect the Company and/or the directors in discharging their duties.

In line with the requirements of SGX-ST, the Board confirmed that, in relation to interim financial results, to the best of its knowledge, nothing had come to the attention of the Board which would render the Company's quarterly results to be false or misleading in any material respect.

The Company has a whistle-blowing policy to encourage and provide a channel to employees to report in good faith and in confidence, their concerns about possible improprieties in financial reporting or other matters, such as suspected fraud, corruption, dishonest practices etc. Pursuant to such whistle-blowing procedures, employees are free to submit complaints confidentially or anonymously to the chairman of the ARC and in this regard a dedicated email address has been set up which is accessible only by the chairman of the ARC and/or a designated member of the ARC. The procedures for submission of complaints have been explained to all employees of the Group. All complaints are to be treated as confidential and are to be brought to the attention of the ARC. All reports including unsigned reports, reports weak in details and verbal reports are considered. In the event that the report is about a Director, that Director shall not be involved in the review and any decisions with respect to that report. Assessment, investigation and evaluation of complaints are conducted by or at the direction of the ARC and the ARC, if it deems appropriate, may engage at the Company's expense independent advisors. Following investigation and evaluation of a complaint, the ARC will then decide on recommended disciplinary or remedial action, if any. The action so determined by the ARC to be appropriate shall then be brought to the Board for authorisation and to the appropriate members of senior management for implementation. The policy aims to encourage the reporting of such matters in good faith, with the confidence that any employees making such reports will be treated fairly and be protected from reprisals. Details of the whistle-blowing policy have been made available to all employees.

The external and internal auditors have full access to the ARC and the ARC has full access to the Management and discretion to invite any Director or member of Management to attend its meetings. The ARC has the authority to commission investigations into any matter within its terms of reference and has access to reasonable resources to enable it to discharge its functions properly.

The ARC meets with the external auditors and internal auditors, without the presence of management, at least once a year. The ARC reviews the findings from the external auditors and internal auditors and the assistance given to them by Management to ensure that full cooperation has been extended.

The external auditors, during their course of audit, evaluate the effectiveness of the Company's internal controls and report to the ARC, together with their recommendations, any material weakness and non-compliance of the internal controls. The ARC has reviewed the external audit reports and based on the controls in place, and is satisfied that there are adequate internal controls in the Group. The ARC has nominated KPMG LLP for re-appointment as the external auditors of the Company at the forthcoming AGM. KPMG LLP has indicated their willingness to accept re-appointment.

The ARC has appointed Yang Lee & Associates as the internal auditor of the Group to perform internal audit work under a 2-year internal audit plan. The internal auditors report directly to the Chairman of the ARC. The internal auditors submit a report on their findings to the ARC for review and approval yearly. The internal auditors have adopted the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors. To ensure the adequacy of the internal audit functions, the Audit Committee has reviewed the internal auditors' activities, resources and standing in the Company, on a yearly basis. The ARC has reviewed the internal audit reports and based on the controls in place, is satisfied that the internal audit function of the Group is adequate and effective.

The Company confirms that it has complied with SGX Listing Rules 712 and Rule 715 in FY2014.

CORPORATE GOVERNANCE REPORT

NON-AUDIT FEES

The audit fees paid to the external auditors of the Company for FY2014 was approximately $208,000 (FY2013: $176,000).

The non-audit fees paid to the external auditors of the Company for FY2014 was nil (FY2013: $46,000).

The ARC has conducted an annual review of all non-audit services provided by the auditor to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditor before confirming their re-nomination, and is of the opinion that the independence of the external auditors is not affected by the provision of any non-audit services.

RISK MANAGEMENT

The Board with the oversight of the ARC is responsible for the Group's risk management framework and policies. During FY2014, the ARC engaged Yang Lee & Associates to assist in developing and establishing an enterprise risk management framework, which has been adopted by the Group to identify, evaluate and monitor the Group's material and significant risks. The Group's material and significant risks are proactively identified and addressed through the implementation of effective internal controls. The Company has also defined and documented clear roles and responsibilities for the Board and Management in risk mitigation, monitoring and reporting.

Yang Lee & Associates will review policies and procedures as well as key controls and will highlight any issues to the Directors and the ARC. Additionally, in performing their audit of the financial statements, the external auditors perform tests over operating effectiveness of certain controls that they intend to rely on that are relevant to the Group's preparation of its financial statements. The external auditors also report any significant deficiencies in such internal controls to the Directors and the ARC.

Action plans to manage the risks are continuously being monitored and refined by Management and the ARC. Any material non-compliance or lapses in internal controls together with corrective measures are reported to the Directors and the ARC. Targets are set to measure and monitor the performance of operations periodically to ensure that identified risks are adequately addressed by corresponding corrective measures. The Company's internal audit function provides an independent resource and perspective to the ARC by assessing the effectiveness and robustness of the Company's internal controls and risk management policies. By highlighting any areas of concern discovered during the course of performing such internal audit processes, including any new risks that are identified, Management, the Board and the ARC are able to continually refine and strengthen the Company's internal controls and risk management system.

The Board has received assurance from the Group CEO and Group CFO that:

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

(b) the Company's risk management and internal control systems are both adequate and effective.

Based on the framework established and the reviews conducted, the Board opines, with the concurrence of the ARC, that there are adequate and effective internal controls in place within the Group addressing financial, operational, compliance and information technology risks, and adequate and effective risk management systems.

CORPORATE GOVERNANCE REPORT

KEY OPERATIONAL RISKS

The Board needs to update shareholders that the risk factors applicable to the Group's steel business (the Discontinued Operation) are no longer applicable upon completion of disposal of the steel business on 29 December 2014. The Group's Continuing Operations are now the Corporate Functions and Mining Services. The Mining Services business is carried out by the Company's wholly-owned subsidiary, Mancala Holdings Pty Ltd in Australia ("Mancala Australia)".

The Board is aware of the operational risks which may adversely affect Mancala Australia if any of these risk factors and uncertainties develops into actual events. Please note that most, if not all, of the following events have occured during the year. It should also be noted that the following is not intended to be an non-exhaustive list of the risk factors to which the Group's mining services business is exposed. The management is of opinion that highlighting the following risk factors is important for the information of the Company's shareholders:

High reliance on the resource industry – Mancala's financial performance and position are highly sensitive to the level of demand within the resource and mining industry, which is cyclical and sensitive to various commercial factors beyond the Group's control. Any reduction in demand from the mining industry on services which Mancala could provide that Mancala's clients decide to perform whole or part of the mining services in-house, may adversely affect the financial performance and position of Mancala.

Sensitive to commodity prices and other economic factors – Mancala's operations are highly sensitive to commodity prices within the resource and mining industry, which have recently been volatile. Any unfavorable fluctuation of commodity prices may affect the level of investments within the resource and mining industry, which may adversely affect the financial performance and position of Mancala. General economic condition, interest rate movement, currency exchange rates movement and inflation rats may also have impacts on Mancala's financial performance and position as well.

High reliance on key personnel and qualified workers – Mancala's business operations depend significantly on the technical expertise of its management team and qualified workers to operate in the resource and mining industry. The loss of one or more of these persons or if these persons are not replaced, may adversely affect financial performance and position of Mancala.

High concentration risk – Whilst Mancala has established and will continue to establish important client relationships within the industry, the loss of one or more key clients and / or if Mancala fails to secure new projects or diversify its revenue stream, the financial performance and position may be adversely affected.

Highly competitive industry – Mancala operates in a highly competitive industry and its current competitors include companies with significantly larger size of operations and substantially higher revenues base. Mancala may not be able to compete with these competitors in winning new jobs or such competitions may require Mancala to cut prices or reduce margins such that financial performance and position of Mancala may be adversely affected.

Additional working capital requirement – Mancala's operations depend heavily on its ability to secure banking facilities and / or its ability to secure such facilities at commercially acceptable costs of fund. Failure in securing such facilities as needed, will adversely affect Mancala's operations and thus its financial performance and position

Major disruption of operations – Mancala's operations are exposed to various operational risks relating, but not limited, to equipment failure, accidents, industrial disputes and natural disasters. While Mancala has taken necessary and important measures to mitigate such operational risks, and, if practicable, insure against these risks, Mancala cannot completely remove all such possible risks or in certain cases, insurance premium costs could be high in insuring the identified operational risks. If one or more of these risks occurred and / or such risks are not adequately incurred, Mancala's financial performance and position will be adversely affected.

Adverse weather condition – Severe and prolonged weather events may disrupt Mancala's production schedules and adversely affect Mancala's financial performance and position.

CORPORATE GOVERNANCE REPORT

Regulatory risks – New policies and legislation relate to the resource and mining industry may be introduced from time to time. It is possible that such policies and legislation will have a negative impact on the mining industry generally or if the compliance costs are high, this may have an adverse impact on Mancala's financial performance and position.

Currency risk — Foreign currency exchange effects could be volatile. The Group will be exposed to currencies movements such as US$/S$, Chinese Renminbi/S$, A$/S$, VND/A$, US$/A$ and EUR/A$. Any adverse movements in these currencies will affect the Group's financial performance. The Group will continue to monitor the foreign currency exchange exposure closely and may hedge the exposure by either entering into relevant foreign exchange forward contracts or relying on natural hedge or a combination of both.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES (Principles 14, 15 and 16)

The Company recognizes the need to communicate with the shareholders on all material matters affecting the Group and does not practise selective disclosure. In line with the Group's disclosure obligations pursuant to the Listing Rules and the Companies Act, the Board's policy is that all shareholders should be informed simultaneously in an accurate and comprehensive matter of all material developments that impact the Group through SGXNET and the Company's website.

Price-sensitive announcements including quarterly and full year results are released through SGXNET and make available on the Company's website. A copy of the Annual Report and Notice of AGM will be sent to every shareholder.

The Company supports active shareholder participation at general meetings. At general meetings, shareholders are given the opportunity to air their views and ask questions regarding the Group and its businesses. If shareholders are unable to attend the general meetings, the Company's Articles of Association allow a shareholder of the Company to appoint up to two proxies to attend and vote in place of the shareholder. The Company currently does not have the appropriate provisions in its Articles of Association to allow for absentia voting by mail, facsimile or email to ensure proper authentication of the identity of shareholders and their voting intent. Separate resolutions on each distinct issue are proposed at general meetings for approval.

The Chairman of the Board and the respective Chairpersons of the various board committees are in attendance at the general meetings to address shareholders' queries. The external auditors are also present to assist the directors to address any queries raised by shareholders about the conduct of the audit and the preparation and content of the auditors' report. The Company also intends to comply with the provisions of the Listing Rules to introduce poll voting at all general meetings commencing from August 2015. Minutes of general meetings which include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management, are prepared and will be made available to shareholders upon request.

The Directors are mindful of their obligation to provide shareholders with timely disclosure of material information that is presented in a fair and objective manner. Shareholders and other investors are provided regularly with:

a. an Annual Report;
b. quarterly financial results and other financial announcements as required;
c. other announcements on important developments (such as business update); and
d. updates through the Company's website (http://www.sapphirecorp.com.sg/).

On the Company's website, investors will find information about the Company's contact details as well as all publicly disclosed financial information, corporate announcements, annual reports and profiles of the Group.

To enable shareholders to contact the top management easily, the email addresses of the Group CEO and Group CFO can be found in the Group CEO's Review and on Corporate Information page respectively.

The financial statements are released on SGXNET. All shareholders will receive the annual report of the Company and notice of AGM by post and through notices published in the newspapers with the requisite notice period.

CORPORATE GOVERNANCE REPORT

The Group does not have a concrete dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow from generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. The Board does not recommend the payment of dividends for FY2014 due to the performance of the Company, and intends to commence paying dividends when its financial performance improves and circumstances warrant such a decision.

DEALINGS IN SECURITIES

The Company has in place a policy prohibiting share dealings by directors and employees of the Company during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements. Directors and employees are also prohibited to deal in the Company's securities on short-term considerations, and are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading periods. The incumbent employees are also required to report to the Directors whenever they deal in the Company's shares.

INTERESTED PERSON TRANSACTIONS

The Company has in place a policy in respect of any transactions with interested person and has established procedures for review and approval of the interested person transactions entered into by the Group. In FY2014, the aggregate value of all interested person transactions (including transactions less than $100,000) amounted to $8,000. The ARC has reviewed the rationale and terms of the Group's interested person transactions and is of the view that the interested person transactions are on normal commercial terms and are not prejudicial to the interests of the shareholders. The information required pursuant to Listing Rules 907 and 1207(17) is set out below:

Name of interested person	Aggregate value of all interested person transactions 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 interested person transactions during the financial year under review (excluding transactions less than $100,000)
None	Nil	Nil

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Listing Rule 920.

MATERIAL CONTRACTS

Other than transactions mentioned under the Interested Person Transactions above, and save for the disclosures made in the Directors' Report, there were no material contracts involving the Group with the Group CEO, Directors, Controlling Shareholder nor their associates during FY2014.

DIRECTORS' REPORT

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 2014.

DIRECTORS

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

Mr Lim Jun Xiong, Steven	(Chairman)
Mr Teh Wing Kwan	(Group Chief Executive Officer and Managing Director)
Ms Cheung Kam Wa, Emma	(Chief Operating Officer)
Mr Fong Heng Boo	
Mr Tao Yeoh Chi	
Mr Teo Cheng Kwee	
Mr Foo Tee Heng	
Mr Yang Jian	
Mr Wei Jian Ping	
Mr Duan Bing	

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (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 in the Company (other than wholly-owned subsidiaries) are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Company		
Ordinary shares		
Teh Wing Kwan	–	11,590,913
Yang Jian	8,005,050	8,005,050
Teo Cheng Kwee		
- interests held	7,009,581	7,009,581
- deemed interest	870,125	870,125
Foo Tee Heng	1,021,887	1,021,887
Cheung Kam Wa, Emma	437,750	437,750

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares or debentures of the Company or of related corporations, either at the beginning 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 2015.

DIRECTORS' REPORT

Except as disclosed under the Shares Award Scheme of this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in note 31 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

SAPPHIRE SHARES AWARD SCHEME

The Sapphire Shares Award Scheme (the "Scheme") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 25 April 2008. The Scheme is administered by the Company's Remuneration Committee (the "Committee") whose function is to assist the Board of Directors in reviewing remuneration and related matters. The Committee is responsible for the administration of the Scheme and comprises six directors, Tao Yeoh Chi, Lim Jun Xiong Steven, Fong Heng Boo, Wei Jian Ping, Teo Cheng Kwee and Yang Jian.

The purpose of the Scheme is to improve the Company's flexibility and effectiveness in rewarding, retaining and motivating its employees (including Directors) and to improve their performance.

Persons eligible to participate in the Scheme are as follows:

(i) Group Employees who have been employed for a minimum of one year or such shorter period as the Committee may determine;

(ii) Executive Directors; and

(iii) Non-Executive Directors.

Other information relating to the Scheme is set out below:

(i) The aggregate number of shares to be delivered ("Award Shares") on any date shall not exceed fifteen percent (15%) of the issued shares of the Company on the day preceding that date;

(ii) The Committee may grant Award Shares at any time during the financial year of the Company;

(iii) The awards of performance shares are conditional on performance targets set within the prescribed performance period;

(iv) The selection of a participant, the number of shares to be awarded, the performance targets and other conditions of the award shall be determined at the absolute discretion of the Committee, which shall take into account criteria such as rank, job performance, years of service, potential for future development, contribution to the success of the Company and its subsidiaries ("the Group") and extent of effort required to achieve the performance targets within the performance period set;

(v) The participant has continued to be in employment with the Group from the date of the Award; and

(vi) The participant who met the performance targets but had ceased to be employed by the Company will receive the shares as allowed by the Scheme.

DIRECTORS' REPORT

SAPPHIRE SHARES AWARD SCHEME (CONT'D)

The details of shares awarded to participants of the Company under the Scheme are as follows:

Participants	Award Shares granted during the financial year	Aggregate number of shares awarded since commencement of Scheme to 31 December 2014
Former Executive Directors, who are now non-executive directors	–	3,480,000
Former non-Executive Directors	–	1,655,000
Key Executives	–	2,200,000
Group Employees	–	1,232,000
Total Award Shares granted	–	8,567,000

The Company consolidated twenty (20) ordinary shares into one (1) ordinary share in the capital of the Company in 2011.

No share award was given to any participant during the financial year. Since the commencement of the Scheme, no share has been granted to the controlling shareholders of the Company or their associates and no participant under the Scheme has received 5% or more of the total share awards available under the Scheme.

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 option.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee members at the date of this report are:

Fong Heng Boo	(Chairman, Independent and Non-Executive Director)
Lim Jun Xiong, Steven	(Independent and Non-Executive Director)
Tao Yeoh Chi	(Independent and Non-Executive Director)
Wei Jian Ping	(Independent and Non-Executive Director)

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

The Audit and Risk Committee has held four meetings since the last directors' report. In performing its functions, the Audit and Risk Committee also reviewed the overall scope of the internal and external audits, the independence of the external auditors and the assistance given by the Company's officers to the auditors. It met with the Company's external and internal auditors to discuss the results of their examinations and their evaluation of the Company's system of internal accounting controls over financial reporting as part of their audit.

DIRECTORS' REPORT

The consolidated financial statements of the Group and the financial statements of the Company were reviewed by the Audit and Risk Committee prior to their submission to the directors of the Company for adoption. The Audit and Risk Committee also reviewed interested person transactions conducted under a Shareholders' Mandate during the financial year. The Audit and Risk Committee has full access to management and is given the resources for it to discharge its functions. The external and internal auditors have unrestricted access to the Audit and Risk Committee.

The Audit and Risk Committee is satisfied with the independence and objectivity of the external auditors and 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, subsidiaries and significant associated companies, we have complied with Rules 712 and 715 of the SGX Listing Manual.

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

On behalf of the Board of Directors

Teh Wing Kwan
Director

Cheung Kam Wa, Emma
Director

6 April 2015

STATEMENT BY DIRECTORS

In our opinion:

(a) the financial statements set out on pages 46 to 113 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; 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.

On behalf of the Board of Directors

Teh Wing Kwan
Director

Cheung Kam Wa, Emma
Director

6 April 2015

INDPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
SAPPHIRE CORPORATION LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Sapphire Corporation Limited (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2014, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement of the Group, and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 46 to 113.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

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 and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP

Public Accountants and
Chartered Accountants

Singapore
6 April 2015

BALANCE SHEETS
AS AT 31 DECEMBER 2014

		Group		Company	
	Note	2014	2013	2014	2013
		$'000	$'000	$'000	$'000
Assets					
Property, plant and equipment	4	35,571	144	110	144
Intangible assets	5	1,768	–	–	–
Interests in subsidiaries	6	–	–	13,036	–
Interests in associates	7	–	883	–	637
Other investments	8	90	1	1	1
Other receivables	10	–	–	5,414	–
Total non-current assets		37,429	1,028	18,561	782
Inventories	9	1,923	–	–	–
Trade and other receivables	10	69,015	300	56,579	15,610
Short-term loan receivables	14	–	2,255	–	2,255
Cash and cash equivalents	15	12,247	6,719	10,509	6,303
Assets classified as held for sale	6	–	295,630	–	50,687
Non-current assets held for sale	16	1,781	–	–	–
Total current assets		84,966	304,904	67,088	74,855
Total assets		122,395	305,932	85,649	75,637
Equity					
Share capital	17	260,489	260,489	260,489	260,489
Reserves	18	(187,889)	(187,004)	(189,452)	(187,289)
Total equity		72,600	73,485	71,037	73,200
Liabilities					
Other payables	19	7,780	–	7,000	–
Financial liabilities	20	5,649	–	–	–
Deferred tax liabilities	21	463	–	–	–
Total non-current liabilities		13,892	–	7,000	–
Trade and other payables	19	27,568	2,616	7,612	2,248
Financial liabilities	20	7,170	–	–	–
Provisions	22	–	201	–	189
Current tax liabilities		1,165	–	–	–
Liabilities classified as held for sale	6	–	229,630	–	–
Total current liabilities		35,903	232,447	7,612	2,437
Total liabilities		49,795	232,447	14,612	2,437
Total equity and liabilities		122,395	305,932	85,649	75,637

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

CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 DECEMBER 2014

	Note	Group 2014 $'000	Group 2013 $'000
Revenue	23	58,487	6
Cost of sales		(43,746)	(5)
Gross profit		14,741	1
Other income	24	547	1,845
Administrative expenses		(13,528)	(6,104)
Other expenses		(3,883)	(490)
Loss from operations		(2,123)	(4,748)
Finance costs	25	(1,593)	–
Share of results of associates		(14)	44
Loss before income tax	26	(3,730)	(4,704)
Income tax expense	27	(1,438)	–
Loss from continuing operations		(5,168)	(4,704)
Discontinued operations			
Profit/(loss) from discontinued operations (net of tax)	28	5,306	(152,472)
Profit/(loss) for the year		138	(157,176)
Earnings per share	29		
Basic (cents)		0.02	(19.38)
Diluted (cents)		0.02	(19.38)
Earnings per share – continuing operations	29		
Basic (cents)		(0.64)	(0.58)
Diluted (cents)		(0.64)	(0.58)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2014

	Group	
	2014	2013
	$'000	$'000
Profit/(loss) for the year	138	(157,176)
Other comprehensive income		
Items that are or may be reclassified subsequently to profit and loss:		
Translation differences relating to financial statements of foreign subsidiaries	(1,023)	6,531
Movement in available-for-sale financial assets reserve	–	(1,324)
Reclassification to profit or loss from equity on disposal of available-for-sale financial assets	–	705
Related tax	–	–
Other comprehensive income for the year, net of tax	(1,023)	5,912
Total comprehensive income for the year	(885)	(151,264)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2014

	Share capital $'000	Capital reserve $'000	Merger reserve $'000	Other reserves $'000	Statutory reserve $'000	Currency translation reserve $'000	Fair value reserve $'000	Accumulated losses $'000	Total equity $'000
Group									
At 1 January 2013	260,489	1,235	418	(1,353)	4,803	(6,198)	619	(35,264)	224,749
Total comprehensive income									
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 in available-for-sale financial assets reserve	–	–	–	–	–	–	(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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

YEAR ENDED 31 DECEMBER 2014

	Share capital $'000	Capital reserve $'000	Merger reserve $'000	Other reserves $'000	Statutory reserve $'000	Currency translation reserve $'000	Accumulated losses $'000	Total equity $'000
Group								
At 1 January 2014	260,489	1,235	418	(1,353)	4,954	333	(192,591)	73,485
Total comprehensive income								
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

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

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2014

	Share capital $'000	Capital reserve $'000	Other reserves $'000	Fair value reserve $'000	Accumulated (losses)/ profits $'000	Total equity $'000
Company						
At 1 January 2013	260,489	1,084	(1,353)	10,374	(99,839)	170,755
Total comprehensive income						
Loss for the year	–	–	–	–	(88,678)	(88,678)
Other comprehensive income						
Movement in available-for-sale financial assets reserve	–	–	–	(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
Company						
At 1 January 2014	260,489	1,084	(1,353)	1,497	(188,517)	73,200
Total comprehensive income						
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)	(2,163)
At 31 December 2014	260,489	1,084	(1,353)	–	(189,183)	71,037

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

CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2014

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
Loss before income tax from continuing operations		(3,730)	(4,704)
Adjustments for:			
Amortisation of intangible assets		175	–
Depreciation of property, plant and equipment		3,791	68
Interest expense		1,593	–
Interest income		(17)	(32)
Loss on disposal of property, plant and equipment		(150)	–
Loss on disposal of associates		754	–
Share of results of associates		14	(44)
Operating profit/(loss) before working capital changes		2,430	(4,712)
Changes in working capital:			
Inventories		238	–
Trade and other payables		342	(7,841)
Trade and other receivables		975	7,544
Cash flows from/(used in) operations		3,985	(5,009)
Payment of rectification costs		(74)	(104)
Cash flows from/(used in) operating activities		3,911	(5,113)
Net cash from operating activities from discontinued operations	28	3,860	26,231
		7,771	21,118
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	30	384	–
Interest received		17	32
Proceeds from disposal of development properties		–	5,061
Payment for purchase of property, plant and equipment		(346)	(175)
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 from discontinued operations	28	9,296	8,334
		10,657	11,931

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

CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

YEAR ENDED 31 DECEMBER 2014

	Note	2014 $'000	2013 $'000
Cash flows from financing activities			
Interest paid		(1,593)	–
Payment of finance lease liabilities		(11,188)	(5)
Proceeds from bank loan		1,736	–
Payment of bank loan		(3,203)	–
Release of fixed deposit pledged to bank		–	611
Cash flows (used in)/from financing activities		(14,248)	606
Cash flows used in financing activities from discontinued operations	28	(305)	(27,581)
		(14,553)	(26,975)
Net increase in cash and cash equivalents		3,875	6,074
Cash and cash equivalents at beginning of year		6,719	2,923
Effect of exchange rate changes on the balances held in foreign currencies		(83)	857
Cash and cash equivalents classified as held for sale	6	–	(3,135)
Cash and cash equivalents at end of year	15	10,511	6,719

Significant non-cash transactions

Except as disclosed in note 30, there were no significant non-cash transactions in 2013 and 2014.

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 6 April 2015.

1. DOMICILE AND ACTIVITIES

Sapphire Corporation Limited (the Company) is incorporated in the Republic of Singapore and has its registered office at 80, Robinson Road, #02-00, Singapore 068898. Its principal place of business is at 3 Shenton Way, #25-01 Shenton House, Singapore 068805.

The principal activities of the Company are those of an investment management and holding company. The principal activities of the subsidiaries are set out in note 6.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”).

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRS).

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company’s functional currency. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs 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 period in which the estimates are revised and in any future periods affected.

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 within the next financial year are as follows:

- Depreciation of property, plant and equipment

  The Group's management determines the estimated residual values, useful lives and depreciation charges for the property, plant and equipment with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. This estimation is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of competitors. The Group reviews annually the estimated useful lives of property, plant and equipment and their residual values, if any. The depreciation charge for future periods is adjusted if there are significant changes from the previous estimates.

- Impairment of property, plant and equipment

  The Group reviews the carrying amounts of its property, plant and equipment at the end of each reporting period to determine whether there is any indication of impairment. If any such indications exist, the recoverable amount is estimated. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects market assessments of the time value of money and the risks specific to the asset. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

- Impairment on investment in subsidiaries

  The Group determines whether there is impairment on the investments in subsidiaries where events or changes in circumstances indicate that the carrying amounts of the investments may be impaired. If any such indications exist, the recoverable amount is estimated. The level of allowance is evaluated by the Group on the basis of factors that affect the recoverability of the investments. These factors include, but are not limited to, the activities and financial position of the entities, and market factors. The Group estimates the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the recoverability of those investments based on such estimates.

- Acquisition of subsidiary

  Goodwill represents the excess of cost of an acquisition of subsidiary companies over the fair value of the Group's share of the identifiable assets, liabilities and contigent liabilities of the acquired subsidiary companies at the date of acquisition. In assessing the fair values of the acquired assets and liabilities and the resultant goodwill, management has used a range of valuation methodologies (see note 30). Any changes in the fair value would have an impact on the goodwill amount recognised.

  In accordance with FRS 103 *Business Combination*, the Group was required to determined the consideration transferred upon the aquisition of the subsidiary (note 30). The Group has engaged an independent professional firm to assess the fair value of the contingent consideration, which was the consideration transferred in exchange for the acquiree. The estimate of fair value has been assessed based on expected net profit after tax of the acquiree over the next two years. The Group has classified the obligation to pay contingent consideration as a financial liability. Subsequent changes to the fair value of contingent consideration, that are not measurement period adjustments, will be taken to profit and loss.

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements (cont'd)

- Impairment of goodwill

  Goodwill is assessed for impairment on an annual basis. The impairment assessment requires an estimation of the value-in-use of the cash-generating unit to which the goodwill is allocated.

  Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and apply an appropriate discount rate in order to calculate the present value of those cash flows. Actual cash flows will differ from these estimates as a result of differences between assumptions used and actual operations.

- Impairment of available-for-sale investments

  The Group follows the guidance of FRS 39 *Financial Instruments: Recognition and Measurement* in determining when an investment or financial asset is other than temporarily impaired. This determination requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment and financial asset is less than its cost; and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

- Allowance for impairment losses on doubtful receivables

  The Group makes allowances for doubtful debts based on an assessment of the recoverability of trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such differences will impact the carrying value of trade receivables and doubtful debts expenses in the period in which such estimate has been changed.

2.5 Changes in accounting policies

Subsidiaries

As a result of FRS 110 *Consolidated Financial Statements*, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. FRS 110 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

The adoption of FRS 110 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

Disclosure of interests in other entities

From 1 January 2014, as a result of FRS 112 *Disclosure of Interests in Other Entities*, the Group has expanded its disclosures about its interests in subsidiaries and associates (see notes 6 and 7).

Offsetting of financial assets and financial liabilities

Under the Amendments to FRS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*, to qualify for offsetting, the right to set off a financial asset and a financial liability must not be contingent on a future event and must be enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONT'D)

2.5 Change in accounting policies (cont'd)

Subsidaries (cont'd)

Offsetting of financial assets and financial liabilities (cont'd)

The Group has presented the respective receivables and payables on a gross basis prior to the amendment as the right to set-off is not enforceable in the event of bankruptcy of the counterparty. The amendment of the FRS 32 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the acquisition date, which is the date on which control is transferred to the Group.

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 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.

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

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.

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

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Investments in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Investments in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements included the Group's share of the profit or loss and OCI of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

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 associates 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.

3.2 Accounting for subsidiaries and associates by the Company

Investments in subsidiaries and associates are stated in the Company's balance sheet at cost less accumulated impairment losses.

3.3 Affiliated party

For the purpose of these financial statements, an affiliated party means an entity over which a controlling shareholder of the Company (as defined in the SGX-ST Listing Manual) during the year has significant influence.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 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 retranslated 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 retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments and qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the exchange rate at the end of the reporting period. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve (translation reserve) in equity. When a foreign operation is disposed of such that control or significant influence 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.

Exchange differences arising from monetary items that in substance form part of a net investment in a foreign operation are recognised in profit or loss. Such exchange differences are recognised in other comprehensive income, and are presented within equity in the currency translation reserve. When the foreign operation is disposed of, the cumulative amount in equity is transferred to profit or loss.

3.5 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

Non-derivative financial assets

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

The Group has the following non-derivative financial assets: loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise loans receivable, trade and other receivables (excluding prepayments and club memberships), and cash and cash equivalents.

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash balances and fixed deposits with maturity of up to three months.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in the previous category. The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Available-for-sale financial assets only comprise equity securities.

Non-derivative financial liabilities

Financial liabilities for contingent consideration payable in a business combination are recognised at acquisition date. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial liabilities under contingent consideration payable in a business combination are initially measured at fair value. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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

Other financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. If the estimates of payments or receipts are revised, the carrying amount of the financial liabilities will be adjusted to reflect the revised estimated cash flows. The carrying amount is re-measured at the present value of estimated future cash flows at the original effective interest rate. The adjustment is recognised in profit or loss as income or expense.

The Group has the following non-derivative financial liabilities: financial liabilities and trade and other payables.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

3.6 Property, plant and equipment

Recognition and measurement

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

Construction in progress represents plant and property under construction and machinery under installation and testing and is stated cost less any impairment losses and is not depreciated. This includes costs of construction, plant and equipment and other direct costs. Construction in progress is reclassified to the appropriate category of fixed assets when the relevant assets are completed and are capable of operating in the manner intended by management.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When 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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income/other operating expenses in profit or loss.

Subsequent costs

The cost of replacing a part 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 part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Property, plant and equipment (cont'd)

Depreciation (cont')

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 are as follows:

Buildings	-	20 to 45 years
Plant and machinery	-	3 to 20 years
Furniture, fittings and office equipment	-	2 to 15 years
Motor vehicles	-	2 to 10 years
Renovation	-	5 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.7 Intangible assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets and is measured at cost less accumulated impairment losses.

Intangible assets

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated over the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives are as follows:

Customer list	-	5 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.8 Leased assets

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases where the leased assets are not recognised in the Group's balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on a first in first out basis for the mining services operations and the weighted average cost formula for inventories related to steel-making operations and wines, and it includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.10 Non-current assets and liabilities held for sale

Non-current assets and liabilities or disposal groups comprising assets and liabilities, that are highly probable to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter, the assets and liabilities, or disposal group, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining appropriate assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets and deferred tax assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement 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 are not amortised or depreciated.

3.11 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loan and receivables with similar risk characteristics.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Impairment (cont'd)

Loans and receivables (cont'd)

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

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, the recoverable amount is estimated each year at the same time. For goodwill, 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 cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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 groups of assets (the "cash-generating unit, or CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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 assets is allocated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. 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 units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Impairment (cont'd)

Non-financial assets (cont'd)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3.12 Employee benefits

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 services are rendered by employees.

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.

Share-based payment transactions

Under the Sapphire Shares Award Scheme ("Award Shares"), participants will receive fully paid ordinary shares of the Company for no consideration, provided that certain pre-determined corporate performance targets are met within a prescribed performance period.

The Award Shares are accounted for as equity-settled share-based payments. Equity-settled share-based payments are measured at fair value at the date of the grant. The Award Shares expense is recognised in profit or loss with a corresponding adjustment to equity.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Provision for rectification costs

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Upon completion of a contract, unutilised provision for future rectification costs is transferred to a provision for rectification costs. Any surplus or provision will be written back at the end of the warranty period while additional provision, where necessary, is made when foreseeable. The provision is made based on estimated costs to carry out the rectification works.

3.14 Revenue

Rendering of services

Revenue from services is recognised over the period during which the services are rendered.

Mining service contracts

Where the outcome of a construction contract can be estimated reliably, revenue, being installation income, and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred are likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Sales of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale. For sales of manufactured steel and vanadium products, transfer usually occurs when the product is received at the customer's warehouse. For trading of minerals, transfer depends on the shipping terms agreed with the customers. Transfer usually occurs upon loading of the goods onto the port designated by the customers. For sales of wine, transfer occurs upon delivery to the customer.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Revenue (cont'd)

Processing fees for rebars and hot-rolled coil

Revenue from processing of rebars and hot-rolled coil supplied by customers is recognised in profit or loss when the customer has accepted the processed rebars and hot-rolled coil. Revenue excludes value added tax or other sales taxes and is stated after deduction of any trade discounts.

Commission from trading of steel products

When the Group does not have the significant risks and rewards of ownership of goods for the trading of steel products, revenue is recognised net based on the amount billed to the customer less the amount paid to the supplier and presented as commission income.

Revenue from building maintenance and services

Revenue from building maintenance and services is recognised in profit and loss in the period in which the services are provided by the Group.

Dividends

Dividend income is recognised in profit or loss when the shareholders' right to receive payment is established which in the case of quoted securities is the ex-dividend date.

Interest income

Interest income is recognised as it accrues, using the effective interest method.

Rental income

Rental income from operating leases of property, plant and equipment is recognised in other income on a straight-line basis over the term of the lease.

3.15 Finance costs

Finance costs comprise interest expense on borrowings and amortisation of fee in relation to loans. All borrowing costs are recognised in profit or loss using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

3.16 Lease payments and prepaid leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Lease payments and prepaid leases (cont'd)

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Prepaid leases are land use rights in the People's Republic of China ("PRC") which are stated at cost less accumulated amortisation and impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the period of the land use rights.

3.17 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the income statement except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

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.

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 the following temporary differences: 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 differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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 income 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.

A deferred tax asset is recognised for unused tax losses, 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 utilised. 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.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing provision for tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguish from the rest of the Group and which:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss is re-presented as if the operation had been discontinued from the start of the comparative year.

3.19 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS 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 period, adjusted for own shares held. Diluted EPS 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 and for the effects of all dilutive potential ordinary shares.

3.20 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

3.21 Financial guarantee contracts

Financial guarantee contracts are accounted for as insurance contracts and treated as contingent liabilities until such time they become probable that the Group will be required to make a payment under the guarantee. A provision is recognised based on the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

3.22 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. The Group is currently assessing the impact to the financial statements and does not plan to early adopt these new standards, amendments to standards and interpretation.

NOTES TO THE FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT

	Note	Buildings	Plant and machinery	Furniture, fittings and office equipment	Motor vehicles	Renovation	Construction in progress	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Cost								
At 1 January 2013		58,987	152,572	393	356	14	2,441	214,763
Additions		54	587	20	–	168	424	1,253
Disposals/write-off		–	–	(65)	(82)	–	–	(147)
Transfer		612	2,309	–	–	–	(2,921)	–
Translation differences on consolidation		3,854	9,917	16	10	–	56	13,853
Reclassified to assets held for sale	6	(63,507)	(165,385)	(265)	(163)	–	–	(229,320)
At 31 December 2013		–	–	99	121	182	–	402
Acquisition of subsidiary		1,133	34,173	215	824	–	2,325	38,670
Additions		–	1,576	7	122	–	783	2,488
Disposals/write-off		(1,133)	(351)	(120)	(322)	–	–	(1,926)
Transfer		–	1,199	1	8	–	(1,208)	–
Transfer from assets held for sale		–	271	–	–	–	–	271
Translation differences on consolidation		–	(1,229)	(43)	(115)	–	(92)	(1,479)
At 31 December 2014		–	35,639	159	638	182	1,808	38,426

NOTES TO THE FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Note	Buildings	Plant and machinery	Furniture, fittings and office equipment	Motor vehicles	Renovation	Construction in progress	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Accumulated depreciation								
At 1 January 2013		3,812	31,099	183	214	8	–	35,316
Depreciation for the year		2,185	15,496	62	42	37	–	17,822
Impairment loss		–	59,844	–	–	–	–	59,844
Disposals/write-off		–	–	(62)	(81)	–	–	(143)
Translation differences on consolidation		299	3,837	4	2	–	–	4,142
Reclassified to assets held for sale	6	(6,296)	(110,276)	(95)	(56)	–	–	(116,723)
At 31 December 2013		–	–	92	121	45	–	258
Depreciation for the year		–	3,287	98	370	36		3,791
Disposals/write-off		–	(145)	(61)	(276)	–	–	(482)
Transfer		–	(1)	1	–	–	–	–
Translation differences on consolidation		–	(567)	(39)	(106)	–	–	(712)
At 31 December 2014		–	2,574	91	109	81	–	2,855
Carrying amounts								
At 1 January 2013		55,175	121,473	210	142	6	2,441	179,447
At 31 December 2013		–	–	7	–	137	–	144
At 31 December 2014		–	33,065	68	529	101	1,808	35,571

NOTES TO THE FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Renovation $'000	Total $'000
Company				
Cost				
At 1 January 2013	94	203	14	311
Additions	7	–	168	175
Disposals	(2)	(82)	–	(84)
At 31 December 2013	99	121	182	402
Additions	7	–	–	7
Disposals	(8)	–	–	(8)
At 31 December 2014	98	121	182	401
Accumulated depreciation				
At 1 January 2013	83	202	8	293
Depreciation for the year	11	–	37	48
Disposals	(2)	(81)	–	(83)
At 31 December 2013	92	121	45	258
Depreciation for the year	4	–	37	41
Disposals	(8)	–	–	(8)
At 31 December 2014	88	121	82	291
Carrying amounts				
At 1 January 2013	11	1	6	18
At 31 December 2013	7	–	137	144
At 31 December 2014	10	–	100	110

As at 31 December 2014, the Group's plant and machinery with carrying amount of $14,149,000 (2013: Nil) were acquired under finance leases.

During the year, depreciation of $3,686,000 and $105,000 were being charged to cost of goods sold and administrative expenses, respectively, in the consolidated income statement.

Impairment loss

In 2013, in response to weak demand and outlook, management streamlined the steel operations by reducing budgets, rationalizing assets and reallocating resources, and decided to shut down the entire operations of the hot-rolled coil production line which was operating at less than optimal utilisation rate and scaled down the production capacity for rebars and vanadium pentoxide flakes.

NOTES TO THE FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group assessed the recoverable amounts of the cash-generating units ("CGUs") within its two subsidiaries, Neijiang Chuanwei Special Steel Co., Ltd ("Special Steel") and Sichuan Longwei Metal Product Co., Ltd. ("Longwei"), as follows:

Special Steel:
- Hot-rolled coils ("HRC") and Rebar CGU
- Vanadium Pentoxide ("V2O5") CGU

Longwei:
- Cold-rolled coils ("CRC") CGU

The recoverable amounts of the respective CGUs were determined based on value-in-use calculations using cash flow projections with the following key assumptions:

	Special Steel		Longwei
	HRC and Rebar	V2O5	CRC
Period of cash flow projections	5 years	8 years	5 years
Discount rate	11.2%	11%	12.6% for first 5 years 11% for terminal value
Terminal growth rate	No terminal value	No terminal value	2%

The cash flow projections were based on financial forecasts prepared by the management. The discount rates applied to the cash flow projections were estimated by using an appropriate required rate of return on invested capitals. The valuations of the CGUs were performed by an external independent professional valuer, having appropriate recognised professional qualifications and experience.

As the recoverable amount of the Special Steel's CGUs was determined to be lower than its carrying amount, an impairment loss was recognised and allocated first to reduce the carrying amount of the intangibles and then to the property, plant and equipment of the Special Steel CGUs by $1,105,000 and $59,844,000, respectively, in accordance with the accounting policy set out in note 3.11. No impairment loss was recognised for the Longwei's CGU as its recoverable amount was determined to be higher than its carrying amount.

In 2013, the property, plant and equipment were reclassified as assets held for sale and included in the Steel Business, which was re-measured to the lower of its carrying amount and its fair value less costs to sell (note 6).

There was no impairment loss recognised in 2014.

NOTES TO THE FINANCIAL STATEMENTS

5. INTANGIBLE ASSETS

	Note	Customer list $'000	Goodwill $'000	Total $'000
Group				
Cost				
At 1 January 2013, 31 December 2013 and 1 January 2014		–	–	–
Acquisition of subsidiary	30	749	1,215	1,964
Translation difference on consolidation		(30)	–	(30)
At 31 December 2014		719	1,215	1,934
Accumulated amortisation				
At 1 January 2013, 31 December 2013 and 1 January 2014		–	–	–
Amortisation		175	–	175
Translation difference on consolidation		(9)	–	(9)
At 31 December 2014		166	–	166
Carrying amount		553	1,215	1,768

The amortisation of customer list is included in other operating expenses.

6. INTERESTS IN SUBSIDIARIES

	Company 2014 $'000	Company 2013 $'000
Unquoted equity shares at cost		
At 1 January	41,857	112,655
Acquisition of a subsidiary (note 30)	13,036	–
Reclassified as assets held for sale	–	(70,798)
At 31 December	54,893	41,857
Less: Impairment losses		
At 1 January	41,857	36,594
Impairment during the year	–	5,263
Impairment on re-measurement of subsidiary classified as assets held for sale	–	29,711
Reclassified as assets held for sale	–	(29,711)
At 31 December	41,857	41,857
Net	13,036	–

In view of the recurring losses of certain subsidiaries, the Company has reassessed the recoverable amount of the Company's investments in these subsidiaries. The recoverable value was determined based on the subsidiaries' estimated fair value. The subsidiary that was reclassified as assets held for sale in year 2013 was included in the Steel Business, which was re-measured to the lower of its carrying amount and its fair value less costs to sell (Note 6).

NOTES TO THE FINANCIAL STATEMENTS

6. INTERESTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation/ Place of business	Effective equity interest held by the Group	
			2014	2013
			%	%
Sapphire Construction & Development Pte. Ltd.[1][5] and its subsidiary:	Construction and development of properties	Singapore	100	100
- Tudor Jaya Sdn. Bhd. [3][5]	Property development	Malaysia	100	100
Sapphire Mineral Resources Pte. Ltd. ("SMRPL") [1][5]	Trading in minerals	Singapore	100	100
Mancala Holdings Pty Ltd ("Mancala") [2] and its subsidiaries:	Mining equipment hire	Australia	100	–
- Mancala Pty Ltd [2]	Vertical boring and shaft contractor	Australia	100	–
- Mancala Asia Ltd [2] and its subsidiary:	Mining labour hire	Hong Kong	100	–
- MCL Vietnam Industries Co. Ltd ("MCL") [2]	Contract mining	Vietnam	49[4]	–
- Mancala Mining Pty Ltd [2]	Alliance mining	Australia	100	–
- Mancala Mine Services Pty Ltd [2]	Mining labour and equipment hire	Australia	100	–
- Spectrum Resources Australia Pty Ltd [2]	Dormant	Australia	100	–
Subsidiaries classified as assets held for sale				
Lucky Art Holdings Limited ("Lucky Art") [2] and its subsidiaries:	Investment holding	Hong Kong	–	100
- Neijiang Chuanwei Special Steel Co., Ltd ("Special Steel") [2] and its subsidiaries:	Manufacturing and sale of steel and vanadium pentoxide products	People's Republic of China	–	100
- Chengdu Sapphire Cellar I/E Co., Ltd ("Cellar") [2]	Sales of wine	People's Republic of China	–	100
- Chengdu Lucky Fortune Trading Co., Ltd. ("Lucky Fortune") [2]	Trading of steel products	People's Republic of China	–	100

NOTES TO THE FINANCIAL STATEMENTS

6. INTERESTS IN SUBSIDIARIES (CONT'D)

Name of subsidiaries	Principal activities	Country of incorporation/ Place of business	Effective equity interest held by the Group	
			2014	2013
			%	%
- Sichuan Longwei Metal Products Co., Ltd. ("Longwei") [(2)]	Manufacturing and sale of cold-rolled steel coil	People's Republic of China	–	100
Sapphire Mineral Resources (HK) Limited ("SMRHK") [(3)]	Investment holding	Hong Kong	–	100

(1) Audited by KPMG LLP.
(2) Audited by other member firm of KPMG International.
(3) The entities are insignificant to the Group and are audited by other auditors.
(4) Although the Group owns less than half of MCL's voting power, the management has determined that the Group controls the entity, by virtue of the shareholders' agreement with its other investor, and is entitled to all results of MCL.
(5) These entities are dormant in 2014.

The Company and SMRPL (collectively the "Vendors") had on 25 April 2014 signed the sale and purchase agreement with Propitious Holding Company Limited (the "Purchaser") to sell the Group's steel-making operations for an aggregate consideration of $70 million (the "Transaction").

The Group's steel-making operations consist of investments in (i) its 100%-owned subsidiaries, namely Sapphire Mineral Resources (HK) Limited ("SMRHK") and Lucky Art Holdings Limited ("Lucky Art"); and (ii) its available-for-sale financial assets, 16% interests in Prime Empire Limited ("Prime Empire") and 16% interest in Precise Skill Limited ("Precise Skill") (collectively the "Steel Business"). In view of the Board's intent and commitment to sell the Steel Business, the assets and liabilities related to the Steel Business were classified as assets and liabilities held for sale in 2013 until the completion of the Transaction.

The Company's shareholders approved the Transaction at the extraordinary general meeting held on 30 July 2014. The sale was completed on 29 December 2014. Refer to note 28 for the effects of disposal.

NOTES TO THE FINANCIAL STATEMENTS

6. INTERESTS IN SUBSIDIARIES (CONT'D)

As at 31 December 2013, the Steel Business comprised the following assets and liabilities:

	Note	Group 2013 $'000	Company 2013 $'000
Assets classified as held for sale			
Property, plant and equipment	(1)	71,776	–
Prepaid leases	(1)	30,207	–
Interest in subsidiaries		–	41,087
Other investments	(2)	9,600	9,600
Inventories	(3)	25,969	–
Deposit with an affiliated party	(4)	63,184	–
Trade and other receivables	(5)	70,850	–
Current tax asset		1,252	–
Cash and cash equivalents	(6)	22,792	–
		295,630	50,687
Liabilities classified as held for sale			
Long term payable to an affiliated party	(7)	110,708	–
Deferred tax liabilities		9,043	–
Trade and other payables	(8)	109,879	–
		229,630	–
Net assets		66,000	50,687

(1) As at 31 December 2013, the Group had mortgages over its property, plant and equipment and prepaid leases with net book value of $47,950,000 and $25,629,000 respectively to secure loans borrowed by affiliated parties.

(2) Other investments comprised the Group's available-for-sale financial assets, 16% equity interest in Prime Empire and Precise Skill.

(3) Inventories comprised raw materials of $15,464,000, work-in-progress of $1,621,000, finished goods of $5,037,000 and spare parts of $3,261,000 for the steel and vanadium products and wines of $586,000.

(4) Deposit with an affiliated party related to a deposit placed with an affiliated party by a subsidiary to secure purchases of raw materials at favourable prices in China. The deposit is refundable upon demand and is secured with a charge over the inventory of the affiliated party. The carrying value of the collateral is approximately $153,462,000.

(5) Included in the trade and other receivables were trade receivables from affiliated parties of $148,000, other receivables from affiliated parties of $4,246,000 and prepayment for trading of steel products with an affiliated party of $2,863,000.

(6) Included in cash and cash equivalents were fixed deposits of $19,657,000 pledged to the bank for notes payables and cash and bank balances of $3,135,000.

NOTES TO THE FINANCIAL STATEMENTS

6. INTEREST IN SUBSIDIARIES (CONT'D)

(7) The salient terms of the long term payable to an affiliated party were:

- the long term payable bears interest at 3% per annum;
- the subsidiary shall have the sole discretion as to the timing and quantum of repayment; and
- in the event that on the date of expiry of the corporate guarantees and loans (borrowed by affiliated parties for which mortgages were granted over the Group's buildings, plant and machinery and prepaid leases (note (1) above)), the long term payable remains outstanding, the affiliated party may renew or extend these corporate guarantees and loans. Vice versa, upon repayment, the affiliated party will release the corporate guarantees and mortgages at a value equivalent to the amount of repayment.

The face value of the long term payable as at 31 December 2013 was $114,470,000.

The long term payable had no fixed term of repayment and was not expected to be repaid within the next 12 months.

(8) Included in the trade and other payables were trade payables to affiliated party of $7,893,000, amount due to affiliated parties (non-trade) of $3,434,000 and trade receipts in advance from affiliated parties of $25,352,000.

The trade and non-trade amounts due to subsidiary and affiliated parties were interest-free, unsecured and repayable on demand.

7. INTERESTS IN ASSOCIATES

Name of associates	Principal activities	Country of incorporation/ Place of business	Effective equity interest held by the Group	
			2014	2013
			%	%
Industrial Contracts Marketing (2001) Pte Ltd [1]	Provision of painting and renovation services	Singapore	–	36.67
Hainan I.R.E. Letian Construction & Decoration Engineering Co., Ltd [1]	Provision of building renovation services	People's Republic of China	–	49

[1] The entities are insignificant to the Group and are audited by other auditors.

NOTES TO THE FINANCIAL STATEMENTS

7. INTERESTS IN ASSOCIATES (CONT'D)

The financial information of the Group's interest in immaterial associates, based on the amount reported in the Group's consolidated financial statements was as follows:

	Immaterial associates	
	2014	**2013**
	$'000	**$'000**
Group's interest in net assets of investees at beginning of the year	883	913
Group's share of:		
- (loss)/profit from operations	(14)	44
- other comprehensive income	–	(74)
Disposal of associates	(869)	–
Carrying amount of interest in investees at end of the year	–	883

There were no contingent liabilities as at 31 December 2014 and 31 December 2013.

In the current year, the Group disposed of its interests in the associates for a total consideration of $350,000. The loss of disposal of $754,000, net of cost of disposal was recognised in Other Expenses from continuing operations.

8. OTHER INVESTMENTS

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Available-for-sale equity securities				
Quoted equity shares	90	1	1	1

An impairment loss based on the decrease in fair value of available-for-sale equity securities which amount to $Nil (2013: $26,400,000) was recognised in other operating expenses.

9. INVENTORIES

	Group	
	2014	**2013**
	$'000	**$'000**
Raw materials and consumables	1,910	–
Good-in-transit	13	–
	1,923	–
Inventories recognised in cost of sales		
- Continuing operations	64	–
- Discontinued operations	93,552	133,371

In 2013, the write-down of inventories to net realisable value amounted to $4,802,000 as a result of cessation of a production line and is included in cost of sales. There was no write-down of inventories in 2014.

NOTES TO THE FINANCIAL STATEMENTS

10. TRADE AND OTHER RECEIVABLES

	Note	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Trade receivables	11	7,199	20	39	19
Amounts due from subsidiaries	12	–	–	5,618	15,339
Other receivables	13	61,009	48	56,089	21
		68,208	68	61,746	15,379
Deposits		135	63	74	63
Loans and receivables		68,343	131	61,820	15,442
Prepayments		538	35	39	34
Club memberships, at cost		134	134	134	134
		69,015	300	61,993	15,610
Non-current	12	–	–	5,414	–
Current		69,015	300	56,579	15,610
		69,015	300	61,993	15,610

The maximum exposure to credit risk for loans and receivables at the reporting date for the Group and Company (by geographical area) is:

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Singapore	139	110	113	15,421
China and Hong Kong (note 13)	56,089	–	56,089	–
Australia	5,545	21	5,618	21
Vietnam	6,493	–	–	–
Others	77	–	–	–
	68,343	131	61,820	15,442

Impairment losses

	Gross 2014 $'000	Impairment losses 2014 $'000	Net 2014 $'000	Gross 2013 $'000	Impairment losses 2013 $'000	Net 2013 $'000
Group						
Not past due	63,179	–	63,179	104	–	104
Past due 0 – 30 days	3,441	–	3,441	–	–	–
Past due 31 – 120 days	443	–	443	27	–	27
Past due 121 – 365 days	1,318	(38)	1,280	–	–	–
More than one year	7,257	(7,257)	–	9,613	(9,613)	–
	75,638	(7,295)	68,343	9,744	(9,613)	131

NOTES TO THE FINANCIAL STATEMENTS

10. TRADE AND OTHER RECEIVABLES (CONT'D)

Impairment losses (cont'd)

	Gross 2014 $'000	Impairment losses 2014 $'000	Net 2014 $'000	Gross 2013 $'000	Impairment losses 2013 $'000	Net 2013 $'000
Company						
Not past due	61,671	–	61,671	52,956	(37,514)	15,442
Past due 0 – 30 days	–	–	–	–	–	–
Past due 31 – 120 days	54	–	54	–	–	–
Past due 121 – 365 days	75	–	75	–	–	–
More than one year	2,204	(2,184)	20	144	(144)	–
	64,004	(2,184)	61,820	53,100	(37,658)	15,442

The movement in allowance for impairment in respect of trade and other receivables during the year were as follows:

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
At 1 January	9,613	10,738	37,658	5,340
Impairment losses recognised	40	237	–	37,590
Impairment losses written back	(11)	(121)	(35,330)	(5,242)
Impairment losses utilised	(2,345)	(1,241)	(144)	(30)
Translation differences	(2)	–	–	–
At 31 December	7,295	9,613	2,184	37,658

The Group monitors its recoverables periodically for collectability. The Group evaluates whether there is any objective evidence that the trade and other receivables are impaired and determines the amount of impairment loss as a result of the inability of the customers to make required payments. Based on past repayment trends and the nature of the receivables, the Group believes that no additional impairment losses beyond amounts provided is necessary in respect of trade and other receivables neither past due nor impaired because of no significant change in credit quality and the amounts are still considered recoverable.

The Group has recognised an impairment written back of $Nil (2013: $94,000) in respect of the amounts owed by an affiliated party during the financial year.

Except for the other receivable amount of $56.1 million (note 13), there is no concentration of credit risk as at 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS

11. TRADE RECEIVABLES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade receivables	7,237	20	39	19
	7,237	20	39	19
Impairment losses	(38)	–	–	–
	7,199	20	39	19

12. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2014	2013
	$'000	$'000
Loans	7,802	52,853
Impairment losses	(2,184)	(37,514)
	5,618	15,339
Non-current	5,414	–
Current	204	15,339
	5,618	15,339

Short term loans due from subsidiaries are interest-free, unsecured and repayable on demand.

Long-term loan due from a subsidiary bears interest at 4% per annum, is unsecured, and is expected to be repaid in 2016.

NOTES TO THE FINANCIAL STATEMENTS

13. OTHER RECEIVABLES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Deposit for purchases of minerals	–	6,949	–	–
Interest receivable from a third party	–	21	–	21
Other receivables from				
- affiliated parties	–	513	–	46
- third parties	68,266	2,178	56,089	98
	68,266	9,661	56,089	165
Impairment losses	(7,257)	(9,613)	–	(144)
	61,009	48	56,089	21

Pursuant to an agreement with Propitious Holdings Company Limited, it was agreed that the outstanding consideration receivable of $58.5 million from the sale of the Steel Business would be paid in Chinese Renminbi and fixed at RMB 263 million. This resulted in an unrealised exchange loss of $2.4 million recognized as at 31 December 2014.

Other receivables of the Group and the Company as at 31 December 2014, include $56.1 million (RMB 263 million) due from Propitious Holdings Company Limited ("Propitious"). Subsequent to the year end, Propitious paid $8.5 million (RMB 40 million) in cash and issued a bond for the remaining amount of RMB 223 million which bears interest at 5% per annum, maturing on 28 July 2015.

14. SHORT-TERM LOAN RECEIVABLES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Short term loan receivables (secured) from:				
- Third party [(1)]	–	2,255	–	2,255

(1) The loan to a third party was in connection with the acquisition of a subsidiary during the year (note 30). The loan bore interest at 4% per annum, was repayable within one year and secured by the shares to be acquired. The third party was acquired as a subsidiary during the year. The maturity of the loan amount was extended till 2016 and accordingly, was reclassified to non-current other receivables (note 12).

At the reporting date, the maximum exposure to credit risk for loan receivables for the Group and Company (by geographical area) is:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Australia	–	2,255	–	2,255

NOTES TO THE FINANCIAL STATEMENTS

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Cash and bank balances	11,778	6,719	10,040	6,303
Short-term deposits	469	–	469	–
Cash and cash equivalents in the statements of financial position	12,247	6,719	10,509	6,303
Bank overdrafts used for cash management purposes	(1,736)	–	–	–
Cash and cash equivalents in the statements of cash flows	10,511	6,719	10,509	6,303

The weighted average effective interest rates per annum relating to cash and cash equivalents at the reporting date for the Group and Company are 0.62% (2013: 0.40%) and 0.59% (2013: 0.40%) respectively. Interest rates are repriced within one year.

16. NON-CURRENT ASSETS HELD FOR SALE

	Group	
	2014	2013
	$'000	$'000
Current		
Plant and equipment	1,781	–

The plant and equipment are classified as held for sale as the management has the intent and commitment to dispose of them within the next 12 months. The plant and equipment are currently not being utilised.

17. SHARE CAPITAL

	Company	
	2014	2013
	No. of shares '000	No. of shares '000
Issued and fully paid ordinary shares, with no par value:		
At 1 January and At 31 December	810,949	810,949

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS

17. SHARE CAPITAL (CONT'D)

Capital Management

The Board's objective 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 Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity excluding non-controlling interests. The Board also reviews and monitors the level of dividends to ordinary shareholders.

The Group regularly reviews and manages its capital to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and make adjustments to the capital structure in light of changes in economic conditions by adjusting the amount of dividends paid to shareholders, issuing new shares, returning capital to shareholders, raising new debt financing or selling assets to reduce debts.

The capital structure of the Group consists of debts, which includes borrowings disclosed in note 20, issued capital, reserves and retained earnings.

There were no changes in the Group's approach to capital management during the financial year. The Group is not subject to externally imposed capital requirements during the financial year ended 31 December 2014 and 31 December 2013.

18. RESERVES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Capital reserve	1,235	1,235	1,084	1,084
Merger reserve	418	418	–	–
Other reserves	(1,353)	(1,353)	(1,353)	(1,353)
Statutory reserve	–	4,954	–	–
Currency translation reserve	(690)	333	–	–
Fair value reserve	–	–	–	1,497
Accumulated losses	(187,499)	(192,591)	(189,183)	(188,517)
	(187,889)	(187,004)	(189,452)	(187,289)

Capital reserve comprises the equity component of convertible bonds and convertible bank loan for the Group and Company.

Merger reserve represents the difference between the nominal value of shares issued by the Company in exchange for the nominal value of shares acquired in respect of the acquisition of a subsidiary, Sapphire Construction & Development Pte Ltd, accounted for under the pooling of interest method.

Other reserves represent expenses incurred in relation to the issue of shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS

18. RESERVES (CONT'D)

The statutory reserve comprises amounts set aside in accordance with Company Law of PRC and the respective articles of association of subsidiary in mainland China (the "PRC Subsidiary") and the share of post-acquisition statutory reserves of associates. The PRC Subsidiary is required to allocate 10% of its profits after tax, as determined in accordance with the Accounting Standards for Business Enterprise and the Accounting Regulation for Business Enterprise issued by the Ministry of Finance of the PRC, to the statutory reserve until such reserve reaches 50% of its registered capital. Statutory reserve shall only be used to make up losses, to expand the PRC Subsidiary's production operations, or capitalised as share capital. During the year, the balance in the statutory reserve was transferred to accumulated losses in the disposal of the Steel Business (see note 6).

The currency translation reserve comprises foreign exchange differences arising from the translation of net assets/liabilities of foreign subsidiaries and share of associates' foreign currency translation reserves and the exchange difference arising from the revaluation of intra-group loan that in substance form part of the Company's net investment in a foreign operation.

Fair value reserve comprises the cumulative net change in the fair value of the available-for-sale financial assets until the investments are derecognised or impaired.

The capital reserve, merger reserve and statutory reserve are not available for distribution as dividends.

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Non-current liabilities				
Other payables	7,780	–	7,000	–
	7,780	–	7,000	–
Current liabilities				
Trade payables to:				
- third parties	11,124	64	528	44
Accrued operating expenses	826	2,239	782	1,891
Amount due to:				
- subsidiaries (non-trade)	–	311	16	311
Other payables	15,618	2	6,286	2
	27,568	2,616	7,612	2,248
	35,348	2,616	14,612	2,248

Included in other payables (current) and other payables (non-current) are the contingent consideration of A$5.5 million (equivalent to $6 million) and A$6.1 million (equivalent to $7 million) payable for the acquisition of a subsidiary (note 30) respectively.

Other payables (non-current) also includes an interest-free loan of $780,000 which is extended by the previous shareholders of the subsidiary, Mancala Holdings Pty Ltd, and is expected to be repaid in 2016.

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL LIABILITIES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Non-current liabilities				
Finance lease liabilities	5,649	–	–	–
	5,649	–	–	–
Current liabilities				
Bank overdraft	1,736	–	–	–
Secured bank loans	2,416	–	–	–
Finance lease liabilities	3,018	–	–	–
	7,170	–	–	–
	12,819	–	–	–

Terms and debt repayment schedule

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

			2014		2013	
	Nominal interest rate	Year of maturity	Face value $'000	Carrying amount $'000	Face value $'000	Carrying amount $'000
Group						
Bank overdraft	13.7%	On demand	1,736	1,736	–	–
Secured bank loans	8.38%	2015	2,416	2,416	–	–
Finance lease liabilities	6.31% - 8.82%	2015 - 2018	9,639	8,667	–	–
			13,791	12,819	–	–

The bank loans are secured by a registered mortgage debenture over all assets and undertakings of certain entities of Mancala Holdings Pty Ltd and its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL LIABILITIES (CONT'D)

The following are the contractual undiscounted cash outflows of financial liabilities, including interest payments and excluding the impact of netting agreements:

		Cash flows		
	Carrying amount	Contractual cash flows	Within 1 year	Within 1 to 5 years
	$'000	$'000	$'000	$'000
Group				
2014				
Non-derivative financial liabilities				
Bank overdraft	1,736	(1,736)	(1,736)	–
Secured bank loans	2,416	(2,597)	(2,597)	–
Finance lease liabilities	8,667	(9,639)	(3,519)	(6,120)
Trade and other payables	35,348	(35,348)	(27,568)	(7,780)
2013				
Non-derivative financial liabilities				
Trade and other payables	2,616	(2,616)	(2,616)	–
Company				
2014				
Non-derivative financial liabilities				
Trade and other payables	14,612	(14,612)	(7,612)	(7,000)
2013				
Non-derivative financial liabilities				
Trade and other payables	2,248	(2,248)	(2,248)	–

Finance lease liabilities

In 2014, the obligations under finance leases are for the purchase of plant and equipment. The Group have obligations under finance leases that are payable as follows:

	Future minimum lease payments	Interest	Principal
	$'000	$'000	$'000
2014			
Within one year	3,519	501	3,018
Between one and five years	6,120	471	5,649
	9,639	972	8,667

There were no obligations under finance leases in 2013.

NOTES TO THE FINANCIAL STATEMENTS

21. DEFERRED TAX LIABILITIES

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

Group	2014 $'000	2013 $'000
Property, plant and equipment	297	–
Intangible assets	166	–
	463	–

Movement in temporary differences during the year

	At 1 January 2013 $'000	Recognised in income statement (note 27) $'000	Exchange differences $'000	Reclassified to assets held for sale (note 6) $'000	At 31 December 2013 $'000	Acquisition of subsidiary (note 30) $'000	Recognised in income statement (note 27) $'000	Exchange differences $'000	At 31 December 2014 $'000
Group									
Property, plant and equipment	632	(659)	27	–	–	201	109	(13)	297
Intangible assets	465	(483)	18	–	–	224	(52)	(6)	166
Prepaid leases	7,799	(196)	499	(8,102)	–	–	–	–	–
Undistributed profits of a subsidiary	2,396	(2,490)	94	–	–	–	–	–	–
Long term payable to an affiliated party	884	–	57	(941)	–	–	–	–	–
	12,176	(3,828)	695	(9,043)	–	425	57	(19)	463

At 31 December 2013, the undistributed profits generated since 1 January 2008 of a PRC subsidiary amounted to $2,236,000. Deferred tax liabilities of $223,000 had not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of the subsidiary and it has been determined that it is probable that profits will not be distributed in the foreseeable future. The PRC subsidiary was disposed in the current year as part of the disposal of the Steel Business (note 6).

NOTES TO THE FINANCIAL STATEMENTS

22. PROVISIONS

	Group Rectification costs $'000	Company Rectification costs $'000
2014		
At 1 January 2014	201	189
Reversal made during the year	(127)	(115)
Provision utilised	(74)	(74)
At 31 December 2014	–	–
2013		
At 1 January 2013	305	293
Provision utilised	(104)	(104)
At 31 December 2013	201	189

Rectification costs

The provision for rectification costs are based on estimates from known and expected rectification work and contractual obligation for further work to be performed after completion, as well as historical data for claims for warranty associated with similar work and services. During the year, the Group and Company transferred the liability and obligation to an external party when the Group sold its painting and renovation business (held via associates) to that external party.

23. REVENUE

	Group Discontinued operations		Group Continuing operations	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Mining services	–	–	58,487	–
Sale of manufactured vanadium products	62,391	63,201	–	–
Processing fees for rebars and hot-rolled coil	–	30,346	–	–
Sale of manufactured steel products	31,268	79,322	–	–
Commission from trading of steel products	249	1,191	–	–
Sale of wine	383	423	–	–
Building maintenance and services	–	–	–	6
	94,291	174,483	58,487	6

NOTES TO THE FINANCIAL STATEMENTS

24. OTHER INCOME

	Group Discontinued operations		Group Continuing operations	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Interest income:				
- banks	532	422	17	12
- third party	–	–	–	20
Gain on disposal of property, plant and equipment	–	–	150	–
Exchange gain (net)	–	950	67	1,763
Rental income	2,726	3,065	63	–
Others	50	15	250	50
	3,308	4,452	547	1,845

25. FINANCE COSTS

	Group Discontinued operations		Group Continuing operations	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Amortisation of fees in relation to bank loans	–	166	–	–
Interest expense:				
- long term payable to affiliated party	3,807	3,378	–	–
- finance lease	–	–	1,020	–
- banks	305	268	573	–
	4,112	3,812	1,593	–

NOTES TO THE FINANCIAL STATEMENTS

26. LOSS BEFORE INCOME TAX

The following items have been included in arriving at loss before income tax:

	Group Discontinued operations		Group Continuing operations	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Allowance for impairment losses on doubtful receivables	–	–	29	116
Amortisation of intangible assets and prepaid leases	–	2,030	175	–
Audit fees				
- auditors of the Company	–	–	133	176
- other auditors	92	200	75	4
Depreciation of property, plant and equipment	–	17,754	3,791	68
Directors' remuneration and fees				
- directors of the Company	–	–	1,433	2,084
Exchange loss /(gain) (net)	1,454	(950)	2,891	(1,763)
Impairment loss on available-for-sale financial assets	9,600	26,400	–	–
Impairment loss on intangibles	–	1,105	–	–
Impairment loss on property, plant and equipment	–	59,844	–	–
Impairment loss on re-measurement of assets held for sale	–	58,001	–	–
Loss on disposal of associates	–	–	754	–
Loss on disposal of available-for-sale financial assets	–	670	–	–
Net realisable value adjustment on inventories	–	4,802	–	–
Non-audit fees				
- auditors of the Company	–	–	14	46
- other auditors		52	150	29
Operating lease expenses	–	–	736	234
Staff costs	7,682	9,683	7,947	1,906
Contributions to defined contribution plans included in staff costs	1,618	1,041	98	137

NOTES TO THE FINANCIAL STATEMENTS

27. INCOME TAX EXPENSE/(CREDIT)

	Group Discontinued operations		Group Continuing operations	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Current tax expense				
Current year	–	3,152	1,381	–
Under/(over) provided in prior years	91	(79)	–	–
	91	3,073	1,381	
Deferred tax expense				–
Origination and reversal of temporary differences	–	(3,828)	57	–
	91	(755)	1,438	–

Reconciliation of effective tax rate

	Group	
	2014	2013
	$'000	$'000
Profit/(loss) for the year	138	(157,176)
Total income tax expense/(credit)	1,529	(755)
Total share of results of associates	14	(44)
Profit/(loss) before tax	1,681	(157,975)
Tax calculated using Singapore tax rate at 17% (2013: 17%)	286	(26,856)
Effect of different tax rates in other countries	(446)	(5,091)
Expenses not deductible for tax purposes	7,673	30,899
Income not subject to tax	(11,131)	–
Deferred tax benefit not recognised	5,056	1,710
Changes in unrecognised temporary differences	–	(1,338)
Under/(over) provided in prior years	91	(79)
	1,529	(755)

Income tax recognised in other comprehensive income

There are no tax effects relating to other comprehensive income presented in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

27. INCOME TAX EXPENSE/(CREDIT) (CONT'D)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Deductible temporary differences	13,892	18,349	(323)	(323)
Tax losses	132,678	130,765	93,130	86,911
Unutilised capital allowances	2,393	2,393	–	–
	148,963	151,507	92,807	86,588

In 2013, the Group did not recognise deferred tax assets in respect of tax losses and deductible temporary differences of $14,241,000 and $1,556,000, respectively related to the discontinued operations.

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. The unutilised tax losses and capital allowances which are available to set-off against future taxable income, are subject to agreement by the tax authorities and compliance with tax regulations prevailing in the respective countries.

NOTES TO THE FINANCIAL STATEMENTS

28. DISCONTINUED OPERATIONS

The results of the discontinued operations and the financial effects of the completion of the Transaction (note 6) are as follows:

	Note	Group 2014 $'000	Group 2013 $'000
Results of discontinued operations			
Revenue	23	94,291	174,483
Cost of sales		(96,630)	(172,237)
Gross (loss)/profit		(2,339)	2,246
Other income	24	3,308	4,452
Distribution costs		(766)	(963)
Administrative expenses		(3,679)	(5,931)
Other expenses			
- Other operating expenses		(11,203)	(91,218)
- Loss on re-measurement of Steel Business		–	(58,001)
Loss from operating activities		(14,679)	(149,415)
Finance costs	25	(4,112)	(3,812)
Loss before income tax	26	(18,791)	(153,227)
Income tax (expense)/credit	27	(91)	755
Loss from discontinued operations		(18,882)	(152,472)
Gain on disposal of discontinued operations		24,188	–
Profit/(loss) from discontinued operations		5,306	(152,472)
Earnings per share of discontinued operations	29		
Basic (cents)		0.65	(18.80)
Diluted (cents)		0.65	(18.80)
Cash flows from discontinued operations			
Net cash from operating activities		3,860	26,231
Net cash from investing activities		9,296	8,334
Net cash used in financing activities		(305)	(27,581)
Net cash flows for the year		12,851	6,984

NOTES TO THE FINANCIAL STATEMENTS

28. DISCONTINUED OPERATIONS (CONT'D)

Effects of disposal on the financial position of the Group

	Group 2014 $'000
Property, plant and equipment	70,797
Prepaid leases	30,724
Inventories	21,927
Trade and other receivables	146,163
Cash and cash equivalents	2,746
Trade and other payables	(197,105)
Financial liabilities	(19,179)
Deferred tax liabilities	(8,934)
Net assets disposed	47,139
Realisation of foreign currency translation reserve	(1,327)
Gain on disposal	24,188
Sale consideration	70,000
Less:	
Sale consideration receivable	(58,500)
Cash and cash equivalents disposed of	(2,746)
Net cash inflow (included in net cash flow from investing activities from discontinued operations)	8,754

29. EARNINGS PER SHARE

The calculation of basic earnings per share ("EPS") for the year ended 31 December 2014 was based on the following (loss)/income attributable to owners of the Company divided by the weighted average number of ordinary shares outstanding of 810,949,000 (2013: 810,949,000) during the year.

	2014			2013		
	Continuing $'000	Discontinued $'000	Total $'000	Continuing $'000	Discontinued $'000	Total $'000
Group						
(Loss)/profit attributable to owners of the Company	(5,168)	5,306	138	(4,704)	(152,472)	(157,176)

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.

NOTES TO THE FINANCIAL STATEMENTS

30. ACQUISITION OF INTEREST IN SUBSIDIARY

On 7 January 2014, the Group acquired 100% equity interest in Mancala Holdings Pty Ltd ("Mancala").

In the current year, Mancala contributed revenue of $58.5 million and profit of $1.4 million to the Group's results. The contribution would be the same if the acquisition had occurred in 1 January 2014.

Consideration transferred

Contingent consideration

The purchase consideration of A$11,562,000 (equivalent to $13 million) was determined by management based on valuation computed by an external independent professional valuer, having appropriate recognised professional qualifications and experience.

The Group has agreed to pay the selling shareholders a maximum sales consideration of A$15 million (in both cash and shares of the Company) over the next two years based on the stipulated formula if Mancala meets certain net profit after tax targets for the financial years ending 31 December 2014 and 2015.

The fair value of the contingent consideration payable and the fair value of the assets and liabilities acquired are summarised as follows:

	Note	Recognised value $'000
Property, plant and equipment	4	38,670
Intangibles	5	749
Other investment		93
Non-current assets held for sale		2,280
Inventories		2,322
Trade and other receivables		12,136
Cash and cash equivalents		384
Trade and other payables		(20,025)
Financial liabilities		(21,135)
Long term payables		(3,044)
Long term provisions		(184)
Deferred tax liabilities	21	(425)
Total identifiable net assets		11,821
Goodwill on acquisition	5	1,215
Contingent consideration of fair value		13,036
Consideration payable		(13,036)
Cash and cash equivalents acquired		384
Acquisition of subsidiary, net of cash acquired		384

The goodwill is attributable mainly to the skills and technical talent of Mancala's work force. None of the goodwill recognised is expected to be deductible for tax purposes.

NOTES TO THE FINANCIAL STATEMENTS

30. ACQUISITION OF INTEREST IN SUBSIDIARY (CONT'D)

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired and contingent consideration were as follows:

Items	Valuation technique
Assets acquired - Property, plant and equipment	*Market comparison technique and cost technique:* The valuation model considers quoted market prices for similar items when available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
- Intangible assets	*Multi-period excess earnings method:* The multi-period excess earnings method considers the present value of net cash flows related to contributory assets.
Contingent Consideration	*Discounted cash flow technique:* Expected consideration amounts are discounted to fair value based on appropriate discount rates.

31. RELATED PARTIES

Key management personnel compensation

Compensation payable to key management personnel comprises:

	Group	
	2014	2013
	$'000	$'000
Short-term employee benefits	2,543	2,851
Post-employment benefits	115	39
	2,658	2,890

No share award was given to any participant in 2013 and 2014.

Other transactions with key management personnel

During the year, the Group and the Company had purchase of wine of $7,904 (2013: $8,000) from a company in which a director of the Company has substantial equity interests. The sales were made on the same terms as other third parties.

NOTES TO THE FINANCIAL STATEMENTS

31. RELATED PARTIES (CONT'D)

Other related party transactions

Other than disclosed elsewhere in the financial statements, the transactions with affiliated parties and associates at terms agreed between the parties are as follows:

	Group	
	2014	2013
	$'000	$'000
Affiliated parties		
- Occupancy fees for lease of premises	58	–
- Loan funds advanced	107	–
- Commission from trading of steel products	–	(84)
- Processing fee from rebars and hot-rolled coil	–	(30,346)
- Sale of goods and others	–	(15,920)
- Sale of wine	–	(200)
- Purchase of material and others	–	56,269
- Reimbursement of costs	–	12,431

32. FINANCIAL RISK MANAGEMENT

Overview

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit and Risk 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 function of the Audit and Risk Committee is set out in the Corporate Governance Report.

Credit risk

The Group's credit risk is primarily attributable to its cash and cash equivalents, trade and other receivables, and loan receivables. Some of these financial instruments are secured as disclosed in note 10 to the financial statements.

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT (CONT'D)

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Analysis of contractual cash flows of financial liabilities is set out in note 20. Also refer to note 34 for financial guarantees which may be called upon.

Market risk

Market risk is the risk of changes in market prices, such as interest rates, foreign exchange rates and equity prices that 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 on risk.

Interest rate risk

At the reporting date, the Group's and the Company's exposure to market risk for changes in interest rates relates primarily to the Group's and the Company's debt obligations. The Group and the Company do not use derivative financial instruments to hedge the exposure in the fluctuations of interest rate.

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT (CONT'D)

At the reporting date, the interest rate profile of the interest-bearing financial instruments was:

	Group		Company	
	Carrying amount		Carrying amount	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Fixed rate instruments				
Amount due from subsidiaries	–	–	5,414	–
Short-term loan receivables	–	2,255	–	2,255
Finance lease liabilities	(8,667)	–	–	–
	(8,667)	2,255	5,414	2,255
Variable rate instruments				
Bank overdraft	1,736	–	–	–
Secured bank loans	2,416	–	–	–
	4,152	–	–	–

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

In 2014, a change of 100 basis points (equivalent to 1 percentage point) in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. There are no variable rate instruments in 2013.

	Profit or loss	
	100 bp Increase	100 bp decrease
Group	$'000	$'000
31 December 2014		
Variable rate instruments	(42)	42

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases, receipts, payments and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies arose from the monetary assets and liabilities that give rise to this risk are primarily the United States dollar (USD), Australian dollar (AUD) and Hong Kong dollar (HKD), Vietnam dong (VND), Euro (EUR) and the Renminbi (RMB).

The exposures to foreign currency are as follows:

	USD $'000	AUD $'000	RMB $'000	HKD $'000	VND $'000	EUR $'000
Group						
2014						
Other investments	–	–	–	1	–	–
Trade and other receivables	2,518	–	56,089	–	3,870	–
Cash and cash equivalents	1,146	469	9,591	178	35	–
Trade and other payables	(1,434)	(13,036)	–	–	(4,451)	(1,876)
	2,230	(12,567)	65,680	179	(546)	(1,876)

	USD $'000	AUD $'000	RMB $'000
Group			
2013			
Other investments	–	1	–
Short-term loan receivable	–	–	2,255
Trade and other receivables	–	–	21
Cash and cash equivalents	3,734	1,020	–
Trade and other payables	(311)	–	–
	3,423	1,021	2,276

	USD $'000	AUD $'000	RMB $'000	HKD $'000
Company				
2014				
Other investments	–	5,414	–	1
Trade and other receivables	–	204	56,089	–
Cash and cash equivalents	74	469	9,591	178
Trade and other payables	(248)	(13,036)	–	–
	(174)	(6,949)	65,680	179

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk (cont'd)

Company	USD $'000	HKD $'000	AUD $'000
2013			
Other investments	–	1	–
Short-term loan receivable	–	–	2,255
Trade and other receivables	–	–	21
Cash and cash equivalents	3,734	1,020	–
Trade and other payables	(311)	–	–
	3,423	1,021	2,276

Sensitivity analysis – foreign currency risk

A 10% strengthening of the Singapore dollar against the following currencies at the reporting date would increase/(decrease) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Company	
	Equity $'000	Profit or loss $'000	Equity $'000	Profit or loss $'000
31 December 2014				
USD	–	(223)	–	17
AUD	–	1,257	–	695
RMB	–	(6,568)	–	(6,568)
HKD	–	(18)	–	(18)
VND	–	55	–	–
EUR	–	188	–	–
31 December 2013				
USD	–	(342)	–	(342)
HKD	–	(102)	–	(102)
AUD	–	(228)	–	(228)

A 10% strengthening of the Singapore dollar against the US dollar will increase profit or loss of the Steel Business by $Nil (2013: $4,645,000).

A 10% weakening of Singapore dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Price risk

The Group is exposed to equity securities price risk arising from the quoted equity securities classified as available-for-sales financial asset for which prices in the future are uncertain.

Sensitivity analysis – equity price risk

A 25% (2013: 25%) increase in the underlying equity prices at the reporting date would increase/(decrease) the fair value of the quoted equity securities by the following amounts:

	Group and Company	
	2014	2013
	$'000	$'000
Increase in share price		
Increase in fair value of quoted equity securities charged to equity	24	–
Decrease in share price		
Decrease in fair value of quoted equity securities charged to equity	(24)	–

This analysis assumes that all other variables remain constant.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within 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).

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Fair value hierarchy (cont'd)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets carried at fair value				
Group and Company				
31 December 2014				
Available-for-sale equity securities (quoted)	90	–	–	–
	90	–	–	–
Financial assets carried at fair value				
Group and Company				
31 December 2013				
Available-for-sale equity securities (quoted)	1	–	–	1
Available-for-sale equity securities (unquoted) #	–	–	9,600	9,600
	1	–	9,600	9,601

The unquoted available-for-sale equity securities are classified as asset held for sale (note 6).

During the financial year, there were no transfers (2013: Nil) of financial instruments between Levels 1, 2 and 3.

The following table shows a reconciliation from the beginning balance to the ending balance for fair value measurements in Level 3 of the fair value hierarchy:

	Group Available-for-sale equity securities (unquoted) $'000	Company Available-for-sale equity securities (unquoted) $'000
31 December 2013		
At 1 January	36,000	36,000
Total loss recognised in other comprehensive income	–	(7,069)
Total losses recognised in profit or loss	(26,400)	(19,331)
Reclassified to assets held for sale (note 6)	(9,600)	(9,600)
At 31 December	–	–

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Fair value hierarchy (cont'd)

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions (described below) would have the following effects (prior to reclassification of the investments to assets held for sale):

	2014		2013	
	Favourable	Unfavourable	Favourable	Unfavourable
	$'000	$'000	$'000	$'000
Group				
Available-for-sale equity securities (unquoted)				
Increase/(decrease) in equity	–	–	1,543	–
Increase/(decrease) in profit or loss	–	–	3,672	(4,171)
Company				
Available-for-sale equity securities (unquoted)				
Increase/(decrease) in equity	–	–	3,508	(2,270)
Increase/(decrease) in profit or loss	–	–	1,707	(1,901)

The favourable and unfavourable effects of using reasonably possible alternative assumptions have been calculated by recalibrating the EV/EBITDA (increase/(decrease) by 5%, in the market approach and the growth rate (range of 0 to 3%) in the income capitalisation method based on the average of the Group's ranges of possible outcomes.

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Financial assets not carried at fair value but for which fair values are disclosed*				
Group				
31 December 2013				
Long-term payable to an affiliate (classified as liabilities held for sale, note 6)	–	110,708	–	110,708

* Excludes financial assets and financial liabilities whose carrying amounts approximate their fair value due to their short-term nature.

The fair value of the long term payable to an affiliated party is estimated by discounting its estimated cash flows. The interest rates used to discount estimated cash flows of long term payable to an affiliated party, where applicable, are based on a market-related rate for similar instruments at the reporting date, and are as follows:

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Fair value hierarchy (cont'd)

	2014 %	2013 %
Long term payable to an affiliated party (classified as liabilities held for sale, note 6)	–	6.4

33. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

	Available-for-sale $'000	Loans and receivables $'000	Other financial liabilities within scope of FRS 39 $'000	Other financial liabilities outside scope of FRS 39 $'000	Total carrying amount $'000
Group					
2014					
Assets					
Other investments	90	–	–	–	90
Cash and cash equivalents	–	12,247	–	–	12,247
Trade and other receivables[1]	–	68,343	–	–	68,343
	90	80,590	–	–	80,680
Liabilities					
Trade and other payables	–	–	35,348	–	35,348
Bank overdraft	–	–	1,736	–	1,736
Secured bank loans	–	–	2,416	–	2,416
Finance lease liabilities	–	–	–	8,667	8,667
	–	–	39,500	8,667	48,167

NOTES TO THE FINANCIAL STATEMENTS

33. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES (CONT'D)

	Available-for-sale $'000	Loans and receivables $'000	Other financial liabilities within scope of FRS 39 $'000	Other financial liabilities outside scope of FRS 39 $'000	Total carrying amount $'000
2013					
Assets					
Other investments	1	–	–	–	1
Cash and cash equivalents	–	6,719	–	–	6,719
Short-term loan receivables	–	2,255	–	–	2,255
Trade and other receivables[1]	–	131	–	–	131
	1	9,105	–	–	9,105
Liabilities					
Trade and other payables	–	–	2,616	–	2,616
Company					
2014					
Assets					
Other investments	1	–	–	–	1
Cash and cash equivalents	–	10,509	–	–	10,509
Trade and other receivables[1]	–	61,820	–	–	61,820
	1	72,329	–	–	72,330
Liabilities					
Trade and other payables	–	–	14,612	–	14,612
2013					
Assets					
Other investments	1	–	–	–	1
Cash and cash equivalents	–	6,303	–	–	6,303
Short-term loan receivables	–	2,255	–	–	2,255
Trade and other receivables[1]	–	15,442	–	–	15,442
	1	24,000	–	–	24,001
Liabilities					
Trade and other payables	–	–	2,248	–	2,248

(1) Excludes prepayment and club membership

NOTES TO THE FINANCIAL STATEMENTS

34. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 31 December 2014 and 31 December 2013.

Continuing financial support

The Company has given formal undertakings, which are unsecured, to provide financial support to its subsidiaries. At 31 December 2014, the net current liabilities and deficits in shareholders' funds of these subsidiaries amounted to approximately $12,578,000 (2013: $61,058,000) and $2,150,000 (2013: $45,746,000) respectively.

35. COMMITMENTS

Lease commitments

At 31 December, the Group and the Company have commitments for future minimum lease payments in respect of non-cancellable operating leases as follows:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Within 1 year	530	243	257	243
Between 1 and 5 years	471	22	217	22
	1,001	265	474	265

The Group and the Company lease a number of offices and housing under operating leases. The leases typically run for an initial period of one year to three years, with an option to renew the lease after that date. None of the leases includes contingent rentals.

There are no lease commitments arising from the discontinued operations.

Proposed acquisition of subsidiary

On 25 November 2014, the Group announced the proposed acquisition of Hong Kong-incorporated Ranken Infrastructure Limited ("Ranken") for a total consideration of RMB 360.4 million (equivalent to $75.9 million). The consideration payable is to be satisfied via the issuance of new ordinary shares of the Company of $16.5 million, RMB 82 million (equivalent to $17.3 million) interest-free loan, which will subsequently be capitalised into shares of Ranken and up to RMB 200 million (equivalent to $42.1 million) redeemable non-convertible corporate bonds.

The propose acquisition has not been approved by the shareholders as at 31 December 2014.

36. SEGMENT REPORTING

The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products or services, and are managed separately. For each of the strategic business units, the Group CEO reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

NOTES TO THE FINANCIAL STATEMENTS

36. SEGMENT REPORTING (CONT'D)

- Steel-making operations (manufacturing and investments) – disposed of in December 2014 (note 6);
- Trading of minerals – dormant in the current year;
- Development properties – dormant in the current year; and
- Others (include building maintenance and services and sales of wine) – disposed of in December 2014 (note 6)
- Mining services – newly acquired in January 2014 (note 30)

Integrated steel-making operations segment has two categories:

(1) Manufacturing: Mainly manufacture of steel and vanadium products and processing fee; and

(2) Investments: This includes the Group's share of results from associates which engage in activities similar to the segment. Transactions relating to available-for-sale financial assets, comprising equity investments in companies involved in integrated steel-making operations and the financing of such assets, are also included in this segment.

The segment reporting have been presented to reflect the discontinued operations of the steel making operations and the comparatives of which have also been presented as part of the discontinued operations.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities.

	Discontinued steel-making operations			Continuing operations	
	Manufacturing	Investments	Others	Mining services	Total
	$'000	$'000	$'000	$'000	$'000
Revenue and expenses					
2014					
Total revenue from external customers	93,908	–	383	58,487	152,778
Interest income	531	–	1	17	549
Interest expenses	(4,112)	–	–	(1,593)	(5,705)
Depreciation and amortisation	–	–	–	(3,925)	(3,925)
Reportable segment (loss)/profit before income tax	(6,818)	(2,519)	165	2,802	(6,370)
Other material non-cash item:					
- Impairment loss of avaliable-for-sale financial assets	–	(9,600)	–	–	(9,600)
Reportable segment assets	–	–	–	54,090	54,090
Capital expenditure	–	–	–	2,481	2,481
Reportable segment liabilities	–	–	–	40,804	40,804

NOTES TO THE FINANCIAL STATEMENTS

36. SEGMENT REPORTING (CONT'D)

	Discontinued steel-making operations			Continuing operations			
	Manufacturing $'000	Investments $'000	Others $'000	Trading of minerals $'000	Development properties $'000	Others $'000	Total $'000
Revenue and expenses							
2013							
Total revenue from external customers	174,060	–	423	–	–	6	174,489
Inter-segment revenue	–	–	–	–	–	–	–
Interest income	421	–	1	–	–	–	422
Interest expenses	(3,490)	(156)	–	–	–	–	(3,646)
Depreciation and amortisation	(19,784)	–	–	(20)	–	–	(19,804)
Share of results of associates	–	–	–	–	–	44	44
Reportable segment loss before income tax	(126,175)	(26,687)	(365)	(822)	(85)	(58)	(154,192)
Other material non-cash items:							
- Allowance for impairment loss on doubtful receivables	–	–	–	(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)
- Net realisable value adjustment on inventories	(4,802)						(4,802)
- Impairment loss of re-measurement of steel business	(58,001)	–	–	–	–	–	(58,001)
- Impairment loss on intangible assets	(1,105)	–	–	–	–	–	(1,105)
Investment in associates	–	–	–	–	–	883	883
Reportable segment assets	285,058	9,600	972	284	47	2,455	298,416
Capital expenditure	1,489	–	3	–	–	–	1,492
Reportable segment liabilities	229,153	24	453	339	4	581	230,554

NOTES TO THE FINANCIAL STATEMENTS

36. SEGMENT REPORTING (CONT'D)

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

	2014 $'000	2013 $'000
Revenue		
Total revenue for reportable segments	152,778	174,489
Elimination of inter-segment	–	–
Consolidated revenue	152,778	174,489
Profit or loss		
Total loss before income tax for reportable segments	(6,370)	(154,192)
Elimination of inter-segment profit	–	–
Unallocated amounts:		
- Other income	24,735	1,945
- Other expense	(16,698)	(5,684)
- Tax expense	(1,529)	755
Consolidated loss for the year	138	(157,176)
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	122,395	305,932
Liabilities		
Total liabilities for reportable segments	40,804	230,554
Elimination of inter-segment liabilities	(5,414)	–
Other unallocated amounts	14,405	1,893
Consolidated total liabilities	49,795	232,447

	Reportable segment total $'000	Unallocated amounts $'000	Consolidated total $'000
Other material items 2014			
Interest income	549	–	549
Interest expenses	(5,705)	–	(5,705)
Capital expenditure	2,481	7	2,488
Depreciation and amortisation	(3,925)	(41)	(3,966)
Other material items 2013			
Interest income	422	32	454
Interest expenses	(3,646)	–	(3,646)
Capital expenditure	1,492	175	1,667
Depreciation and amortisation	(19,804)	(48)	(19,852)

NOTES TO THE FINANCIAL STATEMENTS

36. SEGMENT REPORTING (CONT'D)

Geographical segments

Geographical segments are analysed by the following principal geographical areas: Australia, Vietnam, Singapore and People's Republic of China (China and Hong Kong).

In presenting information on the basis of geographical segments, segment revenue is based on a geographical location of customers. Segment non-current assets are based on the geographical location of the assets.

Geographical information

	Revenue $'000	Non-current assets $'000
31 December 2014		
Australia	38,308	29,123
Vietnam	20,179	6,980
Singapore	–	1,326
People's Republic of China	94,291	–
	152,778	37,429
31 December 2013		
Singapore	6	1,028
People's Republic of China	174,483	111,583*
	174,489	112,611

* The non-current assets disclosed above has been reclassified to assets held for sale (note 6) and included in current assets on the balance sheet in 2013.

Major customers

Revenue from one customer of the Mining services operations segment (2013: one customer of the Steel-making operations segment) represents approximately $29,130,000 (2013: $30,346,000) of the Group's total revenue.

ADDITIONAL INFORMATION
YEAR ENDED 31 DECEMBER 2014

Interested person transactions carried out during the financial year pursuant to the shareholders' mandate obtained under Chapter 9 of the Listing Manual of the Singapore Exchange Securities Limited ("SGX") by the Group as follows:

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)	
	2014	2013	2014	2013
Name of Interested Persons and Transactions	$'000	$'000	$'000	$'000
Purchase of Steel billets and Vanadium slags by Special Steel from Chengyu	-	-	-	17,798
Processing of rebar by Special Steel for Chengyu	-	-	-	26,008
Reimbursement of costs for provision of gases from Special Steel to Chengyu and Bowei	-	-	-	9,583
Processing of hot rolled coil by Special Steel for Chengyu	-	4,635	-	-

SHAREHOLDINGS STATISTICS
AS AT 17 MARCH 2015

Class of shares - Ordinary shares
Voting rights - 1 vote per ordinary share

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	360	4.04	15,329	0.00
100 - 1,000	1,472	16.50	699,159	0.09
1,001 - 10,000	3,977	44.59	22,399,366	2.76
10,001 - 1,000,000	3,074	34.47	177,295,572	21.86
1,000,001 and above	36	0.40	610,539,902	75.29
	8,919	100.00	810,949,328	100.00

TOP 20 SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1	PHILLIP SECURITIES PTE LTD	210,303,159	25.93
2	UOB KAY HIAN PTE LTD	167,098,733	20.61
3	HSBC (SINGAPORE) NOMINEES PTE LTD	36,000,000	4.44
4	NIPPON PAINT (SINGAPORE) COMPANY PRIVATE LIMITED	25,896,334	3.19
5	SICHUAN SHUNTONG MINING INDUSTRY GROUP CO LTD	18,154,166	2.24
6	DBS NOMINEES PTE LTD	15,127,474	1.87
7	OCBC SECURITIES PRIVATE LTD	14,835,600	1.83
8	CITIBANK NOMINEES SINGAPORE PTE LTD	13,780,937	1.70
9	TEH WING KWAN	11,840,913	1.46
10	RAFFLES NOMINEES (PTE) LTD	11,584,653	1.43
11	UNITED OVERSEAS BANK NOMINEES PTE LTD	10,093,900	1.24
12	YANG JIAN	8,005,050	0.99
13	BANK OF SINGAPORE NOMINEES PTE LTD	7,509,581	0.93
14	ZHANG ZHIHU	5,875,000	0.72
15	DBSN SERVICES PTE LTD	5,600,000	0.69
16	NIPPON PAINT (H.K.) COMPANY LIMITED	4,460,100	0.55
17	CIMB SECURITIES (SINGAPORE) PTE LTD	4,265,080	0.53
18	FOO SING FAT	3,890,000	0.48
19	DBS VICKERS SECURITIES (S) PTE LTD	3,515,550	0.43
20	HOO SU HEN@ HO SU HEN OR HO TING LUAN (HE TINGLUAN)	3,377,000	0.42
	Total	581,213,230	71.68

SHAREHOLDINGS STATISTICS
AS AT 17 MARCH 2015

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholder	Direct Interests		Deemed Interests		Direct and Deemed Interests	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Shi Yin Jun	100,768,191	12.43	-	-	100,768,191	12.43
ACH Investments Pte Ltd	185,426,181	22.87	-	-	185,426,181	22.87
Christopher Chong Meng Tak *	-	-	185,426,181	22.87	185,426,181	22.87
Rosanna Ai Leng Lam*	-	-	185,426,181	22.87	185,426,181	22.87

Note:

* Mr Christopher Chong Meng Tak and Ms Rosanna Ai Leng Lam are deemed to be interested in the shares in which ACH Investments Pte Ltd has an interest.

Shareholdings Held in Hands of Public

Based on information available to the Company as at 17 March 2015 approximately 61.00% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

The Company did not hold any treasury shares as at 17 March 2015.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the **Twenty-Ninth Annual General Meeting of SAPPHIRE CORPORATION LIMITED** will be held at **55 Market Street, #03-01, Singapore 048941** on Wednesday, 29 April 2015 at 11.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2014 and the Reports of the Directors and Auditors thereon.

(Resolution 1)

2. To approve Directors' Fees of S$275,405 for the year ended 31 December 2014 (2013: S$207,883) comprising:

   (a) S$197,460 to be paid in cash; and
   (b) S$77,945 to be paid in the form of share awards under the Sapphire Shares Award Scheme, with any residual balance to be paid in cash.

(Resolution 2)

(See Explanatory Note 1)

3. (a) To re-elect Mr Yang Jian who retires pursuant to Article 91 of the Articles of Association of the Company and who, being eligible, offer himself for re-election.

(Resolution 3)

(See Explanatory Note 2)

   (b) To note the retirement of Mr Wei Jian Ping and Mr Duan Bing, both retiring pursuant to Article 91 of the Articles of Association of the Company and have decided not to seek for re-election.

4. To re-appoint Messrs KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.

(Resolution 4)

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without Amendments:-

5. **Authority to Directors to Issue Shares (General)** **(Resolution 5)**

That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the directors of the Company to issue shares and convertible securities in the Company (whether by way of rights, bonus or otherwise) at any time to such persons and upon such terms and conditions and for such purposes as the directors may in their absolute discretion deem fit, provided that the aggregate number of shares and convertible securities to be issued pursuant to this resolution does not exceed 50% of the total number of issued shares excluding treasury shares of the Company, of which the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to existing shareholders of the Company does not exceed 20% of the total number of issued shares excluding treasury shares of the Company. For the purposes of this resolution, the total number of issued shares excluding treasury shares shall be based on the total number of issued shares excluding treasury shares of the Company at the time this resolution approving the mandate is passed (after adjusting for any new shares arising from the conversion or exercise of convertible securities; or new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this resolution approving the mandate, provided the option or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual; and any subsequent bonus issue, consolidation or subdivision of shares in the Company), and unless revoked or varied by the Company in 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 the earlier.

(See Explanatory Note 3)

NOTICE OF ANNUAL GENERAL MEETING

6. **Authority to Grant Awards and Issue Shares under the Sapphire Shares Award Scheme** **(Resolution 6)**

That in accordance with the provisions of the Sapphire Shares Award Scheme ("Scheme") and pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, the Directors of the Company be and are hereby authorised to grant awards ("Awards") and allot and issue from time to time such number of shares in the capital of the Company as may be required to be allotted and issued pursuant to the vesting of Awards under the Scheme, provided that the aggregate number of new shares to be allotted and issued pursuant to the Scheme and any other shares based schemes of the Company shall not exceed fifteen percent (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

(See Explanatory Note 4)

7. **Proposed Renewal of the Share Buy-Back Mandate** **(Resolution 7)**

That:

(a) for the purposes of the Companies Act (Chapter 50) of Singapore (the "**Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire Shares not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchases ("**Market Purchases**") on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"); and/or

(ii) off-market purchases ("**Off-Market Purchases**") effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors of the Company as they consider fit, which schemes shall satisfy all the conditions prescribed by the Act, and otherwise in accordance with all other provisions of the Act and listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Mandate**");

(b) unless varied or revoked by the Company in General Meeting, the authority conferred on the Directors of the Company pursuant to the Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next annual general meeting of the Company is held or required by law or the Articles of Association of the Company to be held;

(ii) the date on which the share buy-backs are carried out to the full extent mandated; or

(iii) the date on which the authority contained in the Mandate is varied or revoked,

(the "**Relevant Period**");

(c) in this Resolution:

"**Prescribed Limit**" means 10% of the issued ordinary share capital of the Company as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time);

NOTICE OF ANNUAL GENERAL MEETING

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase, one hundred and five per cent (105%) of the Average Closing Price;

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, one hundred and twenty per cent (120%) of the Highest Last Dealt Price, where:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) market days, on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five market day period;

"**Highest Last Dealt Price**" means the highest price transacted for a Share as recorded on the SGX-ST on the market day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase;

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

"**market day**" means a day on which SGX-ST is open for trading in securities; and

(d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.

(See Explanatory Note 5)

8. To transact any other business that may be transacted at an Annual General Meeting of which due notice shall have been given.

By Order of the Board

Lee Wei Hsiung
Company Secretary
14 April 2015

NOTES:-

A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the Company's Registered Office, 80 Robinson Road, #02-00 Singapore 068898 not less than 48 hours before the time fixed for holding the Meeting.

NOTICE OF ANNUAL GENERAL MEETING

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

EXPLANATORY NOTES:

(1) **Ordinary Resolution No. 2**, the Directors' fees of S$275,405 for the financial year ended 31 December 2014 comprise a combination of cash and shares. If approved, the aggregate amount of Directors' fees of S$275,405 will be paid as to S$197,460 in cash, and S$77,945 in the form of share awards under the Scheme with any residual balance to be paid in cash. The actual number of shares to be awarded will be rounded down to the nearest share, and any residual balance settled in cash. Such Directors' fees will be paid upon approval by the shareholders at the Annual General Meeting.

(2) **Ordinary Resolution No. 3** is for the re-election of Mr Yang Jian as a Director of the Company who retires by rotation at the Annual General Meeting. Mr Yang shall, upon re-election as a Director of the Company, remain as a member of the Remuneration Committee.

The Director who has offered himself for re-election has confirmed that, he do not has any relationships (including immediate family relationships) with the other Directors, the Company or its 10% shareholders.

(3) **Ordinary Resolution No. 5**, if passed, will empower the Directors of the Company from the date of the above Meeting until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier, to issue shares and convertible securities in the Company up to 50% of the Company's total number of issued shares excluding treasury shares in the capital of the Company, with an aggregate sub-limit of 20% of the Company's total number of issued shares excluding treasury shares for any issue of shares and convertible securities not made on a pro-rata basis to existing shareholders of the Company, as more particularly set out in the resolution.

(4) **Ordinary Resolution No. 6**, if passed, will empower the Directors of the Company, to grant Awards pursuant to the Scheme and allot and issue shares pursuant to the vesting of the Awards under the Scheme. The Scheme was approved by the shareholders of the Company in the extraordinary general meeting on 25 April 2008. Please refer to the Circular dated 9 April 2008 for further details.

(5) **Ordinary Resolution No. 7** relates to the renewal of the Share Buy-back Mandate which was approved by the Shareholders of the Company on 23 April 2014, and if passed, will authorise the Directors of the Company from the date of this Meeting until 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 revoked or varied by the Company at a general meeting, whichever is earlier, to purchase up to 10% of the total number of issued ordinary shares in the capital of the Company. Please refer to Appendix accompanying the Annual Report for details.

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SAPPHIRE CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
Registration No.198502465W

IMPORTANT
1. For investors who have used their CPF monies to buy the Company's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. 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.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the timeframe specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the timeframe specified to enable them to vote on their behalf.

PERSONAL DATA PROTECTION ACT CONSENT
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 April 2015.

PROXY FORM

(Please see notes overleaf before completing this Form)

*I/We ______________________________________ (Name)

of ______________________________________ (Address)

being a member/members of Sapphire Corporation Limited (the "Company"), hereby appoint

Name	NRIC/Passport No.	Proportion of shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of shareholdings	
		No. of Shares	%
Address			

as my/our proxy/proxies to vote for me/us and on my/our behalf and, if necessary, to demand a poll, at the 29th Annual General Meeting of the Company to be held at 55 Market Street, #03-01, Singapore 048941 on Wednesday, 29 April 2015 at 11.00 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions to be proposed at the Meeting as indicated hereunder. In the absence of specific directions, the proxy/ proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Meeting.

No.	Resolutions relating to	For	Against
1	To receive and adopt the Audited Financial Statements and Reports of the Directors and Auditors for the financial year ended 31 December 2014		
2	To approve Directors' Fees for the year ended 31 December 2014		
3	To re-elect Mr Yang Jian as a Director		
4	To re-appoint Messrs KPMG LLP as Auditors and to authorize the Directors to fix their remuneration		
5	To approve the general authority to allot and issue shares		
6	To approve the authority to grant awards and issue shares under the Sapphire Shares Award Scheme		
7	To renew Share Buy-back Mandate		
8	To transact any other business		

Dated this __________ day of ________________________ 2014

Total number of shares in:	No. of shares
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Member(s)/Common Seal

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 130A of the Singapore Companies Act, Chapter 50), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him.

3. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898, not less than 48 hours before the time appointed for the Annual General Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Singapore Companies Act, Chapter 50.

GENERAL:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

CORPORATE INFORMATION

Board of Directors

Mr Lim Jun Xiong Steven (Chairman)

Mr Teh Wing Kwan
(Group Chief Executive Officer)

Mdm Cheung Kam Wa Emma
(Group Chief Operating Officer)

Mr Teo Cheng Kwee

Mr Foo Tee Heng

Mr Yang Jian

Mr Duan Bing

Mr Tao Yeoh Chi

Mr Wei Jian Ping

Mr Fong Heng Boo

Audit and Risk Committee

Mr Fong Heng Boo (Chairman)

Mr Lim Jun Xiong Steven

Mr Tao Yeoh Chi

Mr Wei Jian Ping

Nominating Committee

Mr Lim Jun Xiong Steven (Chairman)

Mr Tao Yeoh Chi

Mr Fong Heng Boo

Mr Teo Cheng Kwee

Remuneration Committee

Mr Tao Yeoh Chi (Chairman)

Mr Lim Jun Xiong Steven

Mr Fong Heng Boo

Mr Wei Jian Ping

Mr Teo Cheng Kwee

Mr Yang Jian

Group Chief Financial Officer

Mr Joseph Lim
Email: josephlim@sapphirecorp.com.sg

Company Secretary

Lee Wei Hsiung, ACIS

Registered Office

80 Robinson Road #02-00
Singapore 068898
Tel: 6236 3333
Fax: 6236 4399

Share Registrar

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte.Ltd.)
80 Robinson Road #02-00
Singapore 068898

Auditors

KPMG LLP
Certified Public Accountants
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581

Partner-In-Charge

Lee Jee Cheng Philip

(Partner from Financial Year Ended 2013)

Principal Banker

China Citic Bank International Limited
8 Marina View
#28-02 Asia Square Tower 1
Singapore 018960

Sapphire Corporation Limited
Registration Number : 198502465W

3 Shenton Way
#25-01 Shenton House
Singapore 068805

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url: http://www.sapphirecorp.com.sg
email: info@sapphirecorp.com.sg