

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

This Circular is issued by Sapphire Corporation Limited (the “Company”). If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of the Company held through The Central Depository (Pte) Limited (“CDP”), you need not forward this Circular to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your shares represented by physical share certificate(s), you should at once hand this Circular to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

For investors who have used their Central Provident Fund (“CPF”) monies to buy shares in the capital of the Company, this Circular is forwarded to them at the request of their CPF approved nominees and is sent solely for information only.

Approval in-principle granted by the Singapore Exchange Securities Trading Limited (“SGX-ST”) to the Company for the listing and quotation of the Consideration Shares (as defined herein) on the Main Board of the SGX-ST is not to be taken as an indication of the merits of the Acquisition (as defined herein), the Consideration Shares, the Company and/or its subsidiaries.

The SGX-ST assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this Circular.



SAPPHIRE CORPORATION LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 198502465W)

CIRCULAR TO SHAREHOLDERS

in relation to

- (1) **THE PROPOSED ACQUISITION AND SUBSCRIPTION AMOUNTING TO AN AGGREGATE CONSIDERATION OF RMB 360.375 MILLION (APPROXIMATELY S\$75.9 MILLION (EXCLUDING INTEREST ON THE BONDS)) COMPRISING OF:**
 - (A) **ACQUISITION CONSIDERATION OF RMB 78.375 MILLION (APPROXIMATELY S\$16.5 MILLION) PAYABLE TO BEST FEAST LIMITED (百飞特有限公司) FOR THE PROPOSED ACQUISITION OF ONE (1) ORDINARY SHARE, REPRESENTING THE ENTIRE ISSUED SHARE CAPITAL OF RANKEN INFRASTRUCTURE LIMITED (中铁隆建设有限公司) (THE “TARGET”) BY THE COMPANY, TO BE SATISFIED BY THE ALLOTMENT AND ISSUE OF 165,000,000 CONSIDERATION SHARES AT THE ISSUE PRICE OF S\$0.10 PER CONSIDERATION SHARE; AND**
 - (B) **SUBSCRIPTION CONSIDERATION OF RMB 282.0 MILLION (APPROXIMATELY S\$59.4 MILLION) (EXCLUDING INTEREST ON THE BONDS) FOR THE PROPOSED SUBSCRIPTION OF 6,000 NEW SHARES IN THE CAPITAL OF THE TARGET AT THE ISSUE PRICE OF RMB 47,000 (APPROXIMATELY S\$9,895) PER SHARE, TO BE SATISFIED BY:**
 - (I) **THE PROVISION OF A RMB 82.0 MILLION (APPROXIMATELY S\$17.3 MILLION) INTEREST-FREE SECURED LOAN TO THE TARGET WHICH SHALL BE CAPITALISED INTO 1,745 SHARES IN THE CAPITAL OF THE TARGET AT THE ISSUE PRICE OF RMB 47,000 (APPROXIMATELY S\$9,895) PER SHARE ON COMPLETION; AND**
 - (II) **THE ISSUANCE OF RMB 200.0 MILLION (APPROXIMATELY S\$42.1 MILLION) IN AGGREGATE PRINCIPAL AMOUNT OF TWO (2) 4.5% REDEEMABLE NON-CONVERTIBLE CORPORATE BONDS, WHICH COMPRISES (AA) BOND 1 WITH A PRINCIPAL AMOUNT OF RMB 120.0 MILLION (APPROXIMATELY S\$25.3 MILLION) AND (BB) BOND 2 WITH A PRINCIPAL AMOUNT OF RMB 80.0 MILLION (APPROXIMATELY S\$16.8 MILLION) (COLLECTIVELY, THE “BONDS”); AND**
- (2) **PROPOSED USE OF PROCEEDS OF RMB 282.0 MILLION (APPROXIMATELY S\$59.4 MILLION) ARISING FROM THE PROPOSED SUBSCRIPTION BY THE TARGET AS FOLLOWS:**
 - (A) **RMB 190.0 MILLION (APPROXIMATELY S\$40.0 MILLION) SHALL BE REPAID TO THE VENDOR FOR THE AMOUNT OWED FROM THE ACQUISITION OF CHENGDU KAI QI RUI BUSINESS MANAGEMENT CO., LTD (成都凯琪瑞企业管理有限公司), RANKEN RAILWAY CONSTRUCTION GROUP CO., LTD (中铁隆工程集团有限公司) AND ITS SUBSIDIARIES FROM THE VENDOR; AND**
 - (B) **RMB 92.0 MILLION (APPROXIMATELY S\$19.4 MILLION) SHALL BE USED TO ACQUIRE THE LAND AND BUILDING (ZHONG TIE LONG BUILDING, 中铁隆大厦) LOCATED AT NO. 189 WU KE XI SECOND ROAD, WU HOU AREA, CHENGDU CITY, SICHUAN PROVINCE, PEOPLE'S REPUBLIC OF CHINA (中国，四川省，成都市，武侯区，189 武科西二路).**

Important Dates and Times

Last date and time for lodgement of Proxy Form	: 31 August 2015 at 11 a.m.
Date and time of Extraordinary General Meeting	: 2 September 2015 at 11 a.m.
Place of Extraordinary General Meeting	: 55 Market Street, #03-01, Singapore 048941

DEFINITIONS	1
LETTER TO SHAREHOLDERS	7
1. INTRODUCTION	8
2. THE PROPOSED ACQUISITION AND THE PROPOSED SUBSCRIPTION	9
3. THE PROPOSED ACQUISITION OF THE COMMERCIAL BUILDING AS PART OF THE PROPOSED USE OF PROCEEDS	34
4. RULE 1006 FIGURES FOR THE PROPOSED TRANSACTIONS	37
5. TRANSFER OF CONTROLLING INTEREST IN THE COMPANY PURSUANT TO THE ISSUANCE OF THE CONSIDERATION SHARES TO THE VENDOR	38
6. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTIONS	39
7. ALLOTMENT AND ISSUE OF CONSIDERATION SHARES	43
8. RECOMMENDATION BY DIRECTORS	43
9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS	43
10. SHAREHOLDING STRUCTURE OF THE COMPANY	44
11. EXTRAORDINARY GENERAL MEETING	45
12. INTER-CONDITIONALITY OF THE ORDINARY RESOLUTIONS TO BE PASSED	45
13. ACTIONS TO BE TAKEN BY SHAREHOLDERS	45
14. DIRECTORS' RESPONSIBILITY STATEMENT	45
15. DOCUMENTS AVAILABLE FOR INSPECTION	45
APPENDIX A – DETAILS OF BENEFICIAL OWNERS	A-1
APPENDIX B – MANAGEMENT REPORTING STRUCTURE OF RANKEN	B-1
APPENDIX C – TARGET GROUP STRUCTURE	C-1
APPENDIX D – VALUATION REPORT	D-1
APPENDIX E – PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013	E-1
APPENDIX F – PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014	F-1
NOTICE OF EXTRAORDINARY GENERAL MEETING	N-1
PROXY FORM	

DEFINITIONS

In this Circular, the following definitions apply throughout except where the context otherwise requires:

“1H”	:	The six (6) months financial period ended or ending 30 June
“2014 Bond”	:	The issue of a bond to the Company by Propitious on 28 January 2015 in the principal amount of S\$50.0 million, to be secured by assets and land use rights with an interest rate of 5.0% per annum
“ACH”	:	ACH Investments Pte Ltd
“Acquisition Consideration”	:	The aggregate consideration of RMB 78.375 million (approximately S\$16.5 million) for the Proposed Acquisition to be satisfied in full by the allotment and issue of the Consideration Shares
“Agreement”	:	The Subscription and Sale and Purchase Agreement dated 22 November 2014 entered into between the Company, the Target and the Vendor in relation to the Proposed Acquisition and Proposed Subscription, as amended, modified and supplemented from time to time
“Beneficial Owners”	:	Beneficial owners for the time being of the shares in the share capital of the Vendor through Chengdu Zhong Qian Zhi Heng Management Limited (成都中乾智恒企业管理有限公司) pursuant to Ranken's employee share ownership plan
“Board”	:	The board of Directors of the Company as at the Latest Practicable Date
“Bonds”	:	Bond 1 and Bond 2 collectively
“Bond 1”	:	The 4.5% redeemable non-convertible corporate bond to be issued to the Target by the Company pursuant to the Agreement for the principal amount of RMB 120.0 million (approximately S\$25.3 million), with a redemption period of one (1) year from the Bond 1 Issue Date
“Bond 1 Issue Date”	:	The date of issue of Bond 1, being the date of Completion
“Bond 1 Maturity Date”	:	The date on which Bond 1 is payable, being the date falling 12 months from the Bond 1 Issue Date or such earlier date on which Bond 1 is redeemed
“Bond 1 Redemption Amount”	:	The amount payable by the Company to redeem Bond 1 in full, which shall be reduced in accordance with the formula as set out in Section 2.8.2(C) of this Circular
“Bond 2”	:	The 4.5% redeemable non-convertible corporate bond to be issued to the Target by the Company pursuant to the Agreement for the principal amount of RMB 80.0 million (approximately S\$16.8 million), with a redemption period of one (1) year from the Bond 2 Issue Date
“Bond 2 Issue Date”	:	The date of issue of Bond 2, being the date of Completion
“Bond 2 Maturity Date”	:	The date on which Bond 2 is payable, being the date falling 12 months from the Bond 2 Issue Date or such earlier date on which Bond 2 is redeemed
“Bond 2 Redemption Amount”	:	The amount payable by the Company to redeem Bond 2 in full, which shall be calculated in accordance with the formula as set out in Section 2.8.2(C) of this Circular
“Building Consideration”	:	The consideration of RMB 92.0 million (approximately S\$19.4 million) or 90.0% of the Commercial Building's valuation of RMB 102.0 million (approximately S\$21.5 million) in accordance with the Valuation Report) payable by the Target to the Founding Members for the Commercial Building

DEFINITIONS

“Business Day”	:	A day (other than a Saturday, Sunday or public holiday in Singapore) on which commercial banks are generally open for business in Singapore
“CASBE”	:	Chinese Accounting Standards of Business Enterprises
“CDP”	:	The Central Depository (Pte) Limited
“Chengdu Kai Qi Rui”	:	Chengdu Kai Qi Rui Business Management Co., Ltd (成都凯琪瑞企业管理有限公司) (Company Registration Number: 510107000766147), a company incorporated in Chengdu, China and having its registered office at No.23 Shuangyuan Street, Wu Hou Area, Chengdu City, Sichuan Province, China. The legal representative of the company is Zhou Yong
“Cheng Du Wu Xing Ke Trading Limited”	:	Cheng Du Wu Xing Ke Trading Limited (成都武兴科商贸有限公司) (Company Registration Number: 510107000756728), a company incorporated in Chengdu, China and having its registered office at No.3 Long Teng Zhong Lu, Wu Hou Area, Chengdu City, Sichuan Province, China (中国，四川省，成都市，武侯区龙腾中路3号2栋1楼3号)
“China”	:	The People’s Republic of China excluding Hong Kong, Macau and Taiwan for the purposes of this Circular
“Circular”	:	This circular to Shareholders dated 18 August 2015
“Commercial Building”	:	The land and building (Zhong Tie Long Building 中铁隆大厦) located at No. 189 Wu Ke Xi Second Road, Wu Hou Area, Chengdu City, Sichuan Province, People’s Republic of China (中国，四川省，成都市，武侯区，189 武科西二路)
“Companies Act”	:	The Companies Act (Cap. 50) of Singapore as amended, modified or supplemented from time to time
“Company”	:	Sapphire Corporation Limited
“Completion”	:	Completion of the Proposed Transactions
“Completion Date”	:	The date falling 30 Business Days after all the Conditions have been fulfilled for the completion of the Proposed Transactions (or if not fulfilled, are waived by the parties to the Agreement) or such other date as the parties to the Agreement may agree in writing
“Conditions”	:	Has the meaning ascribed to it in Section 2.8.4 of this Circular in relation to the Proposed Transactions
“Consideration Shares”	:	165,000,000 new ordinary fully paid-up Shares in the capital of the Company to be allotted and issued by the Company at the Issue Price
“Controlling Interest”	:	The interest of the Controlling Shareholder(s)
“Controlling Shareholder”	:	A person who (a) holds directly or indirectly 15.0% or more of the total number of issued shares excluding treasury shares in the Company or (b) in fact exercises control over the Company
“CRB 12”	:	China Railway 12th Bureau (中铁十二局)
“Director”	:	A director of the Company as at the Latest Practicable Date
“EBITDA”	:	Earnings before interest, taxes, depreciation, and amortization

DEFINITIONS

“EBITDA Estimate for FY2014”	:	The estimated EBITDA for FY2014, which is estimated to be RMB 79.0 million (approximately S\$16.6 million)
“EBITDA Estimate for 1H2015”	:	The estimated EBITDA for 1H2015, which is estimated to be RMB 56.0 million (approximately S\$11.8 million)
“EGM”	:	The extraordinary general meeting of the Company to be convened and held on 2 September 2015 at 11 a.m. at 55 Market Street, #03-01, Singapore 048941, the notice of which is set out on page N-1 of this Circular
“EPC”	:	Engineering, procurement and construction
“EPS”	:	Earnings per Share
“FIE”	:	Foreign investment enterprise established in China
“FIE Certificates”	:	Foreign Exchange Registration Certificate for FIE (外商投资企业外汇登记证)
“Forex Laws”	:	Administrative Regulations of the People’s Republic of China on Foreign Exchange (中华人民共和国外汇管理条例) promulgated on 1 January 1996 and amended on 5 August 2008 and other relevant foreign exchange regulations, as amended or modified from time to time
“Founding Members”	:	Ms Wang Heng and Mr Wang Jilu
“FY”	:	The financial year ended or ending 31 December, as the case may be
“GFA”	:	Gross floor area
“Group”	:	The Company and its subsidiaries
“IFRS”	:	International Financial Reporting Standards
“Issue Price”	:	The issue price of S\$0.10 per Consideration Share
“Latest Practicable Date”	:	6 August 2015, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	Listing Manual of the SGX-ST, as may be amended, varied or supplemented from time to time
“Loan”	:	The provision of a RMB 82.0 million (approximately S\$17.3 million) interest-free secured loan by the Company to the Target, on the terms and conditions of the Agreement
“Long-Stop Date”	:	The date falling six (6) months from the date of the Agreement or such other date as the parties to the Agreement may agree in writing
“Mancala”	:	Mancala Holdings Pty Ltd
“Mr Teh”	:	Mr Teh Wing Kwan, Managing Director and Group Chief Executive Officer of the Company
“NAV”	:	Net Asset Value

DEFINITIONS

“Net Proceeds”	:	The net proceeds from the Company’s sale of its steel business, further details of which are set out in Section 2.8.6 of this Circular
“Notice of EGM”	:	The notice of the EGM which is set out on page N-1 of this Circular
“NPAT”	:	Net profit after tax and minority interest
“NTA”	:	Net tangible assets
“Ordinary Resolutions”	:	The ordinary resolutions 1 and 2 set out in this Circular and in the Notice of EGM
“Ordinary Resolution 1”	:	The ordinary resolution to approve the Proposed Acquisition, the transfer of a Controlling Interest to the Vendor, and the Proposed Subscription
“Ordinary Resolution 2”	:	The ordinary resolution to approve the Proposed Use of Proceeds
“PBOC”	:	People’s Bank of China
“PBOC Announcement”	:	Has the meaning ascribed to it in Section 2.7.3(e) of this Circular
“Period under Review”	:	The period which comprises FY2012, FY2013 and 1H2014
“Propitious”		Propitious Holdings Company Limited
“Proposed Acquisition”	:	The proposed acquisition of the entire issued and paid-up share capital of the Target by the Company from the Vendor for an aggregate consideration of RMB 78.735 million (approximately S\$16.5 million), on the terms and conditions of the Agreement
“Proposed Subscription”	:	The subscription of 6,000 ordinary shares in the capital of the Target for an aggregate consideration of RMB 282.0 million (approximately S\$59.4 million) (excluding interest on the Bonds), on the terms and conditions of the Agreement
“Proposed Use of Proceeds”	:	The proceeds of RMB 282.0 million (approximately S\$59.4 million) arising from the Proposed Subscription shall be applied by the Target as follows: (a) the repayment of RMB 190.0 million (approximately S\$40.0 million) owed to the Vendor by the Target for the acquisition of Cheng Du Kai Qi Rui, Ranken and its subsidiaries, provided that Ms Wang Heng and/or Mr Wang Jilu shall grant a personal guarantee or procure such guarantee to be granted for the purpose of securing total banking facilities of not less than RMB 237.5 million (approximately S\$50.0 million) for the Target Group’s working capital; and (b) the proposed acquisition of the Commercial Building by Ranken for an aggregate consideration of RMB 92.0 million (approximately S\$19.4 million).
“Proposed Transactions”	:	The Proposed Acquisition and the Proposed Subscription
“Ranken”	:	Ranken Railway Construction Group Co., Ltd (中铁隆工程集团有限公司)
“SAFE”	:	State Administration of Foreign Exchange of China
“Sale Share”	:	The one (1) ordinary share in the capital of the Target which represents the entire equity interest in the Target

DEFINITIONS

“SFA”	:	Securities and Futures Act (Cap. 289) of Singapore, as amended, modified or supplemented from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share”	:	An ordinary share in the capital of the Company
“Shareholders”	:	Registered holders of Shares, except where the registered holder is CDP, in which case the term “Shareholders” shall in relation to such Shares mean the Depositors whose securities accounts maintained with CDP are credited with Shares
“SOEs”	:	State-owned enterprises
“Substantial Shareholder”	:	Shareholders who are beneficial owners of 5.0% or more of the Shares
“Subscription Consideration”	:	The aggregate consideration of RMB 282.0 million (approximately S\$59.4 million) (excluding interest on the Bonds) for the Proposed Subscription to be satisfied by the Company by way of the provision of the Loan and the issuance of Bond 1 and Bond 2
“Subscription Shares”	:	6,000 new ordinary fully paid-up shares in the capital of the Target, to be allotted and issued by the Target at an issue price of RMB 47,000 (approximately S\$9,895) per Subscription Share to the Company
“Target”	:	Ranken Infrastructure Limited (中铁隆建设有限公司) (Company Registration No. 62581408-000-01-14-A), a private company incorporated in Hong Kong and having its registered office at Units 1605-6, Podium Plaza, 5 Hanoi Road, Tsim Sha Tsui, Kowloon, Hong Kong
“Target Group”	:	The Target and its subsidiaries
“Valuation Report”	:	The valuation report dated 2 March 2015 set out in Appendix D of this Circular in relation to the Commercial Building
“Valuer”	:	Knight Frank Petty Limited, the property valuer in China
“Vendor”	:	Best Feast Limited (百飞特有限公司) (Company Registration No. 1826927), a company incorporated in the British Virgin Islands and having its registered office at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
“VWAP”	:	Volume weighted average price
“%”	:	Per centum or percentage

Currency

“RMB” and “RMB cents”	:	Renminbi and Renminbi cents respectively, the lawful currency of China
“S\$” and “cents”	:	Singapore dollars and cents respectively, the lawful currency of Singapore
“US\$” and “US cents”	:	United States dollars and cents respectively, the lawful currency of the United States of America

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the respective meanings ascribed to them in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

DEFINITIONS

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures that precede them.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Listing Manual or any modification thereof and used in this Circular shall have the meaning assigned to it under the Companies Act, the Listing Manual or any modification thereof, as the case may be.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless stated otherwise.

Unless otherwise stated, the exchange rate of S\$1: RMB 4.75 ("**Exchange Rate**") as at 31 October 2014 has been used in this Circular.

Cautionary Note on Forward-Looking Statements

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as "expect", "anticipate", "believe", "estimate", "intend", "project", "plan", "strategy", "forecast" and similar expressions or future or conditional verbs such as "if", "will", "would", "should", "could", "may" and "might". These statements reflect the Company's current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and the Company undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or the Listing Manual and/or any other regulatory or supervisory body or agency.

LETTER TO SHAREHOLDERS

SAPPHIRE CORPORATION LIMITED

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

Directors:

Mr Lim Jun Xiong Steven (Independent Director and Non-Executive Chairman)
Mr Teh Wing Kwan (Managing Director and Group Chief Executive Officer)
Mdm Cheung Kam Wa Emma (Executive Director and Chief Operating Officer)
Mr Teo Cheng Kwee (Non-Executive Director)
Mr Foo Tee Heng (Non-Executive Director)
Mr Yang Jian (Non-Executive Director)
Mr Fong Heng Boo (Independent Director)
Mr Tao Yeoh Chi (Independent Director)

Registered Office:

1 Robinson Road
#17-00, AIA Tower
Singapore 048542

18 August 2015

To: The Shareholders of the Company

Dear Sir / Madam

- (1) **THE PROPOSED ACQUISITION AND SUBSCRIPTION AMOUNTING TO AN AGGREGATE CONSIDERATION OF RMB 360.375 MILLION (APPROXIMATELY S\$75.9 MILLION (EXCLUDING INTEREST ON THE BONDS)) COMPRISING OF:**
- (A) **ACQUISITION CONSIDERATION OF RMB 78.375 MILLION (APPROXIMATELY S\$16.5 MILLION) PAYABLE TO BEST FEAST LIMITED (百飞特有限公司) FOR THE PROPOSED ACQUISITION OF ONE (1) ORDINARY SHARE, REPRESENTING THE ENTIRE ISSUED SHARE CAPITAL OF RANKEN INFRASTRUCTURE LIMITED (中铁隆建设有限公司) (THE “TARGET”) BY THE COMPANY, TO BE SATISFIED BY THE ALLOTMENT AND ISSUE OF 165,000,000 CONSIDERATION SHARES AT THE ISSUE PRICE OF S\$0.10 PER CONSIDERATION SHARE; AND**
 - (B) **SUBSCRIPTION CONSIDERATION OF RMB 282.0 MILLION (APPROXIMATELY S\$59.4 MILLION) (EXCLUDING INTEREST ON THE BONDS) FOR THE PROPOSED SUBSCRIPTION OF 6,000 NEW SHARES IN THE CAPITAL OF THE TARGET AT THE ISSUE PRICE OF RMB 47,000 (APPROXIMATELY S\$9,895) PER SHARE, TO BE SATISFIED BY:**
 - (I) **THE PROVISION OF A RMB 82.0 MILLION (APPROXIMATELY S\$17.3 MILLION) INTEREST-FREE SECURED LOAN TO THE TARGET WHICH SHALL BE CAPITALISED INTO 1,745 SHARES IN THE CAPITAL OF THE TARGET AT THE ISSUE PRICE OF RMB 47,000 (APPROXIMATELY S\$9,895) PER SHARE ON COMPLETION; AND**
 - (II) **THE ISSUANCE OF RMB 200.0 MILLION (APPROXIMATELY S\$42.1 MILLION) IN AGGREGATE PRINCIPAL AMOUNT OF TWO (2) 4.5% REDEEMABLE NON-CONVERTIBLE CORPORATE BONDS, WHICH COMPRISES (AA) BOND 1 WITH A PRINCIPAL AMOUNT OF RMB 120.0 MILLION (APPROXIMATELY S\$25.3 MILLION) AND (BB) BOND 2 WITH A PRINCIPAL AMOUNT OF RMB 80.0 MILLION (APPROXIMATELY S\$16.8 MILLION) (COLLECTIVELY, THE “BONDS”); AND**
- (2) **PROPOSED USE OF PROCEEDS OF RMB 282.0 MILLION (APPROXIMATELY S\$59.4 MILLION) ARISING FROM THE PROPOSED SUBSCRIPTION BY THE TARGET AS FOLLOWS:**
- (A) **RMB 190.0 MILLION (APPROXIMATELY S\$40.0 MILLION) SHALL BE REPAYED TO THE VENDOR FOR THE AMOUNT OWED FROM THE ACQUISITION OF CHENGDU KAI QI RUI BUSINESS MANAGEMENT CO., LTD (成都凯琪瑞企业管理有限公司), RANKEN RAILWAY CONSTRUCTION GROUP CO., LTD (中铁隆工程集团有限公司) AND ITS SUBSIDIARIES FROM THE VENDOR; AND**
 - (B) **RMB 92.0 MILLION (APPROXIMATELY S\$19.4 MILLION) SHALL BE USED TO ACQUIRE THE LAND AND BUILDING (ZHONG TIE LONG BUILDING, 中铁隆大厦) LOCATED AT NO. 189 WU KE XI SECOND ROAD, WU HOU AREA, CHENGDU CITY, SICHUAN PROVINCE, PEOPLE’S REPUBLIC OF CHINA (中国，四川省，成都市，武侯区，189 武科西二路).**

LETTER TO SHAREHOLDERS

1. INTRODUCTION

1.1 Overview

(A) Introduction to the Proposed Acquisition and Proposed Subscription

On 25 November 2014, the Company announced that it had on 22 November 2014 entered into a conditional Subscription and Sale and Purchase Agreement (the “**Agreement**”) with Ranken Infrastructure Limited (中铁隆建设有限公司) (the “**Target**”) and Best Feast Limited (百飞特有限公司) (the “**Vendor**”) pursuant to which the Company shall:

- (a) acquire one (1) ordinary share in the capital of the Target representing 100.0% of the current issued share capital of the Target for an aggregate consideration of RMB 78.375 million (approximately S\$16.5 million) (the “**Acquisition Consideration**”), subject to the terms and conditions of the Agreement (the “**Proposed Acquisition**”); and
- (b) subscribe for a further 6,000 new shares in the capital of the Target for an aggregate consideration of RMB 282.0 million (approximately S\$59.4 million) (excluding interest on the Bonds) (the “**Subscription Consideration**”), subject to the terms and conditions of the Agreement (the “**Proposed Subscription**”),

(collectively, the “**Proposed Transactions**”).

The total consideration of the Proposed Transactions amounts to RMB 360.375 million (approximately S\$75.9 million (excluding interest on the Bonds)), and shall be satisfied in the following manner:

- (i) the Acquisition Consideration of RMB 78.375 million (approximately S\$16.5 million) shall be satisfied in full by the allotment and issue of 165,000,000 new ordinary Shares (“**Consideration Shares**”) to the Vendor, deemed fully paid-up at the issue price of S\$0.10 per Consideration Share; and
- (ii) the Subscription Consideration of RMB 282.0 million (approximately S\$59.4 million) shall be satisfied in full by:
 - (aa) the provision of a RMB 82.0 million (approximately S\$17.3 million) interest-free secured loan to the Target (the “**Loan**”) which shall be capitalised into 1,745 shares in the capital of the Target at the issue price of RMB 47,000 (approximately S\$9,895) on Completion; and
 - (ab) the issue of two (2) 4.5% redeemable non-convertible corporate bonds amounting to an aggregate principal amount of RMB 200.0 million (approximately S\$42.1 million), which comprises (AA) Bond 1 with a principal amount of 120.0 million (approximately S\$25.3 million) and (BB) Bond 2 with a principal amount of RMB 80.0 million (approximately S\$16.8 million) respectively (collectively, the “**Bonds**”).

(B) Proposed Use of Total Proceeds of RMB 282.0 million from the Proposed Subscription

The Target shall apply the total cash proceeds of RMB 282.0 million (approximately S\$59.4 million) from the Proposed Subscription in the following manner:

- (a) RMB 190.0 million (approximately S\$40.0 million) shall be repaid to the Vendor for the amount owed from the acquisition of Chengdu Kai Qi Rui Business Management Co., Ltd (成都凯琪瑞企业管理有限公司) (“**Chengdu Kai Qi Rui**”), Ranken Railway Construction Group Co., Ltd (中铁隆工程集团有限公司) (“**Ranken**”) and its subsidiaries, provided that Ms Wang Heng and/or Mr Wang Jilu shall grant a personal guarantee or procure such guarantee to be granted for the purpose of securing total banking facilities of not less than RMB 237.5 million (approximately S\$50.0 million) for the Target Group’s working capital; and
- (b) RMB 92.0 million (approximately S\$19.4 million) shall be paid to Ms Wang Heng and Mr Wang Jilu, the founding members (the “**Founding Members**”) of Ranken for Ranken’s acquisition of the land and building (Zhong Tie Long Building 中铁隆大厦) located at No. 189 Wu Ke Xi Second Road, Wu Hou Area, Chengdu City, Sichuan Province, People’s Republic of China (中国，四川省，成都市，武侯区，189 武科西二路) (the “**Commercial Building**”) free of debts obligation,

(collectively, the “**Proposed Use of Proceeds**”).

(C) Shareholders’ Approval for the Proposed Transactions and Proposed Use of Proceeds

For the avoidance of doubt,

- (a) (i) the aggregate consideration of the Proposed Transactions amounts to RMB 360.375 million (approximately S\$75.9 million (excluding interest on the Bonds)), comprising of the Acquisition Consideration of RMB 78.375 million (approximately S\$16.5 million) and the Subscription Consideration of RMB 282.0 million (approximately S\$59.4 million); or (ii) the aggregate consideration of the Proposed Transactions amounts to RMB 364.875 million (approximately S\$76.8 million

LETTER TO SHAREHOLDERS

(including interest on the Bonds)), comprising of the Acquisition Consideration of RMB 78.375 million (approximately S\$16.5 million), the Subscription Consideration of RMB 282.0 million (approximately S\$59.4 million) and interest on the Bonds of RMB 4.5 million (approximately S\$0.95 million). Accordingly, the Proposed Transactions constitute a major transaction as defined under Chapter 10 of the Listing Manual of the SGX-ST (the “**Listing Manual**”) and are therefore subject to the approval of the Shareholders.

- (b) In addition, pursuant to the issuance of the Consideration Shares to the Vendor, the Vendor will hold 16.89% of the shares in the enlarged share capital of the Company. The Vendor currently does not hold any Shares. Accordingly, the Proposed Acquisition would constitute a transfer of a Controlling Interest in the Company and is subject to the approval of the Shareholders for the purposes of Rule 803 of the Listing Manual.
- (c) In connection with the total cash proceeds of RMB 282.0 million (approximately S\$59.4 million) arising from the Proposed Subscription, the Company proposes to seek the approval of the Shareholders for the Proposed Use of Proceeds by the Target as set out under Section 1.1(B) of this Circular.

In relation to the Proposed Transactions, please refer to Section 2.6 of this Circular for details relating to the rationale and benefits, and Section 2.8 of this Circular for details on the consideration payable.

In relation to the transfer of Controlling Interest pursuant to the Proposed Acquisition, please refer to Section 5 of this Circular for further details.

In relation to the Proposed Use of Proceeds, please refer to Section 2 of this Circular for details on the Target Group and Sections 1.1(B) and 3 of this Circular for details on the acquisition of the Commercial Building.

1.2 Extraordinary General Meeting

The Board proposes to seek the approval of the Shareholders in respect of Ordinary Resolution 1 to approve the Proposed Acquisition, the transfer of a Controlling Interest to the Vendor and the Proposed Subscription, and Ordinary Resolution 2 to approve the Proposed Use of Proceeds. Ordinary Resolutions 1 and 2 are inter-conditional.

1.3 Purpose of this Circular

The purpose of this Circular is to provide Shareholders with information relating to, and the rationale for, the Ordinary Resolutions and to seek Shareholders’ approval for the same at the EGM to be held on 2 September 2015 at 11 a.m at 55 Market Street, #03-01, Singapore 048941. The Notice of EGM is set out on page N-1 of this Circular.

SHAREHOLDERS SHOULD NOTE THAT ORDINARY RESOLUTIONS 1 AND 2 ARE INTER-CONDITIONAL. IN THE EVENT THAT EITHER OF ORDINARY RESOLUTIONS 1 OR 2 IS NOT PASSED, THE OTHER ORDINARY RESOLUTION 1 OR 2 (AS THE CASE MAY BE) WILL ALSO NOT BE PASSED.

This Circular has been prepared solely for the purposes set out herein and may not be relied upon by any persons (other than the Shareholder to whom this Circular is dispatched to by the Company) or for any other purpose.

2. THE PROPOSED ACQUISITION AND THE PROPOSED SUBSCRIPTION

2.1 Information on the Target Group

The information presented herein and in other sections of this Circular relating to information on the Target Group is based on information provided by the Target Group.

The Target is an investment holding company incorporated in Hong Kong on 3 January 2014. The details of the subsidiaries of the Target as at the Latest Practicable Date are as follows:

Name of Subsidiary	Date and place of incorporation	Principal place of business	Principal activity	Issued and paid-up share capital	Effective equity interest held by the Target
Chengdu Kai Qi Rui	16 May 2014, China	China	Enterprise management, engineering information and technology consultation	RMB 229.1 million	98.0% ⁽¹⁾

LETTER TO SHAREHOLDERS

Name of Subsidiary	Date and place of incorporation	Principal place of business	Principal activity	Issued and paid-up share capital	Effective equity interest held by the Target
Ranken	6 April 1998, China	China	EPC for railway, highway, municipal, industrial and civil construction and airports and water conservancy projects and investment holding	RMB 500.0 million	97.6% ⁽²⁾
Dalian Ranken Railway Construction Co., Ltd (大连中铁隆工程有限公司)	15 February 2011, China	China	EPC for railway, highway, municipal, industrial and civil construction and airports and water conservancy projects	RMB 20.0 million	97.6% ⁽²⁾
Sichuan Xinlong Construction Co., Ltd (四川新隆建设工程有限公司)	11 December 2006, China	China	EPC for railway, highway, municipal, industrial and civil construction and airports and water conservancy projects	RMB 13.0 million	97.6% ⁽²⁾
Sichuan Jinlong Labor Services Co., Ltd (四川金隆劳务有限公司)	30 July 2007, China	China	Labor service sub-contracting for construction industry, domestic labor dispatching service	RMB 1.0 million	87.85% ⁽³⁾
Sichuan Longjian Construction Consultancy Co., Ltd (四川隆建工程顾问有限公司)	28 October 2003, China	China	Construction consulting, projects management consulting, construction cost consulting, construction design, supervision and bidding agency	RMB 12.0 million	97.6% ⁽²⁾
Chengdu Jialong Property Services Co., Ltd. (成都嘉隆物业服务服务有限公司)	20 December 2011, China	China	Property management and consulting services	RMB 2.0 million	97.12% ⁽⁴⁾
PT Tekgen Indonesia	12 October 2012, Indonesia	Indonesia	Construction of electrical networks and other telecommunication channels	US\$400,000	97.6% ⁽²⁾
Chengdu Ranken Railway Construction Group Co., Ltd., Saudi Arabia Branch	8 February 2012, Saudi Arabia	Saudi Arabia	EPC for railway, highway, municipal, industrial and civil construction and water conservancy projects	US\$133,350	97.6% ⁽²⁾

LETTER TO SHAREHOLDERS

Notes:

- (1) The remaining 2.0% effective equity interest is held by Zhang Weixuan (张伟瑄).
- (2) The remaining 2.4% effective equity interest is held by Zhang Weixuan (张伟瑄).
- (3) The remaining 12.15% effective equity interest is held by Zhang Weixuan (张伟瑄) and Ding Lianqi (丁联起).
- (4) The remaining 2.88% effective equity interest is held by Zhang Weixuan (张伟瑄) and Ding Lianqi (丁联起).

Wang Jilu (王冀鲁) is a Founding Member, Zhang Weixuan (张伟瑄) is an executive director of Ranken and Ding Lianqi (丁联起) is a Beneficial Owner. Please refer to Section 2.4 entitled "Information on the Vendor" and Section 2.5 entitled "Information on the Management of the Target Group" in this Circular for more information on Wang Jilu and Zhang Weixuan.

Please refer to Appendix C for the group structure of the Target Group.

2.2 History and Business of Ranken

Ranken is the main operating company for the Target Group. Incorporated in 1998, Ranken is a full-fledged EPC firm specialising in design, civil engineering and construction for land transport infrastructure (specifically, railway infrastructure for urban rail transit), major tunnelling works, underground structures, expressways, road and bridges for township development and urbanization projects. Ranken has established itself as one of the key market players in China's civil engineering industry as evidenced from its profile of completed projects. Please refer to Section 2.2(c) below for Ranken's major projects. It possesses full integrated Triple-A qualifications and licenses in relation to design, construction and project consultation in the rail transit sector in China. These qualifications were awarded by the Ministry of Housing and Urban-Rural Construction of the People's Republic of China and relate to the various licences, permits and approvals issued to the Target Group. Please refer to Section 2.2(e) below for a list of the licences, permits and approvals issued to the Target Group.

(a) Ranken's Clients

Ranken's client profile comprise mainly SOEs, including but not limited to the following:

- China Railway Construction Corporation (CRCC) (中国铁建);
- China Railway Engineering Corporation (中国中铁);
- China Railway Materials Commercial Corp (CRMCC) (中国铁路物资);
- Sino-hydro Co., Ltd (中国水利水电建设);
- Chongqing Construction Engineering Group Co., Ltd (重庆建工);
- Beijing MTR (北京地铁);
- Chengdu Metro (成都地铁);
- Xi'an Metro (西安地铁);
- Qingdao Metro (青岛地铁);
- Chongqing Rail Transit (CRT) (重庆轨道交通);
- Guiyang Urban Rail Transit Co., Ltd (贵阳轨道交通);
- Ningbo Rail Transit (宁波轨道交通);
- Yunnan Metropolitan Real Estate Development Co., Ltd (云南城投);
- Beijing Gonglian Highway Connect Line Co., Ltd (北京公联);
- Qingdao Highway Administration Bureau (青岛公路局);
- Nanning Rail Transit Co., Ltd (南宁地铁);
- Urumchi Rail Transit Group Co., Ltd (乌鲁木齐地铁); and
- Beijing INNO-Olympic Group Co., Ltd (北京新奥集团).

(b) Ranken's Competitors

Ranken's major competitors are mainly subsidiaries of SOEs and state-owned general contracting companies in China, including but not limited to the following:

- China Railway Construction Corporation (CRCC) (中国铁建);
- China Railway Engineering Corporation (中国中铁);
- Sino-hydro Co., Ltd (中国水利水电建设);
- Chongqing Construction Engineering Group Co., Ltd (重庆建工); and
- Xi'an Municipal Road and Bridge Construction Co., Ltd (西安市政道桥建设有限公司).

The Company notes that the industry that Ranken operates in is unique as some of Ranken's clients may also be competitors in bidding for major infrastructure projects as the main contractor. In some cases, Ranken may form a consortium to jointly bid for projects with its clients or may become a sub-contractor to its client.

(c) Ranken's Major Projects

Ranken undertakes and manages major infrastructure projects in China, Bangladesh, India and Saudi Arabia. It has undertaken and completed many prominent infrastructure projects in China. Some of the major projects which Ranken has been involved in as the only major sub-contractor include but are not limited to the following:

LETTER TO SHAREHOLDERS

- the cross section cut in Asia with a tunnel cross section cut of 703 square meters for Minan Avenue Station of Chongqing Metro Ring Line (重庆地铁环线民安大道站) that is estimated to be completed in March 2016;
- the tunnel cross section cut in China Southwest with a span of 21 meters, cross-section of 306 square meters and a maximum height of 16 meters of an underground tunnel excavation for Chongqing Metro Line 6 (Jinshansi Station)(重庆地铁6号线金山寺站) that was completed in October 2014;
- the connected double-arch long-span Heiguyan Tunnel in Beijing-Chengde Expressway (京承高速公路黑古沿隧道-双联拱隧道) that was completed in September 2009;
- the Zipingpu Tunnel, Dujiangyan-Wenchuan expressway (四川都汶高速公路紫平铺隧道), located in Wenchuan, Sichuan, that was completed in May 2009. The tunnel and expressway withstood the magnitude '5.12 Earthquake' in 2008 in Wenchuan. This project was awarded "Model Works" by the China Ground Anchoring Association;
- a pure stone arch bridge in Asia with an arch span of 80 meters for Deshengkou Stone Arch Bridge on National Highway No. 110 in Beijing Section (110国道北京段德胜口二号石拱桥) that was completed in October 2008;
- the Qingdao Jiaozhou Bay Sea-crossing Bridge, North Link Line (青岛胶州湾跨海大桥(北桥位)青岛端接线工程) that was completed in October 2014, with a total length of 2,228 meters, a deck width of 31.5 meters, 23 segments of span with '60km/hour speed' design lines;
- the Zhaozhuang Grand Railway Bridge on Handan-Huanghuagang Railway (邯郸到黄花港铁路赵庄特大桥), with a total length 7,883 meters crossing "China South Cannel" (南运河), Beijing-Shijiazhuang Railway line (京石(北京-石家庄)铁路) and Beijing-Shanghai Expressway (和京沪(北京-上海)高速公路) that were completed in February 2012;
- the major extension to Beijing Capital International Airport Terminal 3 (北京首都国际机场T3航站楼配套工程), the linking overpass between its Terminal 2 and Terminal 3 (连接线高架) that was completed in September 2006 and Chengdu Shuangliu International Airport Extension (成都双流国际机场工程扩建) that was completed in September 2009; and
- projects within the Beijing Olympic Park that were completed in January 2008, such as the Axle Line Pavement (北京奥林匹克公园中轴路铺装工程), Dragon Shaped Artificial Lake (北京奥林匹克公园人工湖和景观) and commercial basements. These projects were awarded the China Gold Cup of Municipal Works (中国市政金杯奖) and the "ZhantianYou Award" (中国詹天佑奖)¹.

In addition to the above, Ranken has also undertaken large-scale underground space construction projects, including designing and constructing underground commercial spaces and basement car parks which are linked to urban rail transit stations.

Beyond China, Ranken is the main contractor and key project consultant for the Dhaka-Chittagong railway in Bangladesh. It had also undertaken part of the technical consultancy and civil engineering works for the major Alwaye-Petta Line of Kochi Metro rail project in India.

(d) Order Book

As at 31 December 2014, the order book for Ranken is approximately RMB 2.1 billion (approximately S\$442.1 million) for the design, construction and consultation of railways, bridges, expressways and other land transport infrastructure projects, which are expected to be delivered over a period of three (3) – four (4) years. The order book of RMB 2.1 billion (approximately S\$442.1 million) as at 31 December 2014 represents an increase of approximately 2.5 times as compared with the order book as at 31 December 2013.

(e) Licences, Permits and Approvals

The Target Group has been issued various licenses, permits and approvals in relation to construction, design engineering, labour services and supervision services. In particular, the following licences, permits and approvals are material to the business of the Target Group.

¹ The "ZhantianYou Award" is the highest recognised award for quality civil work awards in China for structural designs, construction standard, safety control and delivery timeliness.

LETTER TO SHAREHOLDERS

Type of licence, permit or approval	Issued to	Purpose	Issuing/ Licensing Body	Year of award	Validity period of licence, permit or approval ⁽¹⁾
Construction					
Rail Transit and Metro engineering professional contractor qualification	Ranken	General contracting for rail transit and metro engineering	Ministry of Housing and Urban-Rural Construction of the People's Republic of China	2008	Permanent
Railway construction and general contracting	Ranken	General contracting for railway construction	Ministry of Housing and Urban-Rural Construction of the People's Republic of China	2008	Permanent
Highway construction general contracting	Ranken	General contracting for highway construction	Housing and Urban-Rural Construction of Sichuan Province	2012	Permanent
Professional contracting qualification for Bridge Engineering	Ranken	General contracting for bridge engineering	Housing and Urban-Rural Construction of Sichuan Province	2008	Permanent
Professional contracting qualification for Tunnel Engineering	Ranken	General contracting for tunnel engineering	Housing and Urban-Rural Construction of Sichuan Province	2008	Permanent
Professional contracting earthwork	Ranken	General earthwork construction	Housing and Urban-Rural Construction of Sichuan Province	2008	Permanent
Housing construction general contracting	Ranken	General housing construction	Housing and Urban-Rural Construction of Sichuan Province	2010	Permanent
Professional contract of Building Decoration Engineering	Ranken	Contracting for building decoration	Housing and Urban-Rural Construction of Sichuan Province	2008	Permanent
Mine engineering construction management contract	Ranken	General engineering and mine construction management	Chengdu Urban and Rural Construction Commission	2013	Permanent

LETTER TO SHAREHOLDERS

Design Engineering

Municipal Industry (Rail Transit and Metro Engineering)	Ranken	Design engineering for rail transit and metro engineering	Ministry of Housing and Urban-Rural Construction of the People's Republic of China	2011	16 December 2016
Municipal Industry (bridges, water, road engineering)	Ranken	Design engineering for bridges, water, and roads	Housing and Urban-Rural Construction of Sichuan Province	2011	10 February 2016
Building construction	Ranken	Design engineering for building construction	Housing and Urban-Rural Construction of Sichuan Province	2011	10 February 2016
Engineering consulting	Sichuan Longjian Construction Consultancy Co., Ltd	Engineering consultancy	National Development and Reform Commission	2011	29 August 2016

Labour Services

Civil work	Sichuan Jinlong Labor Services Co., Ltd	Civil work	Housing and Urban-Rural Construction of Sichuan Province	2007	Permanent
Reinforcing	Sichuan Jinlong Labor Services Co., Ltd	Reinforcing	Housing and Urban-Rural Construction of Sichuan Province	2007	Permanent
Welding	Sichuan Jinlong Labor Services Co., Ltd	Welding	Housing and Urban-Rural Construction of Sichuan Province	2007	Permanent
Plastering operation (sub-contract)	Sichuan Jinlong Labor Services Co., Ltd	Plastering operation (sub-contract)	Housing and Urban-Rural Construction of Sichuan Province	2007	Permanent
Paint	Sichuan Jinlong Labor Services Co., Ltd	Paint	Housing and Urban-Rural Construction of Sichuan Province	2007	Permanent
Water and electricity installation (sub-contract)	Sichuan Jinlong Labor Services Co., Ltd	Water and electricity installation (sub-contract)	Housing and Urban-Rural Construction of Sichuan Province	2007	Permanent

LETTER TO SHAREHOLDERS

Masonry work	Sichuan Jinlong Labor Services Co., Ltd	Masonry work	Housing and Urban-Rural Construction of Sichuan Province	2007	Permanent
Scaffolding	Sichuan Jinlong Labor Services Co., Ltd	Scaffolding	Housing and Urban-Rural Construction of Sichuan Province	2007	Permanent
Concrete operation (sub-contract)	Sichuan Jinlong Labor Services Co., Ltd	Concrete operation (sub-contract)	Housing and Urban-Rural Construction of Sichuan Province	2007	Permanent
Cornerstone work	Sichuan Jinlong Labor Services Co., Ltd	Cornerstone work	Housing and Urban-Rural Construction of Sichuan Province	2007	Permanent

Supervision Services

Supervision of Municipal Public Works	Ranken	Supervision of Municipal Public Works	Ministry of Housing and Urban-Rural Construction of the People's Republic of China	2011	2 July 2016
Housing construction projects	Sichuan Longjian Construction Consultancy Co., Ltd	Supervision and consultancy services on housing construction projects	Ministry of Housing and Urban-Rural Construction of the People's Republic of China	2009	31 July 2019
Railway engineering	Sichuan Longjian Construction Consultancy Co., Ltd	Consultancy on railway engineering	Housing and Urban-Rural Construction of Sichuan Province	2008	31 July 2019
Civil air defense engineering	Sichuan Longjian Construction Consultancy Co., Ltd	Consultancy	Sichuan Provincial People's Air Defense Office	2013	8 November 2018

Enterprise Certification

ISO9001:2008 quality management system certification	Ranken	Quality management	China Quality Certification Centre	2005	30 June 2017
ISO14001:2004 environmental management system certification	Ranken	Environmental management	China Quality Certification Centre	2005	30 June 2018

LETTER TO SHAREHOLDERS

OHSAS18001:1999 occupation health and safety management system certification	Ranken	Health and safety management	China Quality Certification Centre	2006	30 June 2019
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Enterprise Credit

Corporate credit rating of AAA grade (Chengdu Zhongchengzixin rating firms)	Ranken	Corporate credit worthiness assessment	Sichuan Zhongcheng Credit Evaluation CO.,LTD	2004	31 August 2015
Sichuan province contracts and keep promise in enterprises (Sichuan Provincial Administration for Industry and Commerce)	Ranken	Contract stressing and promise keeping	Administration for Industry and Commerce of Sichuan Province	2014	31 August 2015

Note:

(1) Licences, permits and approvals that are due to expire are subject to renewal.

(f) Safety Measures and Environmental Controls

The Target Group's operations are subject to various rules and regulations for safety measures and environmental controls. In particular, the following safety measures and environmental controls are material to the business of the Target Group:

- Work Safety Law of the People's Republic of China (中华人民共和国安全生产法);
- The Administrative Regulations on the Work Safety of Construction Projects (建设工程安全生产管理条例中华人民共和国消防法);
- Fire Prevention Law of the People's Republic of China (中华人民共和国传染病防治法);
- Law of the People's Republic of China on Prevention and Treatment of Infectious Diseases (中华人民共和国放射性污染防治法);
- Law of the People's Republic of China on Prevention and Control of Radioactive Pollution (建设工程安全生产管理条例);
- The Administrative Regulations on the Work Safety of Construction Projects (建筑安全生产监督管理规定);
- Provisions on the Supervision and Administration on Work Safety of Construction (安全许可证条例);
- Regulations on Safety Licenses (施工现场临时用电安全技术规范);
- Safety Technical Specifications of Temporary Electricity on Construction Site (机关、团体、企业、事业单位消防安全管理规定);
- Administrative Provisions of Fire Prevention and Safety for Governmental Organs, Organizations, Enterprises and Public Institutions (危险化学品安全管理条例);
- Regulation on the Safety Management of Hazardous Chemicals (建筑施工企业安全生产许可证管理规定);
- Administrative Provisions on the Work Safety License of Construction Enterprises (关于印发《建筑施工企业安全生产许可证管理规定实施意见》的通知);
- Notice of the Issuance of Implementation Opinions on Administrative Provisions on the Work Safety License of Construction Enterprises (建筑工程安全防护、文明施工措施费用及使用管理规定);
- Administrative Provisions on the Usage of the Construction Projects Safety Protection Fee and Civilized Construction Measures Fee (建筑施工企业安全生产许可证管理规定实施意见);
- Implementation Opinions on Administrative Provisions on the Work Safety License of Construction Enterprises (关于加强建筑意外伤害保险工作的指导意见);
- Guiding Opinions on Strengthening the Insurance Work of Construction Accidental Injuries (安全验收评价导则);
- Guiding Rules of Safety Inspection and Evaluation (安全生产行政复议暂行办法);
- Interim Measures for Administrative Reconsideration of Work Safety Cases (建筑工程预防坍塌事故若干规定);
- Several Provisions on Preventions of Collapse Accidents of Construction Projects (建筑工程预防高处坠落事故若干规定);
- Several Provisions on Preventions of High Falling Accidents of Construction Projects (中华人民共和国环境保护法);
- Environmental Protection Law of the People's Republic of China

LETTER TO SHAREHOLDERS

- (中华人民共和国节约能源法);
- Energy Conservation Law of the People's Republic of China (中华人民共和国清洁生产促进法);
- Cleaner Production Promotion Law of the People's Republic of China (中华人民共和国环境影响评价法);
- Law of the People's Republic of China on Appraising of Environment Impacts (建设项目环境保护管理条例);
- Regulations on the Administration of Construction Project Environmental Protection (危险废物贮存污染控制标准);
- Standards on the Pollution Control of Storage of Hazardous Waste (四川省危险废物污染环境防治办法);
- Measures of Sichuan Province on Prevention and Control of Environmental Pollution by Hazardous Waste (北京市容环境卫生条例);
- Regulations of Beijing Municipality on City Appearance and Environmental Sanitation (关于加强城乡生活垃圾和建筑垃圾管理工作的通告);
- Notice of Strengthening the Administrative Work on the Urban and Rural Living Garbage and Construction Garbage (中华人民共和国水法);
- Water Law of the People's Republic of China (中华人民共和国大气污染防治法);
- Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (大气污染防治重点城市划定);
- Plans of Designating Key Cities for Prevention and Control of Atmospheric Pollution (成都市大气污染防治管理规定);
- Administrative Regulations of Chengdu City of Prevention and Control of Atmospheric Pollution (中华人民共和国安全生产法);
- Work Safety Law of the People's Republic of China (建设工程安全生产管理条例); and
- The Administrative Regulations on the Work Safety of Construction Projects.

Pursuant to the various regulations above, the Target Group is generally required to provide and maintain a work environment which is safe for its employees, without risk to health and ensure that adequate safety measures are taken in respect of any machinery, equipment or plant used by the employees. The Target Group must also ensure that its operations do not contravene the laws and regulations on, *inter alia*, air pollution, water pollution, land pollution and noise control. As at the Latest Practicable Date, the Target Group has not breached any of the legislation or regulatory controls on safety and environment set out above. Save as disclosed above, its business and operations are not subject to any other special legislation or regulatory controls on safety and environment that has a material effect on its business operations other than those generally applicable to companies and businesses incorporated and/or operating in China.

2.3 Summary of Financial Information of the Target Group

Based on the unaudited pro forma consolidated financial statements of the Target Group:

- (a) the consolidated EBITDA and NPAT of the Target Group (including the Commercial Building) for the financial year ended 31 December 2013 were RMB 57.0 million (approximately S\$12.0 million) and RMB 26.2 million (approximately S\$5.5 million) respectively;
- (b) the consolidated EBITDA and NPAT for the Target Group (including the Commercial Building) for the six (6) months ended 30 June 2014 were RMB 37.4 million (approximately S\$7.9 million) and RMB 19.4 million (approximately S\$4.1 million) respectively;
- (c) the pro forma NTA as at 30 June 2014, including the Commercial Building which was recorded at net book value of RMB 74.5 million (approximately S\$15.7 million) of the Target Group, was RMB 268.0 million (approximately S\$56.4 million); and
- (d) the pro forma NTA as at 30 June 2014, including the Commercial Building which was recorded at fair value of RMB 102.0 million (approximately S\$21.5 million) of the Target Group, was RMB 295.5 million (approximately S\$62.2 million).

2.4 Information on the Vendor

The information presented herein and in other sections of this Circular relating to information on the Vendor is based on information provided by the Vendor.

The Vendor is a company incorporated in the British Virgin Islands wholly owned by Cheng Du Wu Xing Ke Trading Limited (成都武兴科商贸有限公司), an investment holding company. Chengdu Zhong Qian Zhi Heng Management Limited (成都中乾智恒企业管理有限公司) owns an equity interest of 98.25% in Cheng Du Wu Xing Ke Trading Limited, and 34 individuals hold the remaining equity interest of 1.75% (the “Beneficial Owners”). Please refer to Appendix A for details of the Beneficial Owners.

Chengdu Zhong Qian Zhi Heng Management Limited (成都中乾智恒企业管理有限公司) is beneficially owned by the Beneficial Owners. The Beneficial Owners are mostly qualified engineers by profession, and are currently or were previously employed by Ranken in various capacities. They were issued shares under Ranken's employee share ownership plan and the Vendor was set up for the purpose of holding their collective equity interest in the Target.

The original founding members of Ranken are Ms Wang Heng and Mr Wang Jilu. The Founding Members are also Beneficial Owners who each own more than 10.0% of the effective equity interest in the Vendor.

LETTER TO SHAREHOLDERS

(a) Wang Heng (王恒) – 49.13%

Wang Heng, one of Ranken's co-founders, is Ranken's legal representative and an executive director of Ranken. She graduated from the Southwest Jiaotong University with a major in Railway Engineering and also holds an EMBA from Economy and Management School of Tsinghua University. As a qualified engineer by profession, she started her professional career with CRB 12 where she worked for eight (8) years, from 1991 – 1998. She was a qualified technician and was subsequently promoted to engineer, chief of technical department for CRB 12. She co-founded Ranken after she left CRB 12.

She has significant experience in the project tendering and bidding process (either as a main contractor or sub-contractor from small-scale civil engineering projects to large-scale municipal projects, particularly relating to land transportation contracts) in China. She also reviews feasibility and project costing for Ranken's overseas ventures and projects. Together with the other co-founder of Ranken, she has been able to secure various projects from SOE and SOE-linked entities (some of which are Fortune-500 companies in China).

Wang Heng is also a member of Tenth Chinese People's Political Consultative Committee of Sichuan Chengdu Wuhou District (第十届成都市武侯区政协委员).

(b) Wang Jilu (王冀鲁) – 14.35%

Wang Jilu is a Founding Member and a director of Ranken. He is currently an advisor to Ranken. He graduated from Beijing Science and Technology University and worked at Beijing Railway Bureau (北京铁路局) as General Secretary for 13 years prior to co-founding Ranken. He is responsible for dealing and maintaining good working relationships with Ranken's major clients, which is instrumental to Ranken being able to continually secure major SOE contracts, thus ensuring an efficient supply chain and improving cost control.

During its formative years, he helped Ranken in its obtaining of various licenses from various ministry offices for its fields of expertise, specifically in public works civil engineering and project management for land transportation infrastructure projects.

Mr Yang Jian, a non-executive Director of the Company, had previously referred Ms Wang Heng to Mr Teh Wing Kwan ("Mr Teh"), the Managing Director and Group Chief Executive Officer of the Company, for friendly advice when Ranken was keen to evaluate and quote for major infrastructure projects in West Malaysia and other parts of South-East Asia (markets which Mr Teh is familiar with and has strong business networks). Since then, Ranken has sought corporate advice from Mr Teh in relation to Ranken's corporate and business expansion plans in South-East Asia, ranging from general discussions relating to Ranken's business model to the Company's investment strategies. As a result, the Company and Ranken have developed a good business relationship which led to specific discussions on the Proposed Transactions. Mr Yang Jian will not receive any introducer fees or other benefits in relation to the Proposed Transactions.

None of the Vendor or any of the Beneficial Owners, are related to the Company, its Directors, or Controlling Shareholders.

2.5 Information on the Management of the Target Group

Please refer to Appendix B for the management reporting organisational chart of Ranken.

(a) Directors

(i) Zhang Weixuan (张伟瑄)

Zhang Weixuan, born in 1960, is an Executive Director of Ranken. He joined Ranken in 1999. He graduated with a Bachelor of Law from Renmin University of China (中国人民大学) and holds an EMBA from Peking University, Guanghua School of Management (北京大学光华管理学院). He has more than 30 years' experience in the civil engineering sector and has significant business networks in developing and managing the civil engineering and construction businesses in China. Jointly with Wang Heng, he advised Ranken on its overseas expansion plans, key operational matters and marketing strategies for Ranken. He currently assists with formulating the overall corporate and investment strategies of Ranken.

(ii) Wang Guiqing (王贵清)

Wang Guiqing, born in 1968, is a director and the President of Ranken. He graduated from Southwest Jiaotong University (西南交通大学) with a major in hydrogeology and geology engineering, holds an EMBA and was a lecturer at Southwest Jiaotong University. Prior to joining Ranken in 2014, he worked in the Chengdu government for more than 20 years. He has significant experience in organisation, administration and is familiar with the law and regulations of China. He successfully led major township planning and development projects located in the economic development zones of Longquanyi, Chengdu. He is also a member of the fourteenth Chengdu People's Political Consultative Committee (成都市政协).

(iii) Gao Qiang (郜强)

Gao Qiang, born in 1972, is a director and the Deputy General Manager of Ranken. He graduated from Chengdu University of Technology (成都理工大学) with a major in hydrogeology and geology

LETTER TO SHAREHOLDERS

engineering and is a qualified civil engineer by profession. Prior to joining Ranken in 1999, he was a technical director and project engineering director at 4th Construction Company of China Nuclear Engineering Corporation (中国核工业第四建设公司). He is responsible for production, project management (including overseas projects), and technological research and development.

(b) Management

(i) Zhou Yong (周勇)

Zhou Yong, born in 1962, is the Deputy General Manager of Ranken. He graduated from Southwest Jiaotong University (西南交通大学) with a major in railway engineering and is a qualified civil engineer by profession. Prior to joining Ranken in 1999, he worked in SOEs specializing in the areas of civil engineering and technology and was a technical director and chief engineer at China Railway Bureau 2 (中铁二局) for more than 10 years. He is responsible for technical design, supervision and project management. He is also the legal representative of Chengdu Kai Qi Rui.

(ii) Zhao Dong (赵冬)

Zhao Dong, born in 1962, is the Deputy General Manager of Ranken. She graduated from the PLA Nanjing Institute of Politics (解放军南京政治学院) and served in the People's Liberation Army for 22 years. She has significant experience in township planning and management for Chengdu having been a division director of Chengdu Military General Hospital (成都军区总医院), deputy general manager of Great Wall, Trade Division of the Chengdu Military Region (成都军区长城工贸部), media chief of Chengdu Military General Hospital (成都军区总医院), researcher, and director of Chengdu City Construction Infrastructure Management Committee (成都市建设管理委员会). She has been responsible for administration and human resource management since joining Ranken in 2014.

(iii) Yang Lijun (杨丽筠)

Yang Lijun, born in 1963, is the Deputy General Manager of Ranken. She holds a diploma of Statistics from Chongqing Jiaotong University (重庆交通大学) and an MBA from Southwest Jiaotong University (西南交通大学). Since joining Ranken in 1998, she has held various positions including office manager and is responsible for project risk management and internal audit in her present role.

(iv) Li Yang (李阳)

Li Yang, born in 1967, is the Deputy General Manager of Ranken. He graduated from Shijiazhuang TieDao Institute (now known as Shijiazhuang TieDao University) (石家庄铁道学院, 现名石家庄铁道大学). Prior to joining Ranken in 2014, he has held various positions including project manager and senior engineer – specialising in highway and urban rail projects – in China Railway Construction Corporation (中国铁建) from 1988 to 2010. From 2002 to 2005, he was assigned to work as a project manager for Qinghai-Tibet railway project (青藏铁路项目) and a general manager for the 2nd Engineering Co., Ltd. of China Railway Construction Corporation (22nd Bureau) (中国铁建22局2公司). In his present role, he is responsible for the business development of international markets for Ranken.

(v) Wang Honghua (王洪华)

Wang Honghua, born in 1971, is the Deputy General Manager of Ranken. He graduated from Southwest Jiaotong University (西南交通大学) with a major in Bridge Engineering and is a qualified civil engineer by profession. He has engaged in engineering work for 10 years in SOEs and served as technician, engineer, technical director, chief engineer at China Railway Bureau 2 (中铁二局) before joining Ranken in 2006. He is currently overseeing major projects in Ranken.

(vi) Diao Tianxiang (刁天祥)

Diao Tianxiang, born in 1965, is the Chief Engineer of Ranken. He graduated with a Bachelor of Railway Engineering from Lanzhou Railway Institute (now known as Lanzhou Jiaotong University) (兰州铁道学院, 现名兰州交通大学). He is a certified constructor by profession and winner of the First Class Award of China Construction Enterprise Management Association Technical Innovation Achievement Award (中国施工企业管理协会技术创新成果一等奖). He has engaged in engineering work for 20 years in SOEs and served as assistant engineer, technical director, chief project engineer, deputy director, chief engineer at the China Railway Tunnel Bureau 3rd Division (中铁隧道局三处). He was appointed as Ranken's Chief Engineer in 2010.

(vii) Li Chuanwen (李川文)

Li Chuanwen, born in 1969, is the Chief Financial Accountant of Ranken. He graduated from Changsha Jiaotong Institute (now known as Changsha University of Science & Technology) (长沙交通学院, 现名长沙理工大学) with a major in accounting. He holds an MBA and is a Chartered Public Accountant (CPA). He has worked with various SOEs for 20 years and has served in various positions including chief accountant and financial controller in those companies. He was appointed as Ranken's Chief Financial Accountant in 2013.

LETTER TO SHAREHOLDERS

(viii) Bai Yi (白毅)

Bai Yi, born in 1978, is the Chief Cost Accountant of Ranken. He graduated from Shijiazhuang TieDao Institute (now known as Shijiazhuang TieDao University) (石家庄铁道学院, 现名石家庄铁道大学) with a major in statistics. He has worked with China Railway 16th Bureau (中铁十六局) in relation to engineering technology and budgeting for 10 years and served in various positions including project manager cum head of budgeting. Since joining Ranken in 2006, he has also served as the head of project budgeting and the Deputy Chief Cost Accountant.

(c) Employees

As at the Latest Practicable Date, Ranken has a total staff strength of 1,021, including 46 senior engineers, 130 engineers, 46 supervisors and 51 technicians.

2.6 Rationale and Benefits

(a) The Group's Business Activities

Following the Group's acquisition of Mancala Holdings Pty Ltd, in Australia ("Mancala") on 7 January 2014, the Group began engaging in the provision of specialist mining services through Mancala and its subsidiaries. The business mainly includes raised bore, shaft excavation, engineering services and other mining services. For the 12 months ended 31 December 2014, Mancala has been profitable. Mancala intends to seek re-financing of its existing loans to reduce overall funding costs.

In addition, the Group divested its steel business on 30 July 2014 after considering, *inter alia*, the significant working capital requirements and capital expenditure commitments, the continual loss-making position of the business which resulted in higher working capital needs for and cash outflows from the entire operations, the competitiveness of the Chinese steel-making industry and the increasingly stringent environmental compliance laws and regulations in China.

Shareholders may refer to the Company's announcements dated 9 October 2013 and 7 January 2014, and its circular to Shareholders dated 15 July 2014 for more information on the Group's acquisition of Mancala and its divestment of its steel business respectively.

(b) Acquisition of the Target Group

Moving forward, the Group has been proactively evaluating various strategic investment opportunities in the infrastructure and engineering industry to improve its financial performance and position.

The engineering sector relating to railway infrastructure projects in China is a niche market with high barriers to entry. Notably, Ranken is the only Triple A privately-owned operator which possesses full integrated qualifications and licenses in relation to design, construction and project consultation in the rail transit sector in China. From a macro perspective, the recent five (5)-year plan adopted by the Chinese Congress appears to emphasise continual urbanisation and modernisation. Therefore, the Company believes that accelerating investments in the infrastructure sector are expected to stimulate domestic economic growth over the longer term. In this regard, infrastructure projects for railway, urban rail transit, new expressways and roads upgrade are expected to take the lead. There has also been a rising demand for sustainable urbanisation needs in China and other parts of emerging markets in Asia.

The Proposed Transactions represent an expansion and diversification of the existing business of the Group into the value-added engineering sectors specifically in design, construction and consultation of railways (urban rail transit) and other land transportation infrastructure for township development and urbanisation projects in China and other emerging markets.

Therefore, as set out above, the Proposed Transactions will minimise the reliance of the Group on its existing mining services operation, mitigate the commercial risks and exposure to the volatility of commodity prices which may impact the financial performance of the mining services business. The Directors are of the view that the Proposed Transactions will generate a sustainable revenue stream and additional earnings for the Group as well as diversify its earnings base.

2.7 Risk Factors

The Board believes that the Proposed Transactions involve a change of the Company's business and will therefore change the risk profile of the Company.

Any of the risk factors and uncertainties described below could materially and adversely affect the Company's and the Group's business, prospects, financial position, results of operations or cash flows. If any of the following risk factors develops into actual events, the market price of the Shares could decline, and Shareholders may lose all or part of their investments in the Shares. The risks and uncertainties described below are not intended to be exhaustive and are not the only risks and uncertainties that the Group may face. The Group could be affected by a number of risks which relate to the industries and countries in which the Group intends to operate as well as those which may generally arise from, *inter alia*, economic, business, market and political factors, including the risks set out herein. Additional risks and uncertainties not presently known to the Company or the Group or that the Company or the Group currently deem immaterial may also impair the Company's or the Group's business, financial condition,

LETTER TO SHAREHOLDERS

operations and prospects. The risks discussed below also include forward-looking statements and the Company's and the Group's actual results may differ substantially from those discussed in these forward-looking statements. To the best of the Directors' belief and knowledge, all the risk factors that are material to investors in making an informed judgement have been set out below.

Subheadings are for convenience only and risk factors that appear under a particular sub-heading may also apply to one or more other sub-headings.

2.7.1 Risks relating to the Target Group

(a) The Target Group's business will be dependent on public sector demand and government incentives

The Target Group's business will be heavily reliant on public sector demand and government initiatives in increasing infrastructure spending for the land transport infrastructure sectors particularly in China and other countries in which the Group takes on significant projects. Any slowdown, delay or reduction in such investment initiatives may adversely affect the financial performance and financial position of the Group.

Please refer to Section 2.2(c) of this Circular for more information relating to the major projects that Ranken has undertaken.

(b) The Target Group may not be able to secure projects

As disclosed in Section 2.2(d) above, the order book for Ranken is approximately RMB 2.1 billion (approximately S\$442.1 million). Whilst the existing order book for the Target Group is healthy, this is not an accurate indicator of the Target Group's future performance and there is no assurance that the Target Group will be able to secure large-scale projects on a continuous basis or to continuously secure such projects on favourable commercial terms. In the event that there are cancellations of major contracts or significant variation of terms for the contracts, which are not favourable to the Target Group and require re-negotiations, the financial performance of the Group may be adversely affected.

Please refer to Section 2.2(c) of this Circular for more information relating to the major projects that Ranken has undertaken.

(c) Success is dependent on the key management team of the Target Group

As the EPC business is a new area of business to the Group, the Group will face the usual risks, uncertainties and problems associated with the entry into any new business, in which it has no prior track record. These risks, uncertainties and problems include, among other things, the inability to find the right joint venture, strategic or other business partnerships, the inability to manage expanding operations and costs, failure to attract and retain customers, difficulty in establishing a database of suppliers, failure to provide the results, level of revenue and margins the Group is expecting and failure to identify, attract, retain and motivate qualified personnel. In addition, the Group's current management may not have the relevant expertise to ensure success in these areas. As such, success of the EPC business is heavily reliant on the key management team of the Target Group to manage and expand its business operations.

The key management team of the Target Group has a wide range of experience in project management for major transportation infrastructure project. In addition, as highlighted in Section 2.5 of this Circular, the executive directors and key management members of the Target Group are mainly qualified engineers by profession specialising in civil engineering, railway engineering, bridge engineering, macro tunnelling, technical design, research and development, project management for major transportation infrastructure projects (including large-size municipal projects and infrastructure planning for township development and urbanisation plans). Mr Zhang Weixuan (Executive Director), Mr Wang Guiqing (Director and President), Mr Zhou Yong (Director and Deputy General Manager), Mr Gao Qiang (Director and Deputy General Manager), Mr Zhao Dong (Deputy General Manager), Ms Yang Lijun (Deputy General Manager), Mr Wang Honghua (Deputy General Manager) and Mr Diao Tianxiang (Chief Engineer) will each enter into a five-year service contract with the Target Group on Completion. Whilst there is currently no arrangement for the Company to appoint any key management members of Ranken to the Board of the Company, the Company may consider appointing Ms Wang Heng to the Board given her profile and experience in the infrastructure industry, which will be beneficial to the Company's growth strategies going forward. Please refer to Section 5 of this Circular for more details relating to the possible appointment of Ms Wang Heng.

There is no assurance that the Target Group will be able to retain its key management personnel. The loss of the Target Group's key management personnel without suitable and timely replacements may result in disruption in operations and such disruption may cause delay in projects delivery and adversely affect the Group's financial performance.

(d) The Target Group's business will be cost-sensitive

The Target Group's business is cost-sensitive and its profitability is heavily dependent on the management's ability to keep costs down and boost operational efficiency during a project duration of between two (2) and three (3) years. If for whatever reasons and business factors which are beyond the control of the Target Group, the Target Group's direct and operating costs increase, its operating efficiencies may fall, and the Group's profit margins may thus be adversely affected.

LETTER TO SHAREHOLDERS

(e) High fluctuations in turnaround time for trade receivables may require additional working capital financing

As at 31 December 2013, 30 June 2014 and 31 December 2014, the Target Group's trade receivables (excluding retention monies) amounted to RMB 161.7 million (approximately S\$34.0 million), RMB 120.7 million (approximately S\$25.4 million) and RMB 304.7 million (approximately S\$64.1 million) respectively with a trade receivables turnaround time of 106 days, 127 days and 147 days. As at 31 December 2013, 30 June 2014 and 31 December 2014, the Target Group's trade receivables (including retention monies) amounted to RMB 297.3 million (approximately S\$62.6million), RMB 273.9 million (approximately S\$57.7million) and RMB 432.8 million (approximately S\$91.1 million) respectively with a trade receivables turnaround time of 195 days, 288 days and 208 days respectively. Accordingly, the Target Group's trade receivables turnaround time is high. However, such turnaround time for trade receivables is normal for its industry in China. In addition, the Target Group has not made provision for bad and doubtful debts written off for FY2012 and FY2014, although it made a provision of RMB 0.348 million (approximately S\$0.07 million) in FY2013. Thus, any delay in receipts of progress payment claims for its completed works will result in additional working capital investments for the Group and higher financing costs.

Trade receivables are recognised at inception at cost and are subsequently measured at amortised cost using the effective interest method, less allowance for impairment. If there is objective evidence that the trade receivables have been impaired, the trade receivables are measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date of impairment that is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write back is recognised in the statement of comprehensive income.

It should also be noted that if the Group fails to secure working capital financing at commercially acceptable rates and/or secure adequate working capital loans for its operations, its financial performance and financial position will be adversely affected.

(f) The Group may be subject to risks arising from foreign exchange fluctuations

The business of the Group is denominated in S\$ while the business of the Target Group, its cost of sales and operating expenses are denominated in RMB. Any significant unfavourable fluctuations in foreign currency exchange rates against the Company's functional currency may have an adverse effect on its operating results.

(g) Pro forma financial information of the Target Group is unaudited

The Group has engaged Foo Kon Tan LLP, an internationally recognised Certified Public Accountant to:

- (i) perform financial due diligence on the Target Group for FY2013;
- (ii) prepare pro forma financial statements of Ranken for FY2011 and FY2012 (with notes to financial statements and details extracted from the local audited accounts of Ranken which had been prepared in accordance with the Chinese Accounting Standards for Business Enterprises ("CAS") and the Accounting System for Business Enterprises ("ASBE")); and
- (iii) perform an audit review on the pro forma combined financial statements of the Target Group for FY2013 and 1H2014 prepared in accordance with the CAS and ASBE with certain audit adjustments taken into account to align the financial statements with the International Financial Reporting Standards ("IFRS").

The pro forma consolidated financial statements of the Target Group for the financial year ended 31 December 2013 and the pro forma consolidated financial statements for the six (6) months period ended 30 June 2014 was not audited. Please refer to Section 2.3 of this Circular for the financial information of the Target Group. The financial effects of the Proposed Acquisition and the Proposed Subscription set out in Section 6 of this Circular have been calculated based on the unaudited pro forma consolidated financial statements of the Target Group for the financial year ended 31 December 2013 and for the six (6) months ended 30 June 2014. There can be no assurance that, had an audit been conducted in respect of such financial information, the information presented therein would not have been materially different, and Shareholders should not place undue reliance on them.

Please refer to Appendices E and F of this Circular for the Pro forma Combined Financial Statements for the Financial Years Ended 31 December 2011, 2012 and 2013, and the Pro Forma Combined Financial Statements for the Financial Period Ended 30 June 2014.

(h) Further acquisitions, equity investments, joint ventures or other arrangements may expose the Group to increased business and operating risks

The Group may, as a matter of business strategy, invest or acquire other entities engaged in the EPC business, or enter into joint ventures or other investment structures in connection with the EPC business. Acquisitions that the Group may make, along with potential joint ventures and other investments, may expose the Group to additional business and operating risks and uncertainties, including:

LETTER TO SHAREHOLDERS

- direct and indirect costs in connection with the transaction;
- the inability to effectively integrate and manage acquired businesses;
- the inability or unwillingness of joint venture partners to fulfil their obligations under the relevant joint venture agreements;
- the inability of the Group to exert control over strategic decisions made by these companies;
- time and resources expended to coordinate internal systems, controls, procedures and policies;
- disruption in ongoing business and the diversion of management's time and attention from other business concerns;
- the risk of entering markets in which the Group may have no or limited prior experience;
- the potential loss of key employees and customers of the acquired businesses;
- the risk that an investment or acquisition may reduce the Group's future earnings; and
- exposure to unknown liabilities.

If the Group is unable to successfully implement the Group's acquisition or expansion strategy or address the risks associated with acquisitions or expansions, or if the Group encounters unforeseen expenses, difficulties, complications or delays frequently encountered in connection with the integration of acquired entities and the expansion of operations, the Group's growth and ability to compete may be impaired, the Group may fail to achieve acquisition synergies and the Group may be required to focus resources on integration of operations rather than on the Group's primary business.

Should these occur, the Group's business, financial performance, financial condition and operating cash flow may be adversely affected.

(i) General risks arising from unforeseen delays

The operating cash flows of the Group may be adversely affected by delay in clients' certification of completed works and finalisation of additional value of works claimed under variation orders.

Significant compensation claims, warranty claims, liquidated damages (relating to delays in projects completion, accident or unexpected incidents) will adversely affect the Group's reputation and thus, its financial performance.

(j) The Group's financial performance is subject to revenue and profit volatility

The Group's financial performance and position will be subject to revenue and profit volatility. The Target Group only recognises the contract value of projects as revenue based on the stage-of-completion method (instead of at the point when the project is secured) in accordance with the CASBE. This is also the recommended practice under the accounting framework of the IFRS. This method of revenue and profit recognition does not account for the full contract value of the project at the point when the project is secured. Accordingly, the Group's revenue and profit are dependent on the duration required to complete the respective projects, which may result in fluctuation of accounting revenues and profits recorded in the books.

2.7.2 Risks relating to the EPC business

(a) Fluctuations in financial performance due to unfavourable environmental conditions

The Target Group's infrastructure projects, which involve major tunnelling works, are subject to unforeseen geological and hydrological conditions, and such underground conditions could be more complicated than expected. If such circumstances exist, the Group's operating costs will be significantly higher and projects delivery could be delayed. As a result, its financial performance will be adversely affected.

(b) Regulatory Risks

The Target Group has been issued various licenses, permits and approvals in relation to construction, design engineering, labour services and supervision services as disclosed above in Section 2.2(e) of this Circular.

Some of these licenses and permits need to be continually renewed to operate. If for whatever reasons, the Target Group's licenses are revoked, not renewed, delayed in renewal, downgraded and/or varied due to non-compliance of relevant laws and regulations under which these licenses and permits are issued, the business operations and financial performance of the Group will be adversely affected.

The rules and regulations for safety measures and environmental controls for the Group's operations are stringent and compliance costs are getting increasingly higher. In the event that the Group fails to pass on the increase in compliance costs to its clients, its financial performance will be adversely affected.

LETTER TO SHAREHOLDERS

Please refer to Section 2.2(f) of this Circular for further details relating to the aforementioned safety measures and environmental controls.

(c) Disruptions caused by shortage of resources and fluctuations in prices

The Group may face disruptions in its business operations as a result of labour shortage, raw materials shortage, costs overrun and adverse weather conditions which will adversely affect the Group's financial performance.

The Group's business operations will also be subject to fluctuations in raw materials prices, energy prices and utilities prices. If the Group cannot adjust its contract prices accordingly to match the costs increase or if its contract price adjustments lag far behind the costs increase, its margins will be adversely affected.

(d) Uncertainties on securing additional funding for business development

The Group may require external financing for its future growth strategies and it may also find opportunities to grow its business through strategic acquisition, partnership and collaboration. Under such circumstances, the Group may need to consider additional debts or equity financing to finance such strategies. The ability of the Group to arrange financing and the cost of such financing are dependent on global economic conditions, capital and debt market conditions, lending policies of the government and banks, and other factors. The Group's business may not be able to generate sufficient cash flows to fund investment and/or expansion opportunities. Unless the Group can do so through internal sources, it will be required to finance the cash needs through public or private equity offerings, bank loans and/or other debt financing. There can be no assurance that international or domestic financing and necessary equipment that the Group may acquire or develop will be available on terms favourable to the Group or at all. The Group may have to delay, adjust, reduce or abandon its planned growth strategies. In the event that the Company does obtain bank loans or debt financing but is unable to meet the financing expenses of such, its business performance may be adversely affected. Additional debts financing, if any, taken up in such circumstances will also increase overall gearing position and interest expense.

Any additional equity offerings, if any, may further result in dilution to Shareholders. It should also be noted that in the event that the proceeds from new equity fails to commensurate higher profits, the earnings per share of the Company would fall.

(e) Inadequate insurance coverage to cover all liabilities

The Group may face the risk of loss or damage to properties, plant and equipment due to fire, theft and natural disasters. Such events may cause major disruptions or temporary cessation in its operations. In the event that such loss or damage exceeds the insurance coverage or is not covered by the insurance policies, the Group may have to cover the shortfall in the amount claimed and such events of claim may also result in the Group paying significantly higher premiums on insurance policy renewal and the financial performance of the Group may be adversely affected.

(f) Risks associated with operating businesses outside Singapore

There are risks inherent in operating businesses overseas, which include unexpected changes in regulatory requirements, difficulties in staffing and managing foreign operations, social and political instability, fluctuations in currency exchange rates, potentially adverse tax consequences, legal uncertainties regarding the Group's liability and enforcement, changes in local laws and controls on the repatriation of capital or profits. Any of these risks could adversely affect the Group's overseas operations and consequently, its business, financial performance, financial condition and operating cash flow.

In addition, the Group may not be able to expand successfully in the markets outside China due to learning curve, costs competitiveness and commercial risks specifically relating to the foreign countries in which the Target Group operates. The Group may face uncertainties associated with its overseas business expansion and strategic alliance plans which the Target Group believes could complement its current business operations in China.

(g) The Target Group operates in a competitive environment and competes with other larger players

The Target Group operates in a competitive environment where cost effectiveness and work efficiencies are important. In the event that the Group fails to keep abreast of technological advancements, its competitiveness in the industry may be affected. Such advancements or improvements in technologies may also require significant capital expenditure and investments which may require the Group to borrow more heavily and incur higher borrowing costs.

The Target Group also competes with other larger players in the industry with superior operating track records and who have substantially greater financial resources, staff and facilities. The Group may face such competitors when bidding for projects. If the Group is unsuccessful in identifying suitable contract areas or continuing satisfactory relationships with existing partners and competing against other larger players, its business, results of operations, financial condition and prospects could be materially adversely affected.

Please refer to Section 2.2(b) of this Circular for information relating to Ranken's competitors.

LETTER TO SHAREHOLDERS

- (h) The Group's ability to borrow from banks or the capital markets may be adversely affected by a financial crisis

The Group's ability to borrow from banks or the capital markets to meet its financial requirements is dependent on favourable market conditions. Financial crises in particular geographic regions, industries or economic sectors have, in the recent past, led and could in the future lead to sharp declines in the currencies, stock markets and other asset prices in those geographic regions, industries or economic sectors, in turn threatening affected companies, financial systems and economies. Recent examples of financial crises include the sub-prime mortgage crisis in the United States of America and the sovereign debt crisis in Europe and the United States of America.

2.7.3 Risks relating to conducting operations in China

- (a) Changes in the social, political, legal and economic conditions in China could affect the Group's business

98.0% and 96.0% of the Target Group's assets and revenues respectively are derived from its business operations located in China. Accordingly, any significant slowdown in the Chinese economy or decline in demand for its EPC services from customers in China will have an adverse effect on the Group's business, financial condition and financial performance. Furthermore, any unfavorable changes in the social, political, legal and economic conditions of China may also adversely affect its business and operations.

- (b) Interpretation and application of Chinese laws and regulations involve uncertainty

The legal system in China is based on the Constitution of China and is made up of written laws, regulations, circulars and directives. The Chinese government is still in the process of developing its legal system so as to meet the needs of investors and to encourage foreign investment. As the Chinese economy is generally undergoing development at a faster pace than its legal system, some degree of uncertainty exists in connection with whether and how existing laws and regulations will apply to certain events or circumstances.

Some of the laws and regulations, and the interpretation, implementation and enforcement thereof, are still being developed and refined and are, therefore, subject to policy changes. There is no assurance that the introduction of new laws, changes to existing laws and the interpretation or application thereof or the delays in obtaining approvals from the relevant authorities will not have an adverse impact on the Group's business, financial performance and prospects.

Further, precedents on the interpretation, implementation and enforcement of Chinese laws and regulations are limited, and unlike common law countries such as Singapore, decisions on precedent cases are not binding on lower courts. Accordingly, the outcome of dispute resolutions may not be consistent or predictable as may be the case in other legal jurisdictions and it may be difficult to obtain swift and equitable enforcement of the laws in China, or to obtain enforcement of judgment by a court of another jurisdiction.

- (c) Risk of non-compliance with governmental and regulatory requirements

Notwithstanding that the Target Group is currently in compliance with governmental and regulatory requirements, there is no assurance that the Group will be able to meet all the regulatory requirements and guidelines, or comply with all the applicable regulations at all times, or that it will not be subject to sanctions, fines or other penalties in the future as a result of non-compliance. If sanctions, fines and other penalties are imposed on the Group for failing to comply with applicable requirements, guidelines or regulations, its business, reputation, financial condition and results of operations may be materially and adversely affected.

- (d) Chinese foreign exchange control may affect the Group's ability to receive dividends and other payments from the Target Group

SAFE regulates foreign exchange matters in China, including the conversion of RMB into foreign currencies, and vice versa. RMB conversions are regulated by the Forex Laws.

According to the Forex Laws, foreign investment enterprises established in China ("FIEs") are required to obtain the FIE Certificates from SAFE so that they can open and operate foreign currency (i.e. non-RMB currency) bank accounts for the payment of:

- (i) recurring items from the current account, including the distribution of dividends and profits to foreign investors of FIEs subject to the presentation of board resolutions authorising the distribution; and
- (ii) capital items from the capital account, such as repatriation of capital, repayment of loans and for securities investment.

Conversions in the current account can be effected freely whilst conversions in the capital account require SAFE approval.

Chengdu Kai Qi Rui, a Target Group company, is a FIE and obtained its FIE Certificate on 11 August 2014. It continues to maintain its FIE Certificate, which is subject to an annual audit conducted by the Ministry of Commerce and State Administration of Foreign Exchange of the People's Republic of China. With the FIE Certificate, it is able to convert its RMB revenue into foreign currency and repatriate dividends and profits to the Company.

LETTER TO SHAREHOLDERS

Related rules and regulations pertaining to FIE certification are as set out below:

- (i) Article 6 of the Regulations for the Implementation of the Law of the People's Republic of China on Sino-Foreign Equity Joint Ventures states that the establishment of a joint venture in China shall be subject to examination and approval by the Ministry of Foreign Trade and Economic Cooperation of the People's Republic of China ("MOFTEC"). A certificate of approval shall be issued by MOFTEC.
- (ii) Article 25 of the Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors provides that in the case of merger and acquisition of a domestic enterprise by a foreign investor for incorporation of a foreign investment enterprise, unless otherwise stipulated in these provisions, the examination and approval authorities shall decide on approval or non-approval pursuant to the law within 30 days from the date of receipt of all documents required to be submitted. Where approval is granted, the examination and approval authorities shall issue an approval certificate.

Accordingly, once the FIE certificate was granted to Chengdu Kai Qi Rui, which is 98.0% owned by the Target, a company that is incorporated in Hong Kong, Chengdu Kai Qi Rui was deemed to be a Sino-Foreign Equity joint venture. The FIE certificate will continue to remain valid under the existing provisions of the applicable rules and regulations so long as at least one (1) of the shareholders of Chengdu Kai Qi Ru is a foreign investor.

The Chinese government may however impose further restrictions or requirements on the conversion of RMB by Chengdu Kai Qi Rui for repatriation as dividends to the Company outside China; or the Company re-investing into China. As at the Latest Practicable Date, the Target Group generates most of their revenue denominated in RMB, and any future restrictions on currency exchanges may affect their ability to repatriate such revenues for the distribution of dividends to the Shareholders or for funding their other business activities outside China. Further, any changes could affect the Target Group's ability to utilise funds raised outside China for use by the Target Group.

(e) Fluctuations in the value of RMB may have a material and adverse effect on your investment

The value of RMB against the US\$, S\$ and other currencies may fluctuate and is affected by, among others, changes in China's political and economic conditions. The conversion of RMB into foreign currencies, including US\$ and S\$ has been based on rates set by the PBOC. On 21 July 2005, the Public Announcement of the PBOC on Reforming the RMB Exchange Rate Regime (the "PBOC Announcement") was promulgated by the PBOC. The Chinese government changed its policy of pegging the value of RMB to the US\$. Under the PBOC Announcement, RMB is permitted to fluctuate within a narrow and managed band against certain foreign currencies.

The Shares are quoted in S\$ on the SGX-ST. Dividends, if any, in respect of the Shares will be paid in S\$. Any significant revaluation of RMB may materially and adversely affect the Group's cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, the Shares in S\$ terms. For example, an appreciation of RMB against US\$ or S\$ would make any new RMB denominated investments or expenditures more costly to the Group, to the extent that the Group would need to convert US\$ or S\$ into RMB for such purposes. The Group presently does not have any formal policy for hedging against foreign exchange exposure and will continue to monitor the foreign currency exchange exposure closely. The Group may hedge its exposure by either entering into relevant foreign exchange forward contracts or relying on natural hedge or a combination of both.

2.7.4 Risks relating to investment in the Shares

(a) Additional funds raised through issuance of new shares or loans for the Group's future growth will dilute Shareholders' equity interest or may limit their ability to pay dividends

To expand its capacity, the Target Group needs to increase its capital investment in machine and equipment. The Target Group is currently evaluating and quoting additional jobs in addition to its existing order book of RMB 2.1 billion (approximately S\$442.1 million). The additional order book, if secured, will require additional capital investment. Please refer to Section 2.2(d) of this Circular for more information relating to Ranken's order book. Therefore, the Group may require additional financing which may not be available to the Company. The Target Group expects to finance the capital expenditure mainly by bank borrowings but may also raise additional capital through the capital markets. This may dilute Shareholders' ownership in the Company.

The Group may need to raise additional funds in future to finance its expansion or for new developments in relation to its existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities other than on a pro rata basis to the then-existing Shareholders, the percentage ownership of the Shareholders may be reduced and Shareholders may thus experience dilution.

(b) Existing Shareholders will face immediate and substantial dilution and may experience future dilution to shareholdings

Completion will result in immediate dilution to the shareholdings of the existing Shareholders as a result of the allotment and issue of the Consideration Shares to the Vendor and/or its designated nominees.

The Company may also issue new shares or convertible securities, share options or share awards under any

LETTER TO SHAREHOLDERS

employee share schemes that may be implemented after Completion. This may lead to further dilution to the shareholdings of the existing Shareholders, which would be subject to the SGX-ST's approval under the Listing Manual.

(c) The Share price may be volatile, which could result in substantial losses for investors in the Shares after Completion

The market price of the Shares may fluctuate significantly and rapidly as a result of, *inter alia*, the following factors, some of which are beyond the control of the Company:

- (i) the success or failure of the Group's management team in implementing business and growth strategies;
- (ii) announcements by the Company of significant contracts, acquisitions, strategic alliances or capital commitments;
- (iii) changes in the Group's operating results;
- (iv) involvement in litigation;
- (v) any negative publicity on the Group;
- (vi) unforeseen contingent liabilities of the Group;
- (vii) addition or departure of key personnel;
- (viii) fluctuations in share prices of companies with similar business to the Company that are listed in Singapore;
- (ix) differences between the actual financial operating results of the Group and those expected by investors;
- (x) foreign exchange fluctuations and translations; and
- (xi) general economic and stock market conditions.

(d) The Group may not be able to pay dividends in the future

The Group's ability to declare dividends to Shareholders in the future will be contingent on its future financial performance and distributable reserves of the Company. This is in turn dependent on its ability to implement its future plans, and on regulatory, competitive and technical factors and other factors such as general economic conditions and demand for and selling prices of the Group's products and services. Any of these factors could have a material adverse effect on the Group's business, financial position and results of operations, and hence there is no assurance that the Group will be able to pay dividends to Shareholders after the Completion.

Further, in the event that the Group is required to enter into any loan arrangements with any financial institutions, covenants in the loan agreements may also limit when and how much dividends the Group can declare and pay out.

2.8 Principal Terms of the Proposed Acquisition and the Proposed Subscription

2.8.1 Consideration

Subject to the terms and conditions of the Agreement:

- (a) the Company shall acquire (i) one (1) ordinary share in the capital of the Target representing 100.0% of the current issued share capital of the Target for an Acquisition Consideration of RMB 78.375 million (approximately S\$16.5 million), and (ii) subscribe for a further 6,000 new shares in the capital of the Target for a Subscription Consideration of RMB 282.0 million (approximately S\$59.4 million) (excluding interest on the Bonds), amounting to an aggregate consideration of RMB 360.375 million (approximately S\$75.9 million) or an aggregate consideration of RMB 364.875 million (approximately S\$76.8 million (including interest on the Bonds));
- (b) in satisfaction of the Acquisition Consideration, the Company shall allot and issue to the Vendors 165,000,000 new ordinary Shares in the capital of the Company, deemed fully paid-up at the issue price of S\$0.10 per Consideration Share; and
- (c) in satisfaction of the Subscription Consideration, the Company shall:
 - (i) provide a RMB 82.0 million (approximately S\$17.3 million) interest free loan within three (3) months of completion of the due diligence (provided that (aa) the results of the due diligence are reasonably satisfactory to the Company and (bb) the Company is entitled to disburse the loan in parts to the Target at any time during the three (3) months period⁽¹⁾;

LETTER TO SHAREHOLDERS

- (ii) issue a 4.5% redeemable non-convertible corporate bond amounting to a principal amount of RMB 120.0 million (approximately S\$25.3 million) ("**Bond 1**") by the Company in favour of the Target on Completion; and
- (iii) issue a 4.5% redeemable non-convertible corporate bond amounting to a principal amount of RMB 80.0 million (approximately S\$16.8 million) ("**Bond 2**") by the Company in favour of the Target on Completion.

Note:

- (1) The RMB 82.0 million (approximately S\$17.3 million) interest free loan has since been disbursed following the completion of due diligence on the Target.

2.8.2 Basis of Consideration

The total consideration of RMB 360.375 million (approximately S\$75.9 million) comprises of Acquisition Consideration of RMB 78.375 million (approximately S\$16.5 million) and Subscription Consideration of RMB 282.0 million (approximately S\$59.4 million), which were determined after negotiation at arms' length on a willing-buyer and willing-seller basis and taking into account, *inter alia*, the following factors:

- (a) the pro forma NAV of the Target Group as at 30 June 2014 of RMB 295.5 million (approximately S\$62.2 million) assuming that the Commercial Building was recorded at fair value of RMB 102.0 million (approximately S\$21.5 million) in accordance with the Valuation Report;
- (b) the EBITDA Estimate for FY2014, which is estimated to be RMB 79.0 million (approximately S\$16.6 million);
- (c) the EBITDA Estimate for 1H2015, which is estimated to be RMB 56.0 million (approximately S\$11.8 million); and
- (d) the factors listed in Sections 2.6 and 3.3 of this Circular, in particular the track record and profile of the Target Group, the growth potential of the engineering sector relating to railway infrastructure projects in China, and the revenue and cost savings projected from the Target's acquisition of the Commercial Building. Please refer to Section 2.6 of this Circular for details on the growth potential of the engineering sector relating to railway infrastructure projects in China and Section 3.3 of this Circular for details on the revenue and cost savings projected from Ranken's acquisition of the Commercial Building.

The quantum of the Subscription Consideration amounting to RMB 282.0 million (approximately S\$59.4 million) will be adjusted based on whether the Target Group can attain the EBITDA Estimate for FY2014 and the EBITDA Estimate for 1H2015. Please refer to Section 2.8.2(C) of this Circular for further details on the adjustment mechanism.

For the purpose of illustration, assuming that the Bonds are redeemed by the Company in full on the due date when the Target Group attains the EBITDA Estimate for FY2014 and the EBITDA Estimate for 1H2015:

- (i) the total consideration of RMB 360.375 million (approximately S\$75.9 million (excluding interest on the Bonds)) for the Proposed Transactions represents (aa) a premium of approximately 11.0% over the pro forma NAV of the Target Group as at 30 June 2014 and (bb) is 4.56 times of the EBITDA Estimate for FY2014; and
- (ii) the total consideration of RMB 364.875 million (approximately S\$76.8 million (including interest on the Bonds)) for the Proposed Transactions represents (aa) a premium of approximately 11.1% over the pro forma NAV of the Target Group as at 30 June 2014 and (bb) is 4.62 times of the EBITDA Estimate for FY2014.

(A) Information on the Consideration Shares

With reference to Section 2.8.1(b) above, the Issue Price of the Consideration Shares represents a slight premium of approximately 1.0% to the VWAP of S\$0.099 of the Shares for trades done on the SGX-ST on 20 November 2014 (being the last full market day on which the Shares were traded prior to the date the Agreement was signed).

The Consideration Shares represent approximately 20.32% of the existing issued share capital of the Company. On Completion, the Consideration Shares will represent approximately 16.89% of the enlarged share capital of the Company.

The Consideration Shares shall be allotted and issued on Completion by the Company to the Vendor fully paid and free from encumbrances, and shall rank *pari passu* in all respects with the existing Shares, save that they shall not rank for any dividends, rights, allotments, distributions or entitlements, the record date of which falls on or prior to the date of allotment of the Consideration Shares.

(B) Information on the Loan

The Loan is considered part of the consideration for the Proposed Subscription and is made available to the Target as the Company's demonstration of its commitment to the acquisition of the Target Group.

The Loan is to be secured against all the trade receivables of Ranken (including retention monies), and shall be

LETTER TO SHAREHOLDERS

capitalised on the Completion Date. As at 30 June 2014 and 31 December 2014, the Target Group has trade receivables (including retention monies) amounting to RMB 273.9 million (approximately S\$57.7 million) and RMB 432.8 million (approximately S\$91.1 million) respectively.⁽¹⁾⁽²⁾

As at the Latest Practicable Date and in accordance with the Agreement, the Company has disbursed RMB 82.0 million (approximately S\$17.3 million) to the Target on completion of the due diligence on the Target Group.

The Loan will be used by the Target Group to partly finance the working capital requirement for completion of its existing order book of RMB 2.1 billion (approximately S\$442.1 million). The Company has assessed the latest financial position of Ranken and noted that its latest trade receivables (including retention monies) of RMB 432.8 million (approximately S\$91.1 million) as at 31 December 2014 was 5.3 times higher than the Loan.

In the event that Completion does not take place, the Company will require immediate repayment of the Loan.

Notes:

- (1) The increase in trade receivables over the six (6) months period was mainly due to completion and certification of a major project for billings in October 2014 (the Group only recognizes revenues when a project is completed, certified and invoiced). The trade receivable for this major project was booked into the Company's accounts in October 2014 and remained outstanding as at 31 December 2014.
- (2) Based on the Pro forma Combined Financial Statements for the Financial Years Ended 31 December 2011, 2012 and 2013, the Pro Forma Combined Financial Statements for the Financial Period Ended 30 June 2014 and the unaudited management accounts of the Target Group as at 31 December 2014, the debtors aging analysis as at 31 December 2012, 31 December 2013, 30 June 2014 ("**Period Under Review**"), and 31 December 2014 are as follows:

	Group 31 December 2014 RMB'000	Group 30 June 2014 RMB'000	Group 31 December 2013 RMB'000	Company 31 December 2012 RMB'000
Trade receivables (including retention monies)				
Not more than one (1) year	252,688	243,752	248,483	155,656
Within one (1) to two (2) years	180,105	30,126	48,854	-
Total	432,793	273,878	297,337	155,656

Save for RMB 0.348 million (approximately S\$0.07 million) of provision for bad and doubtful debts in FY2013, there were no doubtful or bad debts for the Period under Review.

(C) Information on the Bonds

Bond 1 and Bond 2 will be issued in registered form, will not be listed and will constitute direct, unconditional and secured obligations of the Company.

The principal terms and conditions of Bond 1 are summarised as follows:

Issue size : RMB 120.0 million in principal amount of corporate bonds due 2015.

Issue price : 100.0% of the principal amount of Bond 1.

Bond 1 will be issued as part of the Subscription Consideration on Completion.

LETTER TO SHAREHOLDERS

- Interest rate** : Bond 1 shall bear interest from and including the date of issue of Bond 1 ("**Bond 1 Issue Date**") at the rate of 4.5% per annum calculated by reference to the principal amount thereof, payable on the date falling 12 months from the Bond 1 Issue Date ("**Bond 1 Maturity Date**") or such earlier date on which Bond 1 is redeemed. Interest will be payable in full on redemption.
- If, at any time prior to the Bond 1 Maturity Date, Bond 1 has been redeemed in part in accordance with the Agreement, Bond 1 shall bear interest in respect of only the balance of the principal amount of Bond 1.
- Bond 1 will cease to bear interest on the Bond 1 Maturity Date unless the payment of the principal amount (or the balance thereof) is improperly withheld or refused or default is otherwise made in respect of any such payment and, in such event, interest will continue to accrue from the date of such withholding, refusal or default at the said rate up to but excluding the date on which payment in full of the principal amount thereof is made.
- If it is necessary to compute any amount of interest in respect of Bond 1 for a period of less than one (1) year, such interest shall be calculated on the basis of the actual number of days in such period divided by 365 days.
- Redemption** : Unless otherwise agreed in writing by the parties pursuant to the Agreement, the Company shall on the Bond 1 Maturity Date redeem Bond 1 in full by paying the bondholder the entire (or in the case where the Bond has been redeemed in part, the balance of) the principal amount of the Bond together with all outstanding interest accrued thereon (calculated up to but excluding the Bond 1 Maturity Date). Bond 1 so redeemed shall forthwith be cancelled.
- At any time prior to the Bond 1 Maturity Date, the Company shall be entitled to redeem Bond 1 in part or in full in accordance with the terms of the Agreement. The bondholder is not entitled to require the Company to redeem Bond 1 at any time prior to the Bond 1 Maturity Date.
- Adjustments to Redemption Amount** : The full amount payable by the Company to redeem the Bond 1 in full (the "**Bond 1 Redemption Amount**") shall be reduced in accordance with the following formula:
- $$A = B \times C / D$$
- Where:
- A = the new Bond 1 Redemption Amount
 B = the Bond 1 Redemption Amount
 C = the actual EBITDA FY2014
 D = the EBITDA Estimate for FY2014
- If the audited EBITDA¹ for FY2014 is more than 95.0% of the EBITDA Estimate for FY2014, there shall be no adjustment in the Redemption Amount for Bond 1. There will be no increase in the Redemption Amount for Bond 1 if the actual EBITDA for FY2014 exceeds the EBITDA Estimate for FY2014.
- If the EBITDA for FY2014 is a negative value, the Company will no longer be required to redeem Bond 1.
- Transfer** : Bond 1 will be transferable, save that no holder of Bond 1 may require the transfer of Bond 1 to be registered during the period of five (5) Business Days immediately prior to the due date for any payment to be made on Bond 1.
- Title to Bond 1 passes only by transfer and registration in the register of bondholder to be maintained by the Company.
- Governing law** : Singapore law.

² The Company will appoint an internationally recognised auditor to audit the EBITDA for FY2014 based on the IFRS.

LETTER TO SHAREHOLDERS

The principal terms and conditions of Bond 2 are summarised as follows:

Issue size : RMB 80.0 million in principal amount of corporate bonds due 2015.

Issue price : 100.0% of the principal amount of Bond 2.

Bond 2 will be issued as part of the Subscription Consideration on Completion.

Interest rate : Bond 2 shall bear interest from and including the date of issue of Bond 2 ("**Bond 2 Issue Date**") at the rate of 4.5% per annum calculated by reference to the principal amount thereof, payable on the date falling 12 months from the Bond 2 Issue Date ("**Bond 2 Maturity Date**") or such earlier date on which Bond 2 is redeemed. Interest will be payable in full on redemption.

If, at any time prior to the Bond 2 Maturity Date, Bond 2 has been redeemed in part in accordance with the Agreement, Bond 2 shall bear interest in respect of only the balance of the principal amount of Bond 2.

Bond 2 will cease to bear interest on the Bond 2 Maturity Date unless the payment of the principal amount (or the balance thereof) is improperly withheld or refused or default is otherwise made in respect of any such payment and, in such event, interest will continue to accrue from the date of such withholding, refusal or default at the said rate up to but excluding the date on which payment in full of the principal amount thereof is made.

If it is necessary to compute any amount of interest in respect of Bond 2 for a period of less than one (1) year, such interest shall be calculated on the basis of the actual number of days in such period divided by 365 days.

Redemption : Unless otherwise agreed in writing by the parties pursuant to the Agreement, the Company shall on the Bond 2 Maturity Date redeem Bond 2 in full by paying the bondholder the entire (or in the case where the Bond has been redeemed in part, the balance of) the principal amount of the Bond together with all outstanding interest accrued thereon (calculated up to but excluding the Bond 2 Maturity Date). Bond 2 so redeemed shall forthwith be cancelled.

At any time prior to the Bond 2 Maturity Date, the Company shall be entitled to redeem Bond 2 in part or in full in accordance with the terms of the Agreement. The bondholder is not entitled to require the Company to redeem Bond 2 at any time prior to the Bond 2 Maturity Date.

Adjustments to Redemption Amount : The full amount payable by the Company to redeem the Bond 2 in full (the "**Bond 2 Redemption Amount**") shall be adjusted in the event that the aggregate of:

- (a) the surplus between the FY 2014 audited consolidated EBITDA of the Target and the EBITDA Estimate for FY 2014 of RMB 79.0 million (approximately S\$16.6 million); and
- (b) the unaudited EBITDA², subject to audit review, for the six (6) months ending 30 June 2015,

collectively, (the "**Aggregate EBITDA**") is less than RMB 56.0 million (approximately S\$11.8 million) (the "**EBITDA Estimate 1H2015**"), the redemption amount for Bond 2 (the "**Bond 2 Redemption Amount**") shall be reduced in accordance with the following formula:

$$A = B \times C / D$$

Where:

A = the new Bond 2 Redemption Amount
 B = the Bond 2 Redemption Amount
 C = the Aggregate EBITDA
 D = the EBITDA Estimate for 1H2015

³ The Company will appoint an internationally recognised auditor to review the unaudited EBITDA for 1H2015 based on the IFRS.

LETTER TO SHAREHOLDERS

If the EBITDA for 1H2015 is a negative value, the Company will no longer be required to redeem Bond 2.

If the Aggregate EBITDA is more than 95.0% of the EBITDA Estimate for 1H2015, there shall be no adjustment in the Redemption Amount for Bond 2 and there shall be no increase in the Redemption Amount for Bond 2 if the actual EBITDA for the six (6) months ending 30 June 2015 exceeds the EBITDA Estimate for 1H2015.

Transfer : Bond 2 will be transferable, save that no holder of Bond 2 may require the transfer of Bond 2 to be registered during the period of five (5) Business Days immediately prior to the due date for any payment to be made on Bond 2.

Title to Bond 2 passes only by transfer and registration in the register of bondholder to be maintained by the Company.

Governing law : Singapore law.

The total amount of cash proceeds received by the Target from the redemption of the Bond 1 and Bond 2 shall be capitalised into equity within 30 days from the date of the redemption of Bond 1 and Bond 2 respectively.

However, the Company will no longer be required to redeem Bond 1 (if the EBITDA for FY2014 is a negative value) and Bond 2 (if the EBITDA for 1H2015 is a negative value). In such a case, the Company will acquire the Target Group without the Commercial Building and the Company's total consideration for the Proposed Acquisition and the Proposed Subscription, in such a scenario, will only be the amount of Acquisition Consideration of RMB 78.375 million (approximately S\$16.5 million), which shall be satisfied by way of the issue and allotment of 165,000,000 new ordinary shares in the capital of the Company to the Vendor and the Company will require immediate repayment of the Loan. In such a scenario, the Company will still be granted a six (6) months option, from the date of Completion, to acquire the Commercial Building for RMB 92.0 million. However, based on the latest projects delivery schedules and management reports, it is unlikely that the Target Group will record a negative EBITDA for FY2014 and 1H2015.

2.8.3 Proposed Use of Proceeds arising from Proposed Subscription

After Completion and upon redemption of Bond 1 and Bond 2 in full by the Company, the Target Group shall procure that the total cash proceeds amounting to RMB 282.0 million (approximately S\$59.4 million) from the Proposed Subscription be applied as follows:

- (a) RMB 190.0 million (approximately S\$40.0 million) shall be repaid to the Vendor for the amount owed from the acquisition of Chengdu Kai Qi Rui, Ranken and its subsidiaries, provided that Ms Wang Heng and/or Mr Wang Jilu shall grant a personal guarantee or procure such guarantee to be granted for the purpose of securing total banking facilities of not less than RMB 237.5 million (approximately S\$50.0 million) for the Target Group's working capital⁽¹⁾; and
- (b) RMB 92.0 million (approximately S\$19.4 million) shall be paid to the Founding Members for the acquisition of the Commercial Building by Ranken from the Founding Members, free of debts obligation. Please refer to Section 3 of this Circular for details of the Commercial Building.

Shareholders should note that the Proposed Use of Proceeds is subject to the approval of the Shareholders at the EGM as Ordinary Resolution 2. In addition, Ordinary Resolution 1 and 2 are inter-conditional. In the event that either of the Ordinary Resolutions 1 or 2 is not passed, the other Ordinary Resolution 1 or 2 (as the case may be) will also not be passed.

Note:

- (1) Based on unaudited management accounts of the Target Group, as at 31 December 2014, the Target Group has fully utilised its banking facilities of RMB 347.0 million (approximately S\$73.05 million).

2.8.4 Conditions Precedent

Completion of the Proposed Acquisition and the Proposed Subscription shall be conditional upon the following conditions (the "**Conditions**") having been fulfilled (or waived by the parties):

- (a) the Vendor being the legal and beneficial owner of 100.0% of the issued and paid-up share capital of the Target;
- (b) written notification by Company to the Vendor of the completion of the legal and financial due diligence conducted by the Company in respect of the Target Group within 30 days from the date of the Agreement and of the results of such due diligence being reasonably satisfactory to the Company;
- (c) the completion of the valuation of the Commercial Building by an independent property valuer that the total market value of the Commercial Building shall not be less than RMB 100.0 million (approximately S\$21.1 million);

LETTER TO SHAREHOLDERS

- (d) the approval of the shareholders of the Target having been obtained for the issue of the Subscription Shares;
- (e) the receipt of the approval-in-principle from the SGX-ST for the listing and quotation of the Consideration Shares on the Main Board of the SGX-ST, and such approval not being revoked, rescinded or cancelled prior to the Completion Date;
- (f) the approval of shareholders of the Company having been obtained at an extraordinary general meeting for the Proposed Subscription and the Proposed Acquisition (including the issuance of the Consideration Shares to the Vendor);
- (g) the receipt of all necessary approvals, consents or waivers from any governmental body, regulatory authority or other third party for the Proposed Subscription and the Proposed Acquisition (where applicable and as the case may be), and if such approvals, consents or waivers are granted subject to conditions, such conditions being acceptable to the relevant party, and if any of such conditions are required to be satisfied by Completion, such conditions being so satisfied;
- (h) the representations and warranties of the Vendor as set out in the Agreement being true and accurate in all material respects as at the date of this Agreement and on Completion;
- (i) the Target and the Vendor having performed and observed all of the covenants and undertakings required to be performed and observed by them under the Agreement prior to Completion;
- (j) there being no occurrence of any event or circumstances which has or is likely to have a material adverse effect on the condition (financial or otherwise), results of operations, assets and liabilities, prospects or business of the Target Group;
- (k) there being no litigation, arbitration, other proceedings or claims in progress, pending or threatened against the Vendor;
- (l) written notification by the Vendor to the Company of the completion of the legal and financial due diligence conducted by the Vendor in respect of the Group within 30 days from the date of the Agreement and of the results of such due diligence being reasonably satisfactory to the Vendor;
- (m) the Company having performed and observed all of the covenants and undertakings required to be performed and observed by them under the Agreement prior to Completion;
- (n) there being no occurrence of any event or circumstances which has or is likely in the opinion of the Vendor to have a material adverse effect on the condition (financial or otherwise), results of operations, assets and liabilities, prospects or business of the Group; and
- (o) there being no litigation, arbitration, other proceedings or claims in progress, pending or threatened against the Company.

If any of the Conditions shall not have been fulfilled (or waived) on or before the Long-Stop Date (or such later date as the parties to the Agreement may agree in writing), then the provisions of the Agreement (other than Clauses 4.7, 10 (Confidentiality and Announcements), 11 (Notice), 12 (Stamp Duty), 13 (Costs and Expenses), 14 (Governing Law and Jurisdiction), 15 (Third Party Rights)) shall from such date cease and determine, and no party to the Agreement shall have any claim against the other parties for costs, damages or compensation, save in respect of any antecedent breach of the Agreement.

If for any reason Completion does not take place on or before the Long-Stop Date (or such later date as the parties to the Agreement may agree in writing), the Loan shall to the extent disbursed to the Target, forthwith become repayable by the Target to the Company on demand. The Company has assessed the latest financial position of Ranken and noted that the trade receivables (including retention monies) of RMB 432.8 million (or approximately S\$91.1 million) as at 31 December 2014 was 5.3 times higher than the Loan. In addition, the Company has also taken into consideration the higher revenue expected from the completion of projects over the next six (6) months. Ranken has also executed a letter of guarantee in favour of the Company to repay the Loan in full if Completion does not take place. Accordingly, the Directors are of the view that the Target will be able to meet the obligations of the Loan in the event Completion does not take place.

2.8.5 Moratorium Undertakings

As a demonstration of commitment to the Company, the Vendor has undertaken not to (directly or indirectly), *inter alia*, offer, pledge, sell, contract to sell, grant any option, right or warrant to purchase, lend, hypothecate or encumber or otherwise transfer or dispose of, any of its Consideration Shares for the period commencing from the date of issuance of the Consideration Shares and up to the date falling one (1) year from the date of issue of the Consideration Shares.

The Vendor has further undertaken not to (directly or indirectly), *inter alia*, offer, pledge, sell, contract to sell, grant any option, right or warrant to purchase, lend, hypothecate or encumber or otherwise transfer or dispose of, more than 50.0% of its Consideration Shares for the period commencing from date falling one (1) year from the date of issue of the Consideration Shares and up to the date falling two (2) years from the date of issue of the Consideration Shares.

LETTER TO SHAREHOLDERS

The purpose of the moratorium is to ensure the commitment of the Beneficial Owners (who are mainly key management and employees of Ranken) to the Company. It will also align the interests of the Vendor with that of the public Shareholders. The Company believes that the moratorium will result in the Vendor taking a long-term view on Ranken's business prospects, which may eventually be reflected in the Company's share price performance in the long run.

2.8.6 Source of Funds

The Company intends to use internal sources of funds, which are mainly generated from the sale of steel business, to finance the Subscription Consideration amounting to RMB 282.0 million (approximately S\$59.4 million), subject to the Target Group achieving the EBITDA Estimate for FY2014 and the EBITDA Estimate for 1H2015. The audited cash position of the Group was S\$12.2 million (approximately RMB 58.0 million) as at 31 December 2014.

This is in line with the use of proceeds as disclosed in the Company's circular to Shareholders relating to the sale of steel business to Propitious Holdings Company Limited ("**Propitious**") dated 15 July 2014, where the Company expressed its intention to use the net proceeds arising from the sale of the steel business amounting to S\$69.8 million for the expansion of and investment in resources related business and/or potential investments in other businesses (the "**Net Proceeds**"). The Net Proceeds would be satisfied by the payment of S\$20.0 million in cash to the Company and the issue of a bond to the Company in the principal amount of S\$50.0 million, to be secured by assets and land use rights with an interest rate of 5.0% per annum (the "**2014 Bond**"), which Propitious is entitled to redeem at any time before 28 July 2015.

The Company received the cash proceeds of S\$20.0 million (approximately RMB 95.0 million) on 16 January 2015. The Company has utilised RMB 82 million (approximately S\$ 17.3 million) of the Net Proceeds to advance the Loan to Ranken in accordance with the Agreement. Please refer to Section 2.8.2(B) for further details of the Loan.

The Company will use the remaining Net Proceeds amounting to approximately RMB 223 million to fund the redemption of the Bonds, subject to the Target Group achieving the EBITDA Estimate for FY2014 and the EBITDA Estimate for 1H2015. Please refer to Section 2.8.2(C) for further details of the Bonds.

3 THE PROPOSED ACQUISITION OF THE COMMERCIAL BUILDING AS PART OF THE PROPOSED USE OF PROCEEDS

3.1 Information on the Commercial Building

Upon Completion and upon the redemption of the Bonds, the Target shall use part of the proceeds from the Proposed Subscription for the acquisition of the Commercial Building from the Founding Members for a consideration of RMB 92.0 million (approximately S\$19.4 million) or 90.0% of the Commercial Building's valuation of RMB 102.0 million (approximately S\$21.5 million) (the "**Building Consideration**") in accordance with the valuation report of the Commercial Building dated 2 March 2015 as set out in Appendix D of this Circular (the "**Valuation Report**"). Please refer to Section 3.4 of this Circular for more information on the Building Consideration.

The Commercial Building comprises (a) a 9-storey office building and (b) two (2) level basements for car parks erected upon a parcel of land with a site area of 6,666.67 sq m. Construction of the Commercial Building was completed in 2012. The Commercial Building is located in the centre of Wuhou New City, at the junction of Wekexi Second Road and Wuxing Fifth Road. It is approximately 10 km and 14 km away from Chengdu Shuangliu International Airport and Chengdu South Railway Station respectively, and is accessible by public transportation along Wukexi Road. Developments in its vicinity comprise mainly multi-storey industrial and/or office buildings and an industrial park.

Address	:	No 189 Wukexi Second Road Wuhou District Chengdu City, Sichuan Province The People's Republic of China
Existing use	:	Commercial
Owner	:	Ranken Railway Construction Group Co., Ltd. (中铁隆工程集团有限公司)
Gross floor area	:	24,680 sq m
Number of tenants	:	27 ⁽¹⁾
Occupancy rate	:	89.4% ⁽¹⁾
Valuation	:	RMB 102.0 million (approximately S\$21.5 million)

LETTER TO SHAREHOLDERS

Note:

- (1) Ranken currently occupies approximately 13,018 sq m of the gross floor area, representing 53.0% of the total gross floor area and is the biggest tenant of the Commercial Building.

3.2 Information on the Arrangement between the Founding Members and the Company

Ms Wang Heng and Mr Wang Jilu, the Founding Members and the original owners of the Commercial Building, are the beneficial owners of the Commercial Building. Ranken holds the legal title to the Commercial Building.

The Company required title to the Commercial Building to be registered in the name of the Target Group prior to signing of the Agreement to avoid administrative delays in legal completion. The title to the Commercial Building had thus been transferred to the Target Group prior to execution of the Agreement and the Target owes a sum of RMB 92.0 million (approximately S\$19.4 million), being the purchase consideration, to the Founding Members. As such, the Target Group only holds the legal title to the Commercial Building, but does not have equitable title until the settlement of the Building Consideration.

3.3 Rationale and Benefits

The Group's acquisition of the Commercial Building from the Founding Members will benefit the Group through rent savings and rental income. As highlighted above, the Target Group currently occupies 13,018 sq m (approximately 53.0%) of the GFA of the Commercial Building. Based on the existing size of Ranken's operations and assuming an inflationary rent adjustment of 3.0% per annum, the Target Group is expected to incur approximately RMB 25.0 million rent in expenses over the next five (5) years if it continues to lease the Commercial Building for its own use. In addition, assuming the existing tenants continue to renew their tenancy contracts with an inflationary adjustment of 3.0% per annum, the Group may be able to earn a total rental income of approximately RMB 17.2 million over the next five (5) years through the acquisition of the Commercial Building. Furthermore, the acquisition of the Commercial Building will provide the space required for the expansion of the Target Group's operations.

Therefore, the acquisition of the Commercial Building by the Target will yield primarily cost-saving benefits for the Group and offers potential for capital appreciation. The Directors are of the view that the proposed acquisition of the Commercial Building will generate a sustainable revenue stream and additional earnings for the Group as well as diversify its earnings base.

3.4 Consideration

The aggregate consideration for the proposed acquisition of the Commercial Building is RMB 92.0 million (approximately S\$19.4 million) or 90.0% of the Commercial Building's valuation of RMB 102.0 million (approximately S\$21.5 million) in accordance with the Valuation Report.

The Building Consideration is derived from the market value of the Commercial Building. The Building Consideration was arrived at pursuant to arms' length negotiations between the Company and the Founding Members on a willing-buyer willing-seller basis. The Company had managed to negotiate for a 9.8% or RMB 10.0 million (approximately S\$2.1 million) discount of the market value of the Commercial Building.

The Building Consideration is payable in cash upon Completion and upon the redemption of Bond 1 and Bond 2. In the event that Completion takes place but total redemption amount for Bond 1 and Bond 2 is less than RMB 92.0 million (approximately S\$19.4 million), being the Building Consideration, the Company will continue to own the Commercial Building via its direct ownership in the Target Group. The Commercial Building has been registered in Ranken's name.

3.4.1 Valuation of the Commercial Building

The Company commissioned Knight Frank Petty Limited, a property valuer in China (the "Valuer") to independently evaluate the "market value" of the Commercial Building, being "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

The valuation of the Commercial Building is based on the following assumptions:

- (a) the Commercial Building has a proper legal title;
- (b) all land premium and other costs of ancillary utilities services have been settled in full;
- (c) the design and construction of the buildings of the Commercial Building are in compliance with the local planning regulations and have been approved by the relevant authorities; and
- (d) the Commercial Building, whether as a whole or on strata-title basis, can be freely disposed of to local or overseas purchasers.

The Valuer carried out its inspection on the Commercial Building on 20 November 2014. The valuation methodology has been extracted from the Valuation Report and reproduced below:

LETTER TO SHAREHOLDERS

"In undertaking our valuation of the Property, Income Capitalization Approach and Direct Comparison Approach are adopted.

Income capitalization approach estimates the values of the Property on a market value basis by capitalization net rental income on a fully let basis having regards to the current passing rental income from existing tenancies and potential future reversionary income at market level.

Income capitalization approach was adopted for evaluating the office portion of the Property and which was counter-checked by Direct Comparison Approach. In preparing our valuation, we have considered the comparable asking rentals in the locality and the adjusted unit rental of the Property is approximately RMB30 per sq m per month exclusive of tax and management fee. We have adopted a capitalization rate of 7.0% in valuing the office portion and the market value of the office portion of the Property as at the Date of Valuation was thus approximately RMB87,000,000 (RMB5,134 per sq m).

Direct Comparison Approach is the most common and reliable valuation approach for valuing properties by reference to comparable market transactions of similar properties. The rationale of this approach is to directly relate the market comparable transactions with the Property to determine the market value. Adjustments will be applied to the said comparable transactions to adjust for differences between the Property and the comparable. Adjustment factors therefore may include time, location, environment and the like."

According to the Valuation Report, the Valuer is of the opinion that the market value of the Commercial Building as at 20 November 2014 was RMB 102.0 million (approximately S\$21.5 million).

Please refer to Appendix D of this Circular for the Valuation Report on the Commercial Building. The Valuer was founded in 1896 and is a global real estate consultancy providing an integrated prime commercial and residential offering. Its Hong Kong business was established in 1972 and has extensive experience in the valuation of properties in China.

3.5 Risk Factors

The Board believes that the proposed acquisition of the Commercial Building will form a component of the Group's business and may therefore change the risk profile of the Group.

Any of the risk factors and uncertainties described below may adversely affect the Group's business, prospects, financial position, results of operations or cash flows. If any of the following risk factors develops into actual events, the market price of the Shares could decline, and Shareholders may lose all or part of their investments in the Shares. The risks and uncertainties described below are not intended to be exhaustive and are not the only risks and uncertainties that the Group may face by acquiring the Commercial Building. Additional risks and uncertainties not presently known to the Company or the Group or that the Company or the Group currently deem immaterial may also impair the Company's or the Group's business, financial condition, operations and prospects. The risks discussed below also include forward-looking statements and the Company's and the Group's actual results may differ substantially from those discussed in these forward-looking statements. To the best of the Directors' belief and knowledge, all the risk factors that are material to investors in making an informed judgement on the acquisition of the Commercial Building have been set out below.

Subheadings are for convenience only and risk factors that appear under a particular sub-heading may also apply to one or more other sub-headings.

(a) Risk of downturns in the China real estate rental market

As the Commercial Building is located in China, the Target Group may be exposed to the risk of a downturn in the real estate market in China specifically and the economy of China in general. The Chinese government has exercised and continues to exercise significant influence over China's economy in general, which, among others, affects the property sector in China. From time to time, the Chinese government adjusts its monetary and economic policies to prevent and curtail the overheating of the national and provincial economies, which may affect the real estate market.

While the Target Group is the biggest tenant of the Commercial Building, the rental income of the Target Group may still be affected by the market rental rates in China. There is no assurance that prospective or current tenants will not relocate to a cheaper alternative as a result of higher operating costs and rental rates. In addition, any events or circumstances which adversely affect the operations and business of the Commercial Building or its attractiveness to tenants, such as physical damage to the building due to fire or other causes, may reduce the rental income of the Commercial Building adversely affecting the financial condition and results of operation of the Group.

(b) The Commercial Building may require capital expenditure beyond the estimates of the Group

The Commercial Building may require significant capital expenditure for repair of defects and deficiencies (including design, construction or other latent property or equipment defects), maintenance as well as refurbishment, renovation and improvements. The capital expenditure that is required for the Commercial Building may exceed the estimates of the Group, and it may not be able to fund such capital expenditure solely from cash generated from its operating activities and may also not be able to obtain additional equity or debt financing, on terms satisfactory to the Group or at all. If the Group is unable to obtain funding to carry out such repair, maintenance, refurbishment, renovation and improvement works, the marketability and attractiveness of the Commercial Building to new or existing tenants could be adversely affected.

LETTER TO SHAREHOLDERS

- (c) Renovation works, repairs and maintenance or physical damage to the Commercial Building may disrupt business and operations and the collection of rental income

The quality and design of the Commercial Building directly influences the rental rates of and the demand for space in the Commercial Building. The Commercial Building may need to undergo renovation works from time to time to retain its attractiveness to tenants and may also require ad hoc maintenance or repairs in respect of faults or problems that may develop or because of new planning laws or regulations. The costs of maintaining the Commercial Building and the risk of unforeseen maintenance or repair tend to increase over time as the Commercial Building ages. The business and operations of the Commercial Building may suffer disruption as a result of renovation works and it may not be possible to collect the full rate of the rental income, or any at all, on the space affected by such renovation works.

Physical damage to the Commercial Building resulting from fire or other causes may lead to a significant disruption to the business and operations of the Commercial Building. This may impose unbudgeted costs on the Group and may result in an adverse impact on the financial condition and results of operations of the Group.

- (d) Existing or planned amenities and transportation infrastructure near the Commercial Building may be closed, relocated, terminated, delayed or not completed

The proximity of amenities and transportation infrastructures, such as bus stops, potential subway connections and major roads and expressways, to the Commercial Building provides convenient access to the Commercial Building. There is no assurance that such amenities and transportation infrastructure will not be closed, relocated, terminated, delayed or left uncompleted in the future, or that there will be no impediment to the traffic flow in the vicinity. Such closure, relocation, termination, delay, non-completion or impediment may adversely affect the accessibility of the Commercial Building. This may then have an adverse effect on the attractiveness and marketability of the Commercial Building to tenants and may adversely affect the financial condition and results of operations of the Group.

- (e) The Commercial Building is subject to competition from other existing and new properties

The Commercial Building is located in an area where other competing properties are present and new properties may be developed which may compete with the Commercial Building. The income from the Commercial Building and its market value will depend on its ability to compete against other properties for tenants. If the competing properties are more successful in attracting and retaining tenants, the income from the Commercial Building could be reduced thereby adversely affecting the cash flow of the Group.

- (f) The market value of the Commercial Building may differ from the value as determined by the Valuer

The valuation report of the Commercial Building prepared by the Valuer is contained in Appendix D to this Circular. The valuation is based upon certain assumptions that are subjective, such as its relative market position, financial and competitive strengths and their physical conditions. There can be no assurance that the assumptions relied on are accurate measures of the market. Unanticipated changes in relation to the Commercial Building, or changes in general or local economic or regulatory conditions or other relevant factors could affect the price at which the Company sells the Commercial Building. The actual value may be lower than its value as determined by the Valuer or its purchase price at the time of acquisition by the Target.

4 RULE 1006 FIGURES FOR THE PROPOSED TRANSACTIONS

Based on the announced unaudited consolidated financial results of the Group for the period ending 30 June 2014, the relative figures in respect of the Proposed Acquisition and the Proposed Subscription (including the proposed acquisition of the Commercial Building), as computed on the bases set out in Rule 1006 of the Listing Manual, are as follows:

Bases in Rule 1006

	RMB'000/S\$'000
(a) Net asset value of the assets to be disposed	Not applicable ⁽¹⁾
Net asset value of the Group	-
Size of relative figure	-
(b) Net profits/(losses) ⁽²⁾ attributable to the Proposed Acquisition and the Proposed Subscription (S\$'000) ⁽³⁾	RMB 20,843/S\$4,388 ⁽⁴⁾ ⁽⁵⁾
Net profits/(losses) of the Group (S\$'000)	(S\$6,194) ⁽⁶⁾
Size of relative figure	(70.84)%

LETTER TO SHAREHOLDERS

(c)	Aggregate value of the consideration (S\$'000) (comprising the Acquisition Consideration and the Subscription Consideration) ⁽⁹⁾	S\$76,847 ⁽⁷⁾
	Market capitalisation ⁽⁸⁾ of the Company (S\$'000)	\$80,373
	Size of relative figure	95.61%
(d)	Number of equity securities issued for the Proposed Acquisition (comprising the Consideration Shares) ⁽⁹⁾	165,000,000
	Number of shares of the Company in issue	811,845,247
	Size of relative figure	20.32%

Notes:

- (1) This is not applicable to an acquisition of assets.
- (2) "Net profits/(losses)" means profit or loss before income tax, minority interests and extraordinary items.
- (3) The Acquisition Consideration and the Subscription Consideration amount to an aggregate consideration of RMB 360.375 million (approximately S\$75.9 million).
- (4) Based on the unaudited pro forma consolidated financial statements of the Target Group for the six (6) months ended 30 June 2014.
- (5) Based on the Exchange Rate.
- (6) Based on the unaudited consolidated financial statements of the Group for the six (6) months ended 30 June 2014.
- (7) The 4.5% interest payable on the Bonds has been taken into account in computing the aggregate value of the consideration. The accrual of interest expense of S\$947,000 (approximately RMB 4.5 million) is calculated on the assumption that the 4.5% redeemable non-convertible corporate bond is paid in full on due date and there are no adjustments to the redemption value of the Bonds.
- (8) "Market capitalisation" is determined by multiplying the number of shares of the Company in issue by the VWAP of S\$0.099 of such shares transacted on 20 November 2014 (being the market day preceding the date of the Agreement).
- (9) The Acquisition Consideration and the Subscription Consideration amount to an aggregate consideration of RMB 360.375 million (approximately S\$75.9 million), of which RMB 78.375 million (approximately S\$16.5 million), being the amount of the Acquisition Consideration, shall be satisfied by the issue of 165,000,000 Shares.

As the relative figures computed on the bases set out in Rules 1006 exceed 20.0%, the Proposed Acquisition and the Proposed Subscription (including the proposed acquisition of the Commercial Building) constitute a major transaction as defined in Chapter 10 of the Listing Manual. Accordingly, the Company proposes to seek the approval of the Shareholders for the Proposed Acquisition and the Proposed Subscription at the EGM.

5 TRANSFER OF CONTROLLING INTEREST IN THE COMPANY PURSUANT TO THE ISSUANCE OF THE CONSIDERATION SHARES TO THE VENDOR

Rule 803 of the Listing Manual provides that an issuer must not issue securities to transfer a Controlling Interest without prior approval of shareholders in general meeting. Under the Listing Manual, a Controlling Shareholder is a person who directly or indirectly holds 15.0% or more of the nominal amount of all voting shares in the Company, or a person who in fact exercises control over the Company.

As at the Latest Practicable Date, the Vendor does not hold any Shares. The Consideration Shares represent approximately 20.32% of the existing issued share capital of the Company. On completion of the Proposed Acquisition, the Consideration Shares will represent approximately 16.89% of the enlarged share capital of the Company.

Accordingly, the Proposed Acquisition would constitute a transfer of a Controlling Interest in the Company and is subject to the approval of the Shareholders for the purposes of Rule 803 of the Listing Manual. Shareholders' approval is sought as the Proposed Acquisition will result in the Vendor becoming a new Controlling Shareholder. However, it will not result in a change of control of the Company, and is therefore not a reverse take-over, for the following reasons:

(a) Shareholding Structure of the Company

As at the Latest Practicable Date, the largest shareholder of the Company is ACH Investments Pte Ltd ("ACH"), who holds an interest of 22.84%, amounting to 185,426,181 shares in the capital of the Company.

On completion of the Proposed Acquisition, ACH will remain the largest shareholder of the Company, holding an interest of 18.98%, and the Vendor will become the second largest shareholder of the Company, holding an interest of 16.89% in the Company.

(b) Management Control, Continuity in Key Management, Consistency in Corporate Strategies and Board Composition

Mr Teh, the Managing Director and Group Chief Executive Officer, and the Board, set the strategic direction for the Group, and will continue in doing so on completion of the Proposed Acquisition. Upon completion of the Proposed Acquisition, Mr Teh will remain as the Managing Director and Group Chief Executive Officer of the Group.

ACH approached Mr Teh to join the Board as the Group Chief Executive Officer in August 2013. Despite being the largest shareholder of the Company, ACH does not exercise management control or influence over the

LETTER TO SHAREHOLDERS

Company's operations. ACH also does not have any nominees on the Board. However, while ACH does not exercise management control over the Company's operations, it has the capacity to do so.

The Company will also have at least two (2) board seats on the Target after completion of the Proposed Acquisition and there is no arrangement for and obligation on the Company under the Agreement to allow the Vendor or Target to appoint any members of their respective boards to the Board.

There is currently no arrangement between the Company, Vendor and the Target for the Company to appoint any key management members of Ranken to the Board of the Company. However, the Company may consider appointing Ms Wang Heng to the Board given her profile and experience in the infrastructure industry which will be beneficial to the Company's growth strategies, going forward. It should be noted that there is no obligation for the Company to appoint Ms Wang Heng to the Board in accordance with the Agreement. The Company will provide details of any service agreement(s) entered into with a director appointed to the Board in compliance with Rule 1010 of the Listing Manual by way of announcement(s) made on SGXNET.

6 FINANCIAL EFFECTS OF THE PROPOSED TRANSACTIONS

The pro forma financial effects of the Proposed Acquisition and the Proposed Subscription set out below have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2013, the unaudited consolidated financial statements of the Group for six (6) months ended 30 June 2014 and the unaudited pro forma consolidated financial statements of the Target Group for the financial year ended 31 December 2013 and for the six (6) months ended 30 June 2014 as the latest unaudited pro forma consolidated financial statements available for the Target Group is for the six (6) months ended 30 June 2014.

The pro forma financial effects of the proposed acquisition of the Commercial Building set out below have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2013, unaudited consolidated financial statements of the Group for six (6) months ended 30 June 2014 and the unaudited pro forma consolidated financial statements of the Commercial Building for the financial year ended 31 December 2013 and for the six (6) months ended 30 June 2014 as the latest unaudited pro forma consolidated financial statements available for the Commercial Building is for the six (6) months ended 30 June 2014.

The pro forma financial effects are only presented for illustration purposes, and are not intended to reflect the actual future financial situation of the Group after completion of the Proposed Acquisition and the Proposed Subscription.

6.1 EPS

6.1.1 Assuming that the Proposed Acquisition and the Proposed Subscription (including the proposed acquisition of the Commercial Building) have been completed on 1 January 2013, the effect on the EPS of the Group will be as follows:

	Before the Proposed Acquisition and the Proposed Subscription	After the Proposed Acquisition and the Proposed Subscription
Net Profit/(Loss) after tax and minority interests (S\$'000)	(157,176)	(139,831) ⁽¹⁾
Weighted Average Number of Shares ('000)	811,274	976,274
(Loss)/Earnings per Share (cents)	(19.37)	(14.32)
Net Profit/(Loss) after tax and minority interests - continuing operations (S\$'000)	(4,704)	905 ⁽²⁾
Weighted Average Number of Shares - continuing operations ('000)	811,274	976,274
(Loss)/Earnings per Share - continuing operations (cents)	(0.58)	0.09

Notes:

- (1) The effects of the Proposed Acquisition and the Proposed Subscription on the loss after tax and minority interest of the Company has been computed based on:
 - (a) the Target Group's net profit after tax and minority interest of RMB 25.2 million (approximately S\$5.3 million) as per its unaudited pro forma financial statements for the financial year ended 31 December 2013;
 - (b) recognition of gain of S\$14.2 million (approximately RMB 67.5 million) from the previous sale of steel business based on consideration of S\$70.0 million (approximately RMB 332.5 million) as compared to net assets of S\$55.8 million (approximately RMB 265.1 million) as at 30 June 2014, less reversal of translation loss relating to the steel business;
 - (c) accrual of interest expense of S\$947,000 (approximately RMB 4.5 million) on the assumption that the 4.5% redeemable non-convertible corporate bond is paid on due date and there are no adjustments to the redemption value of the Bond; and
 - (d) recognition of interest income of S\$1.25 million (approximately RMB 5.9 million) on the assumption that the bond issued by Propitious Holdings Company Limited in relation to the previous sale of steel business is received in full on due date by the Group.

LETTER TO SHAREHOLDERS

- (2) Breakdown of pro forma Net Profit after tax and minority interests - continuing operations after the Proposed Acquisition and the Proposed Subscription for the financial year ended 31 December 2013 is as follows:

	S\$'000
Corporate Function expenses	(4,704)
Target's profit	5,306
Net interest income	303
Total	905

The effects of the Proposed Acquisition and the Proposed Subscription on the loss after tax and minority interest - continuing operations of the Company has been computed based on:

- the Target Group's net profit after tax and minority interest of RMB 25.2 million (approximately S\$5.3 million) as per its unaudited pro forma financial statements for the financial year ended 31 December 2013;
- accrual of interest expense of S\$947,000 (approximately RMB 4.5 million) on the assumption that the 4.5% redeemable non-convertible corporate bond is paid on the due date and there are no adjustments to the redemption value of the Bond; and
- recognition of interest income of S\$1.25 million (approximately RMB 5.9 million) on the assumption that the bond issued by Propitious Holdings Company Limited in relation to the previous sale of steel business is received in full on the due date by the Group.

- 6.1.2** Assuming that the Proposed Acquisition and the Proposed Subscription (including the proposed acquisition of the Commercial Building) have been completed on 1 January 2014, the effect on the EPS of the Group for the six (6) months ended 30 June 2014 will be as follows:

	Before the Proposed Acquisition and the Proposed Subscription	After the Proposed Acquisition and the Proposed Subscription
Net Profit/(Loss) after tax and minority interests (S\$'000)	(7,061)	8,900 ⁽¹⁾
Weighted Average Number of Shares ('000)	811,274	976,274
(Loss)/Earnings per Share (cents)	(0.87)	0.91
Net Profit/(Loss) after tax and minority interests - continuing operations (S\$'000)	205	4,430 ⁽²⁾
Weighted Average Number of Shares - continuing operations ('000)	811,274	976,274
(Loss)/Earnings per Share - continuing operations (cents)	0.03	0.45

Notes:

- The effects of the Proposed Acquisition and the Proposed Subscription on the loss after tax and minority interest of the Company has been computed based on:
 - the Target Group's net profit after tax and minority interest of S\$3,921,894 (approximately RMB 18.6 million) as per its unaudited pro forma financial statements for the six (6) months ended 30 June 2014;
 - recognition of gain of S\$14.2 million (approximately RMB 67.5 million) from the previous sale of steel business based on consideration of S\$70.0 million (approximately RMB 332.5 million) as compared to net assets of S\$55.8 million (approximately RMB 265.1 million) as at 30 June 2014, less reversal of translation loss relating to the steel business;
 - accrual of interest expense of S\$947,000 (approximately RMB 4.5 million) on the assumption that the 4.5% redeemable non-convertible corporate bond is paid in full on due date and there are no adjustments to the redemption value of the Bond; and
 - recognition of interest income of S\$1.25 million (approximately RMB 5.9 million) on the assumption that the bond issued by Propitious Holdings Company Limited in relation to the previous sale of steel business is received in full on due date.
- Breakdown of pro forma Net Profit after tax and minority interests - continuing operations after the Proposed Acquisition and the Proposed Subscription for the six (6) months ended 30 June 2014 is as follows:

	S\$'000
Corporate Function expenses	(892)
Mancala Australia profit*	1,097
Target's profit	3,922
Net interest income	303
Total	4,430

* The Company acquired Mancala in January 2014 and thus its financial performance is only included in the figures for the six (6) months ended 30 June 2014.

The effects of the Proposed Acquisition and the Proposed Subscription on the loss after tax and minority interest - continuing operations of the Company has been computed based on:

LETTER TO SHAREHOLDERS

- (a) the Target Group's net profit after tax and minority interest of S\$3,921,894 (approximately RMB 18.6 million) as per its unaudited pro forma financial statements for the six (6) months ended 30 June 2014;
- (b) accrual of interest expense of S\$947,000 (approximately RMB 4.5 million) on the assumption that the 4.5% redeemable non-convertible corporate bond is paid in full on the due date and there are no adjustments to the redemption value of the Bond; and
- (c) recognition of interest income of S\$1.25 million (approximately RMB 5.9 million) on the assumption that the bond issued by Propitious Holdings Company Limited in relation to the previous sale of steel business is received in full on the due date.

6.2 NAV

- 6.2.1 Assuming that the Proposed Acquisition and the Proposed Subscription (including the proposed acquisition of the Commercial Building) have been completed on 31 December 2013, the effect on the NAV per share of the Group will be as follows:

	Before the Proposed Acquisition and the Proposed Subscription	After the Proposed Acquisition and the Proposed Subscription
NAV (S\$'000)	73,485	104,139
Number of Shares ('000)	811,845	976,845
NAV per Share (cents)	9.05	10.66

Note:

The above computations take into consideration an estimated gain of S\$14.2 million (approximately RMB 67.5 million) from the previous sale of steel business based on consideration of S\$70.0 million (approximately RMB 332.5 million) as compared to net assets of S\$55.8 million (approximately RMB 265.1 million) as at 30 June 2014 as well as 165 million new ordinary Shares being issued at the issue price of S\$0.10 per Consideration Share for the Proposed Acquisition and the Proposed Subscription. The effect excludes the treatment of any goodwill on acquisition if it has been completed on 1 January 2013.

- 6.2.2 Assuming that the Proposed Acquisition and the Proposed Subscription (including the proposed acquisition of the Commercial Building) have been completed on 30 June 2014, the effect on the NAV per share of the Group will be as follows:

	Before the Proposed Acquisition and the Proposed Subscription	After the Proposed Acquisition and the Proposed Subscription
NAV (S\$'000)	63,077	93,731
Number of Shares ('000)	811,845	976,845
NAV per Share (cents)	7.77	9.60

Note:

The above computations take into consideration an estimated gain of S\$14.2 million (approximately RMB 67.5 million) from the previous sale of steel business based on consideration of S\$70.0 million (approximately RMB 332.5 million) as compared to net assets of S\$55.8 million (approximately RMB 265.1 million) as at 30 June 2014 as well as 165 million new ordinary Shares being issued at the issue price of S\$0.10 per Consideration Share for the Proposed Acquisition and the Proposed Subscription. The effect excludes the treatment of any goodwill on acquisition if it has been completed on 1 January 2014.

6.3 NTA

- 6.3.1 Assuming that the Proposed Acquisition and the Proposed Subscription (including the proposed acquisition of the Commercial Building) have been completed on 31 December 2013, the effect on the NTA per share of the Group will be as follows:

	Before the Proposed Acquisition and the Proposed Subscription	After the Proposed Acquisition and the Proposed Subscription
NTA (S\$'000)	73,485	83,786 ⁽¹⁾
Number of Shares ('000)	811,845	976,845
NTA per Share (cents)	9.05	8.58

Note:

- (1) The post-acquisition pro forma NTA was arrived at after taking into account:

- (i) the aggregate Acquisition Consideration and Subscription Consideration of RMB 364.875 million or approximately S\$76.8 million (taking into account accrual of interest expense of S\$947,000 (approximately RMB 4.5 million) which is calculated on the assumption that the Bonds are paid in full on due date and there are no adjustments to the redemption value of the Bonds), market value of the Commercial Building of RMB 102.0 million (approximately S\$21.15 million) and estimated goodwill of approximately S\$7.5 million (approximately RMB 35.8 million) on pro forma consolidation (subject to a "Purchase Price Allocation" exercise to be conducted by an internationally-recognised independent valuer

LETTER TO SHAREHOLDERS

- in accordance with the Singapore Financial Reporting Standards on completion of the Proposed Acquisition and the Proposed Subscription) if there are no adjustments made to the redemption value of the Bonds;
- (ii) recognition of a gain of S\$14.2 million (approximately RMB 67.5 million) from the previous sale of steel business based on consideration of S\$70 million (approximately RMB 332.5 million) as compared to net assets of S\$55.8 million (approximately RMB 265.1 million) as at 30 June 2014; and
 - (iii) 165 million new ordinary Shares being issued at the issue price of S\$0.10 per Consideration Share for the Proposed Acquisition and the Proposed Subscription.

Breakdown of NTA* after Proposed Acquisition and the Proposed Subscription:

	S\$'000
NTA before proposed acquisition	73,485
Less: NTA of the steel business	(55,846)
Add: Proceeds on disposal of steel business	70,000
Add: NTA of the Target Group	56,494
Less: Purchase Consideration for the Target Group	(76,847)
Add: New share issue for the Proposed Acquisition and the Proposed Subscription	16,500
NTA after proposed acquisition	83,786

* The NTA of the Target Group as shown in the above table does not represent the audited NTA at the date of completion given that the estimated goodwill computed on pro forma basis may change upon finalisation of the "Purchase Price Allocation" exercise, which is to be conducted by an internationally-recognised independent valuer in determining the fair values of the identifiable assets acquired and liabilities assumed and other intangible assets such as trademarks, order backlogs and customer relationships.

- 6.3.2 Assuming that the Proposed Acquisition and the Proposed Subscription (including the proposed acquisition of the Commercial Building) have been completed on 30 June 2014, the effect on the NTA per share of the Group will be as follows:

	Before the Proposed Acquisition and the Proposed Subscription	After the Proposed Acquisition and the Proposed Subscription
NTA (S\$'000)	63,077	77,602 ⁽¹⁾
Number of Shares ('000)	811,845	976,845
NTA per Share (cents)	7.77	7.94

Note:

- (1) The post-acquisition pro forma NTA was arrived at after taking into account:
- (i) the aggregate Acquisition Consideration and Subscription Consideration of RMB 364.875 million or approximately S\$76.8 million (taking into account accrual of interest expense of S\$947,000 (approximately RMB 4.5 million) which is calculated on the assumption that the Bonds are paid in full on due date and there are no adjustments to the redemption value of the Bonds), market value of the Commercial Building of RMB 102.0 million (approximately S\$21.15 million) and estimated goodwill of approximately S\$7.5 million (approximately RMB 35.8 million), (on pro forma consolidation (subject to a "Purchase Price Allocation" exercise to be conducted by an internationally-recognised independent valuer in accordance with the Singapore Financial Reporting Standards on completion of the Proposed Acquisition and the Proposed Subscription) if there are no adjustments made to the redemption value of the Bonds;
 - (ii) recognition of a gain of S\$14.2 million (approximately RMB 67.5 million) from the previous sale of steel business based on consideration of S\$70 million (approximately RMB 332.5 million) as compared to net assets of S\$55.8 million (approximately RMB 265.1 million) as at 30 June 2014; and
 - (iii) 165 million new ordinary Shares being issued at the issue price of S\$0.10 per Consideration Share for the Proposed Acquisition and the Proposed Subscription.

Breakdown of NTA* after the Proposed Acquisition and the Proposed Subscription:

	S\$'000
NTA before proposed acquisition	63,077
Less: NTA of the steel business	(55,846)
Add: Proceeds on disposal of steel business	70,000
Add: NTA of the Target Group	60,718
Less: Purchase Consideration for the Target Group	(76,847)
Add: New share issue for the Proposed Acquisition and the Proposed Subscription	16,500
NTA after proposed acquisition	77,602

* The NTA of the Target Group as shown in the above table does not represent the audited NTA at the date of completion given that the estimated goodwill computed on pro forma basis may change upon finalisation of the "Purchase Price Allocation" exercise, which is to be conducted by an internationally-recognised independent valuer in determining the fair values of the

LETTER TO SHAREHOLDERS

identifiable assets acquired and liabilities assumed and other intangible assets such as trademarks, order backlogs and customer relationships.

7 ALLOTMENT AND ISSUE OF CONSIDERATION SHARES

Rule 805 of the Listing Manual provides that an issuer must obtain the prior approval of shareholders in general meeting for the issue of shares unless such issuance of shares is covered under a general mandate obtained from shareholders of the Company.

As the allotment and issue of the Consideration Shares is not in reliance of the general mandate obtained from Shareholders at the annual general meeting of the Company on 23 April 2014, the allotment and issue of the Consideration Shares by the Company to the Vendor requires the approval of Shareholders under Section 161 of the Companies Act and Rules 804 and 805(1) of the Listing Manual.

8 RECOMMENDATION BY DIRECTORS

Having reviewed the terms of the Agreement and the rationale and financial effects of the Proposed Transactions and the Proposed Use of Proceeds, the Directors are unanimously of the view that the Proposed Transactions and the Proposed Use of Proceeds are in the best interests of the Company, and they recommend that the Shareholders vote in favour of the Proposed Transactions and the Proposed Use of Proceeds at the EGM.

9 INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or the Substantial Shareholders of the Company has any interest, direct or indirect, in the Proposed Transactions and the Proposed Use of Proceeds, save for their respective shareholdings in the Company.

LETTER TO SHAREHOLDERS

10 SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (including the interest of each of the Directors and Substantial Shareholders in the Shares) as at the Latest Practicable Date and immediately after the Proposed Transactions and the Proposed Use of Proceeds is set out below:

	As at the Latest Practicable Date			Immediately after the Proposed Transactions			Immediately after the Proposed Use of Proceeds		
	Direct Interest	Deemed Interest		Direct Interest	Deemed Interest		Direct Interest	Deemed Interest	
Directors	Number of Shares	%	Number of Shares	Number of Shares	%	Number of Shares	Number of Shares	%	Number of Shares
Lim Jun Xiong Steven	235,690	0.03	-	-	0.02	-	235,690	0.02	-
Teh Wing Kwan	11,840,913	1.46	-	-	1.21	-	11,840,913	1.21	-
Yang Jian	8,067,119	0.99	-	-	0.83	-	8,067,119	0.83	-
Teo Cheng Kwee	7,088,891	0.87	870,125 ⁽¹⁾	0.11	0.73	870,125 ⁽¹⁾	7,088,891	0.73	870,125 ⁽¹⁾
Foo Tee Heng	1,066,714	0.13	-	-	0.11	-	1,066,714	0.11	-
Cheung Kam Wa Emma	437,750	0.05	-	-	0.04	-	437,750	0.04	-
Fong Heng Boo	175,747	0.02	-	-	0.02	-	175,747	0.02	-
Tao Yeoh Chi	156,897	0.02	-	-	0.02	-	156,897	0.02	-
Substantial Shareholders (excluding Directors)									
ACH Investments Pte Ltd	185,426,181	22.84	-	-	18.98	-	185,426,181	18.98	-
Shi Yin Jun	100,768,191	12.41	-	-	10.32	-	100,768,191	10.32	-
Christopher Chong Meng Tak ⁽²⁾	-	-	185,426,181	22.84	-	185,426,181	-	-	185,426,181
Rosanna Ai Leng Lam ⁽²⁾	-	-	185,426,181	22.84	-	185,426,181	-	-	185,426,181
Best Feast Limited	-	-	-	-	16.89	-	165,000,000	16.89	-
Cheng Du Wu Xing Ke Trading Limited ⁽³⁾	-	-	-	-	-	165,000,000	-	-	165,000,000
Other Shareholders									
Goh Teng Sim	870,125	0.11	-	-	0.09	-	870,125	0.09	-
Public Shareholders	494,640,900	60.93	-	-	50.64	-	494,640,900	50.64	-

LETTER TO SHAREHOLDERS

Notes:

- (1) Teo Cheng Kwee is deemed to be interested in the Shares held by Ms Goh Teng Sim by virtue of Section 7 of the Companies Act.
- (2) Christopher Chong Meng Tak holds a direct interest in 26.6% and an indirect interest of 38.6% in the shares of ACH Investments Pte Ltd. Tan Thiam Hee holds a direct interest of 38.6% in the shares of ACH Investments Pte Ltd on trust for Christopher Chong Meng Tak. Rosanna Ai Leng Lam holds a direct interest in 33.5% in the shares of ACH Investments Pte Ltd.
- (3) Cheng Du Wu Xing Ke Trading Limited are deemed to be interested in the Shares held by Best Feast Limited by virtue of Section 7 of the Companies Act.

11 EXTRAORDINARY GENERAL MEETING

The EGM will be held on 2 September 2015 at 11 a.m. at 55 Market Street, #03-01, Singapore 048941 for the purpose of considering and, if thought fit, passing with or without any modifications, the Ordinary Resolutions set out in the Notice of EGM on page N-1 of this Circular.

12 INTER-CONDITIONALITY OF THE ORDINARY RESOLUTIONS TO BE PASSED

In voting for the Ordinary Resolutions set out in the Notice of EGM, Shareholders should note that the ordinary resolution to approve the Proposed Acquisition, the transfer of a Controlling Interest to the Vendor and the Proposed Subscription (“**Ordinary Resolution 1**”) and the ordinary resolution to approve the Proposed Use of Proceeds (“**Ordinary Resolution 2**”) are inter-conditional upon each other. In the event that either of the Ordinary Resolutions 1 or 2 is not passed, the other Ordinary Resolution 1 or 2 (as the case may be) will also not be passed.

13 ACTIONS TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf, may complete, sign and return the proxy form attached to the Notice of EGM in accordance with the instructions printed thereon as soon as possible and in any event so as to reach the registered office of the Company at 1 Robinson Road, #17-00, AIA Tower, Singapore 048542 not later than 48 hours before the time fixed for holding the EGM. The completion and return of the proxy form by a Shareholder will not prevent him from attending and voting at the EGM, if he wishes to do so, in place of his proxy.

A Depositor shall not be entitled to attend and vote at the EGM unless he is shown to have Shares entered against his name in the Depository Register as at 48 hours before the time fixed for holding the EGM, as certified by CDP to the Company.

14 DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transactions, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

15 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at 1 Robinson Road, #17-00, AIA Tower, Singapore 048542 during normal business hours from the date of this Circular up to and including the date of the EGM:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the annual report of the Company for FY2013;
- (c) the annual report of the Company for FY2014;
- (d) the Agreement;
- (e) the Valuation Report;

LETTER TO SHAREHOLDERS

- (f) the pro forma financial statements of the Target for FY2011 and FY2012 and the pro forma combined financial statements of the Target Group for FY2013; and
- (g) the pro forma combined financial statements of the Target Group for 1H2014.

Yours faithfully

For and on behalf of the Board of Directors of
SAPPHIRE CORPORATION LIMITED

Teh Wing Kwan
Managing Director and Group Chief Executive Officer

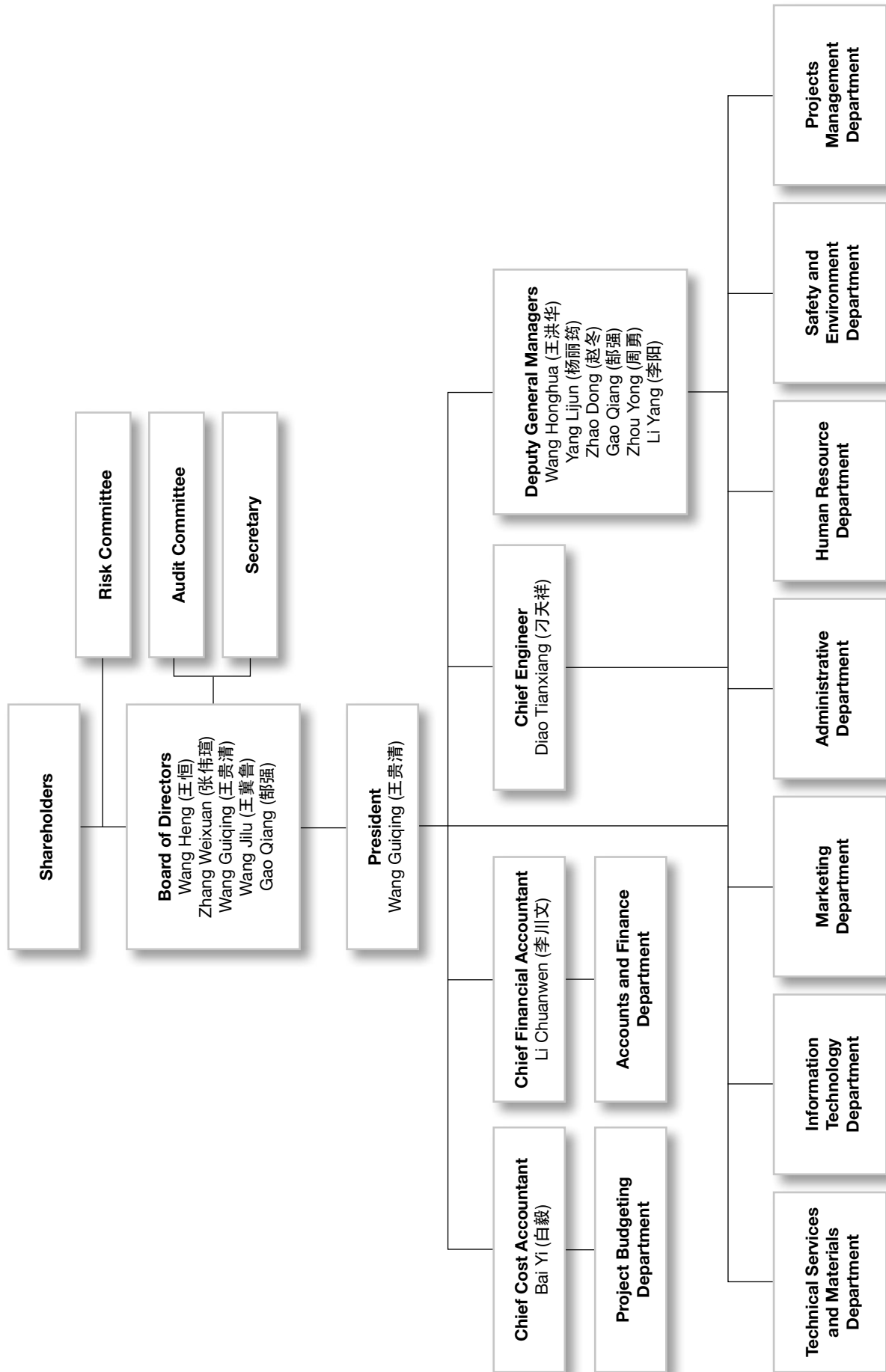
APPENDIX A - DETAILS OF BENEFICIAL OWNERS

S/N	Name	Identity Card Number	Effective interest in Best Feast Limited
1	王恒 (Wang Heng)	510225197005303669	49.13%
2	王冀鲁 (Wang Jilu)	110105195409045016	14.35%
3	邓建军 (Deng Jianjun)	510104197009223175	12.95%
4	张伟瑄 (Zhang Weixuan)	110101196009295330	2.41%
5	郜强 (Gao Qiang)	51010819721028213X	2.17%
6	张小青 (Zhang Xiaoqing)	110101196012205324	2.00%
7	杨丽筠 (Yang Lijun)	513001196311070046	1.91%
8	周勇 (Zhou Yong)	511002196203041218	1.52%
9	张东 (Zhang Dong)	510824197205295639	1.30%
10	何洪波 (He Hongbo)	511181197701313912	1.30%
11	王洪华 (Wang Honghua)	51080219710102625X	1.30%
12	袁念眉 (Yuan Nianmei)	510102196304304966	0.11%
13	巫志农 (Wu Zhinong)	510103196902021110	0.65%
14	李晓瑛 (Li Xiaoying)	512921197009240823	0.65%
15	成军东 (Cheng Jundong)	372501196808152434	0.57%
16	陈巳海 (Chen Sihai)	519004196911240015	0.54%
17	卢致强 (Lu Zhiqiang)	222403197406043816	0.44%
18	吴中桦 (Wu Zhonghua)	510824197411010032	0.44%
19	黄昱 (Huang Yu)	430104197710264311	0.44%
20	张晓菁 (Zhang Xiaoqing)	210102196806185644	0.44%
21	晋伟 (Jin Wei)	140104197302222236	0.44%
22	杜林 (Du Lin)	513025197006070010	0.44%
23	李明道 (Li Mingdao)	140104197003081314	0.44%
24	李川文 (Li Chuanwen)	511024196903245797	0.44%
25	白毅 (Bai Yi)	142325197810105516	0.44%
26	刁天祥 (Diao Tianxiang)	620105196502141015	0.44%
27	叶敏 (Ye Min)	421302197003100411	0.44%
28	陈歆 (Chen Xin)	511123197804240329	0.44%

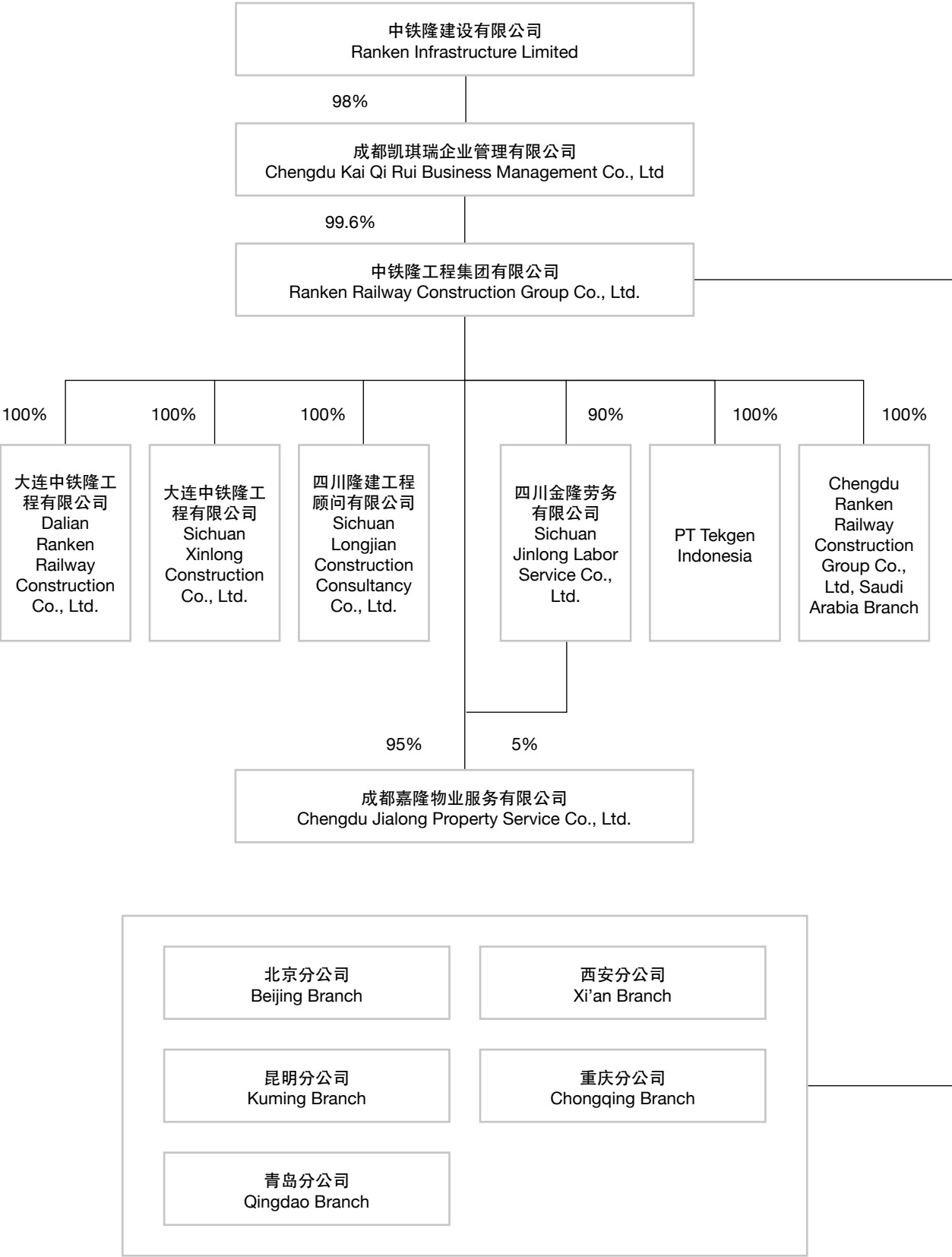
APPENDIX A - DETAILS OF BENEFICIAL OWNERS

29	刘莹 (Liu Ying)	510105198209041537	0.44%
30	王贵清 (Wang Guiqing)	510103196811097371	0.44%
31	赵冬 (Zhao Dong)	510105196201120266	0.44%
32	丁联起 (Ding Lianqi)	510105196005102773	0.22%
33	黄静薇 (Huang Jingwei)	51010219431112346X	0.22%
34	黄建军 (Huang Jianjun)	51010319640801162X	0.17%
			100.00%

APPENDIX B - MANAGEMENT REPORTING STRUCTURE OF RANKEN



APPENDIX C - TARGET GROUP STRUCTURE



APPENDIX D - VALUATION REPORT



Valuation Report

Chengdu Ranken Building
No 189 Wukexi Second Road
Wuhou District
Chengdu City, Sichuan Province
The People's Republic of China

2 March 2015

Prepared For

Sapphire Corporation Limited
3 Shenton Way #25-01
Shenton House
Singapore 068805.



APPENDIX D - VALUATION REPORT

CHENGDU RANKEN BUILDING
NO 189 WUKEXI SECOND ROAD
WUHOU DISTRICT, CHENGDU CITY
SICHUAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA



TABLE OF CONTENTS

	Page
1.0 YOUR INSTRUCTIONS	D3
2.0 DEFINITIONS	D3
2.1 Market Value	D3
3.0 LOCATION	D4
3.1 Chengdu	D4
3.2 Wuhou District	D6
4.0 Chengdu Property Market Overview	D8
4.1 Office	D8
5.0 Locality	D10
6.0 Description of the Property	D12
7.0 Occupancy	D15
8.0 General Conditions	D15
9.0 Environmental Considerations	D16
10.0 Ownership and Tenure	D18
11.0 Basis of Valuation	D18
12.0 Valuation Methodology	D18
12.1 Sale Comparable (Office)	D19
12.2 Rental Comparable (Office)	D21
12.3 Sale Comparable (Car Parking Spaces)	D22
13.0 Valuation	D23
14.0 Remarks	D23

Appendix

Appendix 1 - Title Documents

Our Ref: CV/CL/GL/ML/K/14509(1)

APPENDIX D - VALUATION REPORT



**VALUATION REPORT
IN RESPECT OF
CHENGDU RANKEN BUILDING
LOCATED AT
NO 189 WUKEXI SECOND ROAD
WUHO DISTRICT, CHENGDU CITY
SICHUAN PROVINCE
THE PEOPLE'S REPUBLIC OF CHINA**

Made this the 2nd day of March 2015 for and on behalf of Sapphire Corporation Limited (the "Instructing Party"), 3 Shenton Way #25-01, Shenton House, Singapore 068805.

1.0 Your Instructions

Your instructions to us in this matter are to prepare a report and market valuation of the subject property (the "Property") for internal reference purpose as at 20 November 2014 (the "Date of Valuation").

2.0 Definitions

2.1 Market Value

Our valuation is our opinion of the market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

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Knight Frank Asset Appraisal Limited
C P Property Management Limited

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APPENDIX D - VALUATION REPORT

CHENGDU RANKEN BUILDING
NO 189 WUKEXI SECOND ROAD,
WUHOU DISTRICT, CHENGDU CITY
SICHUAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA



The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

3.0 Location

3.1 Chengdu

Chengdu is a major city situated in south-western China. Administratively, it is the provincial capital city of Sichuan Province. It has jurisdiction over 9 administrative districts, 6 counties, 4 county-level cities and 3 development districts. At the end of 2013, Chengdu covered an area of about 12,390 sq km with a permanent population of about 14,298,000.

Chengdu is the financial and business centre as well as a transportation hub in south-western China. The key economic activities include new high-tech industry, information technology and tourism industry. Chengdu maintains a rapidly economic growth over the past five years. The GDP amounted to approximately RMB910.9 billion in 2013 with a y-o-y growth of 10.2 percent. The fixed asset investment was recorded RMB650 billion while the total retail sales of consumer goods of Chengdu reached RMB375 billion and the disposable income per capita exceeded RMB29,968.

Chengdu established a modern transportation network, including railway, metro, road and air. Chengdu East Railway Station has been operated since 2011, connecting Chengdu with various cities in China such as Shenzhen, Chongqing, Hangzhou and Nanjing. As for the metro transportation, there are 2 metro lines in service and 6 lines are currently under construction.

Chengdu Shuangliu International Airport, located in Shuangliu County, about 16 km away from the city center of Chengdu, is the fifth busiest airports in China in terms of passenger and cargo traffic in 2013. It is also among world's top 50 busiest airports in terms of passenger traffic in 2013. Chengdu Shuangliu International Airports has 2 passenger terminals and 3 aviation cargo terminals. The airport provides numerous domestic flights to major cities in China such as Beijing and Shanghai and international flights to other international metropolitans such as Seoul, Tokyo, Singapore, etc.

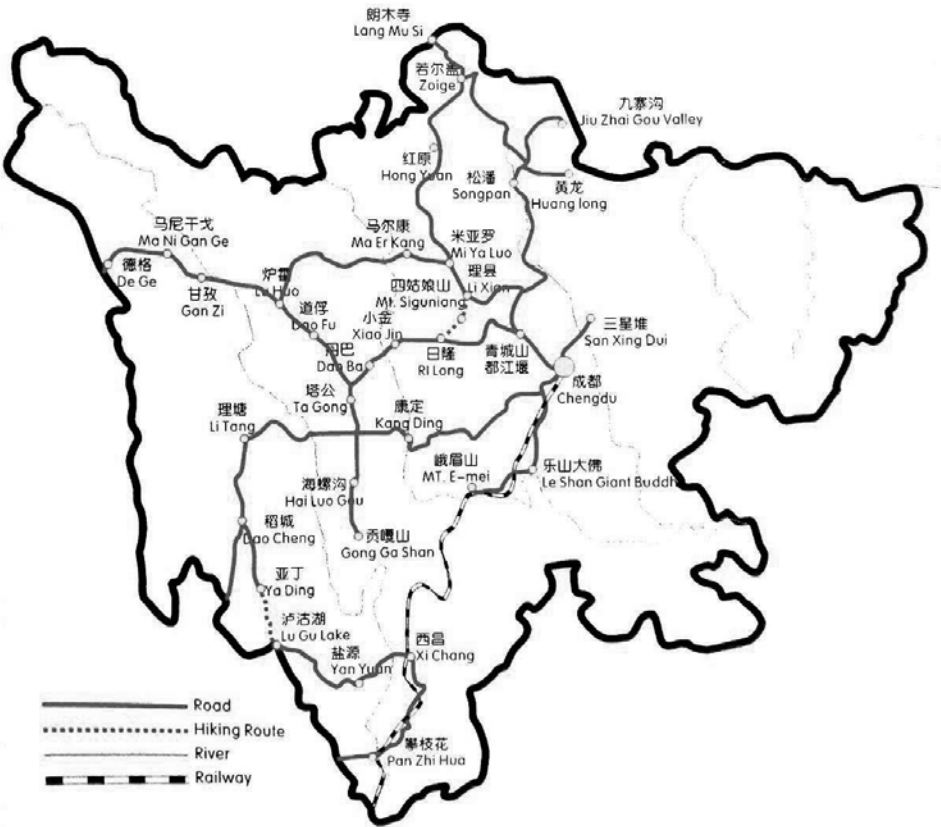
Our Ref: CV/CL/GL/ML/KI/14509(1)

APPENDIX D - VALUATION REPORT

CHENGDU RANKEN BUILDING
NO 189 WUKEXI SECOND ROAD,
UHOU DISTRICT, CHENGDU CITY
SICHUAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA



Map of Chengdu



Source: Chinahighlights

APPENDIX D - VALUATION REPORT

CHENGDU RANKEN BUILDING
NO 189 WUKEXI SECOND ROAD,
WUHO DISTRICT, CHENGDU CITY
SICHUAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA



3.2 Wuhou District

Wuhou, one of the five town districts (中心城区) of Chengdu, is located at the southern portion of Chengdu. It comprises an area of about 75.56 sq km, covering 13 sub-districts (街道办事处) and a committee (管委会). The total population of Wuhou District is approximately 620,000 in 2013.

The Chengdu South Railway Station is located in Wuhou District and expected to be re-opened by the end of 2014. It connects to Chengdu-Mianyang-Leshan Intercity High-Speed Railway (成绵乐城际高速铁路客运专线), Chengdu-Kunming Railway (成昆铁路) and Chengdu-Chongqing Intercity Railway (成渝客运专线). Renmin South Road Special Business District is located near Chengdu South Railway Station along Renmin South Road, connecting with Tianfu New City. There are some prime offices and large scale shopping malls in the district such as Chengdu Raffles City, Libao Building, Ping'an Fortune Centre, Chengdu International Land, New Hope Building and Kaidan Plaza.

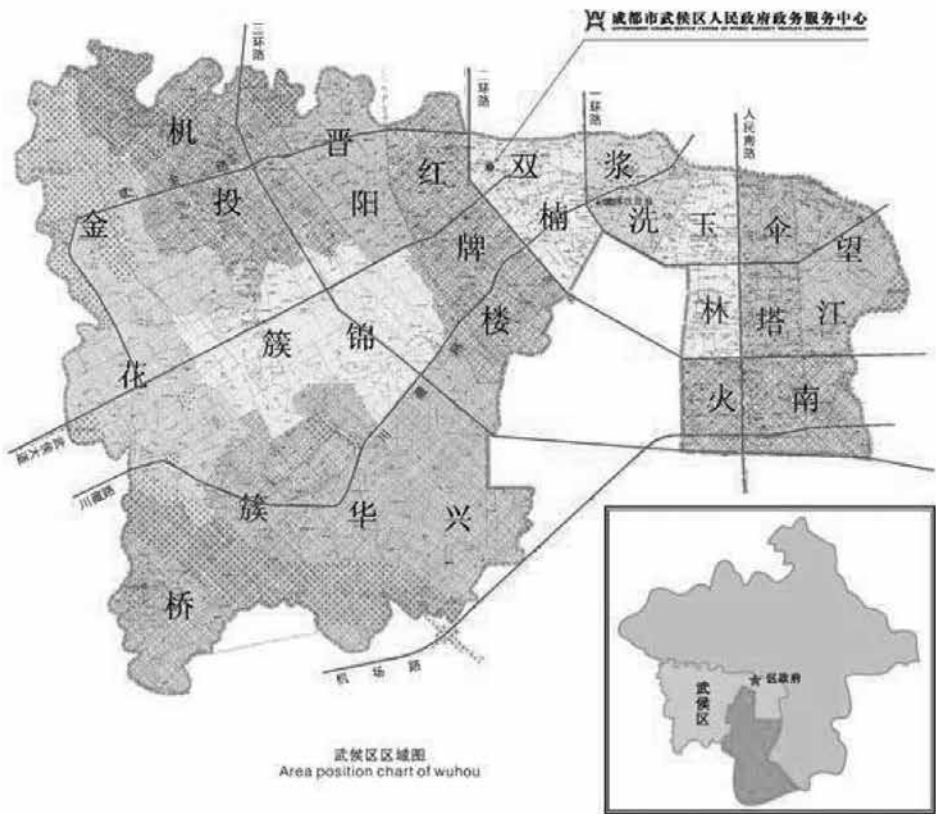
In 2013, the GDP of Wuhou District was recorded at RMB69.4 billion, representing an increase of 6.7 percent y-o-y. The fixed asset investment reached RMB35.3 billion, increased by 2.5 percent y-o-y while the real estate investment recorded RMB14.7 billion. The total retail sales of consumer goods of Wuhou District recorded RMB54.4 billion, representing 13.8 percent increment y-o-y.

APPENDIX D - VALUATION REPORT

CHENGDU RANKEN BUILDING
NO 189 WUKEXI SECOND ROAD,
UHOU DISTRICT, CHENGDU CITY
SICHUAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA



Map of Wuhou District



Source: Government Affairs Service Center of Chengdu Municipal People's Government

Our Ref: CV/CL/GL/ML/M/14509(1)

APPENDIX D - VALUATION REPORT

CHENGDU RANKEN BUILDING
NO 189 WUKEXI SECOND ROAD,
WUHO DISTRICT, CHENGDU CITY
SICHUAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA



4.0 Chengdu Property Market Overview

4.1 Office

Office developments in Chengdu are mainly located in the CBD of Tianfu Square (天府廣場) in Qingyang District and along the Renmin South Road (人民南路). Prime office developments are located in Renmin South Road (人民南路), Shuncheng Street (順城街), Zongfu Road (總府路) and Dongda Street (東大街). Since the regulatory measures have not applied to the office market, the office market remains active compare to residential market.

In 2014, the supply of office space in Chengdu increased by approximately 370,000 sq m as five projects have been completed and the total stock of office sector reached approximately 1.5 million sq m. On the other hand, the demand of prime office in Chengdu remains robust. Domestic companies are seeking for prime office spaces for relocating and upgrading their office. The occupancy rate for Grade A office was increased for three consecutive quarters to 71 percent. Due to the continue supply of office in Chengdu, the selling price and monthly rent of prime office remains stable at about RMB5,000-6,000 per sq m and RMB30-40 per sq m respectively.

In the past few years, the government of Chengdu has been focus on developing creative technology industry. Many office buildings related to such industry are erected on land for industrial use with land use rights of 50 years in various Industrial Parks, Industrial Development Areas and Hi-Tech Industrial Development Zones. Such industrial/ office buildings are mainly used for setting up headquarters of companies. Enterprises can enjoy various types of incentives such as tax and rent concessions. Such incentives are subject to the following conditions:

- (i) purchaser are registered in the industrial zone;
- (ii) purchased GFA exceeds 300 sq m;
- (iii) the property should be acquired by a company instead of an individual; and
- (iv) purchase should be in lump sum payment and mortgage is not allowed.

As a result, most of the industrial/ office buildings are bought for owner-occupation instead of investment. Industrial/ office buildings are common in Chengdu, such as Jinjiang District, Shuangliu County, Tianfu New City, Wuhou District, especially in Qingyang District and Chenghua District. Developments of industrial/ office buildings in Qingyang District and Chenghua District have been starred over a long period of time.

Our Ref: CV/CL/GL/ML/K/14509(1)

APPENDIX D - VALUATION REPORT

CHENGDU RANKEN BUILDING
NO 189 WUKEXI SECOND ROAD,
WUHO DISTRICT, CHENGDU CITY
SICHUAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA



On the other hand, developments of industrial/ office building have only been started in recent years in Wuhou District. Industrial/ office buildings in Wuhou District are mainly located in Xibuzhigu (西部智谷). Xibuzhigu is a government-invested project, covering an area of about 368 mu with a total gross floor area of approximately 750,000 sq m. It comprises 4 Industrial Park and the first phase of Zone A of Xibuzhigu was opened in 2010. It also comprises various facilities likes hotel, restaurants, exhibition centre, banks and other ancillary facilities. Apart from Xibuzhigu, there are over 10 projects are under construction including Huigu International (慧谷国际), Fudun (富顿中心), Xiwuhuiding (西物慧鼎) Dakexing Creative Industrial Park (大科星创意园), Zhaoxin International (兆信国际). The potential supply of industrial/ office building in Wuhou District will over one million sq m.

Benefited from the proximity to Chengdu Town Centre, Chengdu Sheangliu Airport and Chengdu South Railway Station, the demand of industrial/ office buildings in Wuhou District are relatively strong. Thus, the occupancy rates of those buildings have reached at about 80 – 90 percent.

Our Ref: CV/CL/GL/ML/M/14509(1)

APPENDIX D - VALUATION REPORT

CHENGDU RANKEN BUILDING
NO 189 WUKEXI SECOND ROAD,
WUHO DISTRICT, CHENGDU CITY
SICHUAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA



5.0 Locality

Wuhou New City is located in Wuhou District, the southwestern side of Third Ring Road (三环路), east of Huoyun Avenue (货运大道), south of Caojin Road (草金路), north of Chuancang Road (川藏路). It covers an area of about 22 sq km.

Wuhou New City, adjoining the first section of west of Third Ring Road, is facilitated by a well-developed ring road system. Chengdu Sheangliu Airport freight corridors (成都双流机场货运干道) and Sichuan-Tibet Highway are running through the city. Highways are well-connected through Third Ring Road including Chengyu Expressway (成渝高速), Chengmian Expressway (成绵高速), Chengya Expressway (成雅高速), Chengguan Expressway (成灌高速), Chengnan Expressway (成南高速) and Chengwen Expressway (成温高速).

Wuhou New City Core District (武侯核心区), formerly known as Wuhou Industrial Park, is a development area authorized by The National Development and Reform Committee. Wuhou Industrial Park was constructed in August 2002. In September 2007, Wuhou Industrial Park and Lady Shoe Center of China Industrial Zone (中国女鞋之都工业区) were combined and formed Wuhou New City Core District. Major industries in the districts includes, development of macroeconomics (发展总部经济), electrical information services, real estate industry, high-end shoe research and design industry and other related manufacturing industry.

The Property is located in the centre of Wuhou New City, at the junction of Wukexi Second Road and Wuxing Fifth Road, neighbouring Zhiling Plaza (智领广场) at the southern side, a newly constructed office building at the southwestern side and a medical equipment office building at the opposite side of Wuxing Fifth Road (武兴五路).

Developments in the vicinity are characterized by multi-storey industrial/ office buildings, industrial park such as Zone A of Xibuzhigu (西部智谷A区) at the northwestern side of the Property and a number of villages. Ancillary community facilities and services are centralized in the villages at the west of the Property and ground floor shops at the east. There are a few of new developed residential flats along Wuxing First Road (武兴一路) and the southern side of Wuhou Avenue (武侯大道).

Our Ref: CV/CL/GL/ML/M/14509(1)

APPENDIX D - VALUATION REPORT

CHENGDU RANKEN BUILDING
NO 189 WUKEXI SECOND ROAD,
UHOU DISTRICT, CHENGDU CITY
SICHUAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA



The accessibility of the Property is reasonably good. The Property is about 10km and 14km driving distances away from Chengdu Shuangliu International Airport and Chengdu South Railway Station. Public buses are available along Wukexi Four Road within 500m from the Property. Currently, there is no subway connection to the Property, the planned extension of Chengdu Metro Line 3 will be situated about one km away from the Property.

Location Plan of the Property



Our Ref: CV/CL/GL/ML/M/14509(1)

APPENDIX D - VALUATION REPORT

CHENGDU RANKEN BUILDING
NO 189 WUKEXI SECOND ROAD,
UHOU DISTRICT, CHENGDU CITY
SICHUAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA



6.0 Description of the Property

The Property comprises an office building erected upon a parcel of land with a site area of 6,666.67 sq m. The Property comprises a 9-storey office building with 2 level basements for carpark with a total gross floor area (GFA) of approximately 24,682 sq m. The Property was completed in 2012.

According to the information provided by Ranken Railway Construction Group Co., Ltd. (中铁隆工程集团有限公司) (the "Ranken"), Basement 1 and 2 are mainly used as carpark and ancillary facilities. There are 160 car parking spaces.

The Property is equipped with two variable refrigerant volume (VRV) central air-conditioning units, four lifts and fire sprinkler system. The office portion has a headroom of 3.9 m.

There is a separate entrance access for Level 1 units. There is no direct lift to Level 9 and can only be reached through staircase from eighth floor.

According to the information provided by Ranken, the breakdown of approximate gross floor area of the Property is as follows:

Level	GFA (sq m)	Use
B1-B2	7,736.29	Car parking and ancillary facilities and canteen
L1-L2	2,708.37	Lobby, office and ancillary facilities
Sub-total	10,444.66	
L3	2,084.89	Office
L4	2,121.15	Office
L5	2,084.89	Office
L6	2,121.15	Office
L7	2,084.89	Office
L8	2,121.15	Office
L9	1,619.22	Office
Sub-total	14,237.34	
Total	24,682.00	

Our Ref: CV/CL/GL/ML/M/14509(1)

APPENDIX D - VALUATION REPORT

CHENGDU RANKEN BUILDING
NO 189 WUKEXI SECOND ROAD,
UHOU DISTRICT, CHENGDU CITY
SICHUAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA



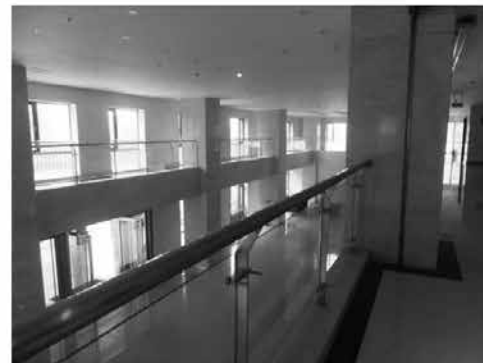
The Property



Separate Entrance to Office Units on Level 1



Main lobby at Level 1



Level 2



Typical floor (Bare shell)



Typical floor (Lift lobby)

Our Ref: CV/CL/GL/ML/KI/14509(1)

APPENDIX D - VALUATION REPORT

CHENGDU RANKEN BUILDING
NO 189 WUKEXI SECOND ROAD,
UHOU DISTRICT, CHENGDU CITY
SICHUAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA



Level 8 (Owner-occupied)



Level 9 (Owner-occupied)



Basement Level 1



Basement Level 1

APPENDIX D - VALUATION REPORT

CHENGDU RANKEN BUILDING
NO 189 WUKEXI SECOND ROAD,
UHOU DISTRICT, CHENGDU CITY
SICHUAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA



7.0 Occupancy

According to the information provided by Ranken, portion of the Property with a gross floor area of approximately 9,866.91 sq m is subject to various tenancies with the last tenancy expiring on 31 December 2019, yielding a total monthly rental of approximately RMB270,000, exclusive of tax and management fee.

Portion of Level 1, 3, 5 and whole Level 8, 9 and Basement Level 1 to 2 with a total gross floor area of approximately 13,017.75 sq m was occupied and used by Ranken as office. The remaining portion of the Property with a gross floor area of approximately 1,797.34 sq m was vacant.

8.0 General Conditions

We inspected the exterior and, where possible, the interior of the Property on 20 November 2014 and the inspection was carried out by our Ocean Ruan. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the Property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services. We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Property and we have assumed that the areas shown on the documents handed to us are correct.

Moreover, we have not carried out investigations on site to determine the suitability of the ground conditions and services etc. for any future development. Our valuation is prepared on the assumption that all these aspects are satisfactory.

We have assumed that the Property had been constructed, occupied and used in full compliance with, and without contravention of any ordinances, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, except only where otherwise stated.

APPENDIX D - VALUATION REPORT

CHENGDU RANKEN BUILDING
NO 189 WUKEXI SECOND ROAD,
UHOU DISTRICT, CHENGDU CITY
SICHUAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA



9.0 Environmental Considerations

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Property is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

10.0 Ownership and Tenure

Pursuant to the Land Use Rights Certificate No. Cheng Guo Yong (2014) Di 331 Hao issued by Chengdu Land and Resources Bureau dated 18 September 2014, the land use right of a parcel of land with a site area of 6,666.67 sq m was granted to Ranken Railway Construction Group Co., Ltd for a land use term expiring on 8 March 2060 for industrial use.

Pursuant to eighteen Building Ownership Certificates all issued by Chengdu Real Estate and Property Rights Register Center (成都市房屋產權登記中心), the building ownership of the Property with a total gross floor area of 24,680.00 sq m was vested in Ranken Railway Construction Group Co., Ltd. Details of the Building Ownership Certificates are listed as follows:

Certificate No.	Gross Floor Area (sq m)	Address	Unit	Use	Date of Issuance
Cheng Fang Quan Zheng Jian Zheng Zi Di 4046317 Hao	7,354.68	No.189 Wukexi Second Road	Basement 101	Car park	10 June 2014
Cheng Fang Quan Zheng Jian Zheng Zi Di 4046319 Hao	381.61	No.189 Wukexi Second Road	Basement 102	Storage	10 June 2014
Cheng Fang Quan Zheng Jian Zheng Zi Di 4046320 Hao	2,708.37	No.189 Wukexi Second Road	Unit 101	Non-Manufacturing Industrial Workshop	10 June 2014
Cheng Fang Quan Zheng Jian Zheng Zi Di 4046321 Hao	1,458.77	No.189 Wukexi Second Road	Unit 301	Non-Manufacturing Industrial Workshop	10 June 2014

Our Ref: CV/CL/GL/ML/K/14509(1)

APPENDIX D - VALUATION REPORT

CHENGDU RANKEN BUILDING
NO 189 WUKEXI SECOND ROAD,
UHOU DISTRICT, CHENGDU CITY
SICHUAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA



Certificate No.	Gross Floor Area (sq m)	Address	Unit	Use	Date of Issuance
Cheng Fang Quan Zheng Jian Zheng Zi Di 4046324 Hao	626.12	No. 189 Wukexi Second Road	Unit 302	Non-Manufacturing Industrial Workshop	10 June 2014
Cheng Fang Quan Zheng Jian Zheng Zi Di 4046325 Hao	1,490.74	No. 189 Wukexi Second Road	Unit 401	Non-Manufacturing Industrial Workshop	10 June 2014
Cheng Fang Quan Zheng Jian Zheng Zi Di 4046326 Hao	630.41	No. 189 Wukexi Second Road	Unit 402	Non-Manufacturing Industrial Workshop	10 June 2014
Cheng Fang Quan Zheng Jian Zheng Zi Di 4046328 Hao	1,456.77	No. 189 Wukexi Second Road	Unit 501	Non-Manufacturing Industrial Workshop	10 June 2014
Cheng Fang Quan Zheng Jian Zheng Zi Di 4046332 Hao	626.12	No. 189 Wukexi Second Road	Unit 502	Non-Manufacturing Industrial Workshop	10 June 2014
Cheng Fang Quan Zheng Jian Zheng Zi Di 4046333 Hao	1,490.74	No. 189 Wukexi Second Road	Unit 601	Non-Manufacturing Industrial Workshop	10 June 2014
Cheng Fang Quan Zheng Jian Zheng Zi Di 4046335 Hao	630.41	No. 189 Wukexi Second Road	Unit 602	Non-Manufacturing Industrial Workshop	10 June 2014
Cheng Fang Quan Zheng Jian Zheng Zi Di 4046336 Hao	1,458.77	No. 189 Wukexi Second Road	Unit 701	Non-Manufacturing Industrial Workshop	10 June 2014
Cheng Fang Quan Zheng Jian Zheng Zi Di 4046337 Hao	626.12	No. 189 Wukexi Second Road	Unit 702	Non-Manufacturing Industrial Workshop	10 June 2014
Cheng Fang Quan Zheng Jian Zheng Zi Di 4046340 Hao	1487.68	No. 189 Wukexi Second Road	Unit 801	Non-Manufacturing Industrial Workshop	10 June 2014
Cheng Fang Quan Zheng Jian Zheng Zi Di 4046343 Hao	633.47	No. 189 Wukexi Second Road	Unit 802	Non-Manufacturing Industrial Workshop	10 June 2014
Cheng Fang Quan Zheng Jian Zheng Zi Di 4046344 Hao	418.66	No. 189 Wukexi Second Road	Unit 901	Non-Manufacturing Industrial Workshop	10 June 2014
Cheng Fang Quan Zheng Jian Zheng Zi Di 4046345 Hao	786.03	No. 189 Wukexi Second Road	Unit 902	Non-Manufacturing Industrial Workshop	10 June 2014
Cheng Fang Quan Zheng Jian Zheng Zi Di 4046350 Hao	414.53	No. 189 Wukexi Second Road	Unit 903	Non-Manufacturing Industrial Workshop	10 June 2014

Copies of the title documents are attached in Appendix I.

Our Ref: CV/CL/GL/ML/M/14509(1)

APPENDIX D - VALUATION REPORT

CHENGDU RANKEN BUILDING
NO 189 WUKEXI SECOND ROAD,
UHOU DISTRICT, CHENGDU CITY
SICHUAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA



11.0 Basis of Valuation

We have prepared our valuation on the following assumptions:

- (i) the Property has a proper legal title;
- (ii) all land premium and other costs of ancillary utilities services have been settled in full;
- (iii) the design and construction of the buildings of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities; and
- (iv) the Property, whether as a whole or on strata-title basis, can be freely disposed of to local or overseas purchasers.

12.0 Valuation Methodology

In undertaking our valuation of the Property, Income Capitalization Approach and Direct Comparison Approach are adopted.

Income capitalization approach estimates the values of the Property on a market value basis by capitalization net rental income on a fully let basis having regards to the current passing rental income from existing tenancies and potential future reversionary income at market level

Income capitalization approach was adopted for evaluating the office portion of the Property and which was counter-checked by Direct Comparison Approach. In preparing our valuation, we have considered the comparable asking rentals in the locality and the adjusted unit rental of the Property is approximately RMB30 per sq m per month exclusive of tax and management fee. We have adopted a capitalization rate of 7% in valuing the office portion and the market value of the office portion of the Property as at the Date of Valuation was thus approximately RMB87,000,000 (RMB5,134 per sq m).

Direct Comparison Approach is the most common and reliable valuation approach for valuing properties by reference to comparable market transactions of similar properties. The rationale of this approach is to directly relate the market comparable transactions with the Property to determine the market value. Adjustments will be applied to the said comparable transactions to adjust for differences between the Property and the comparable. Adjustment factors therefore may include time, location, environment and the like.

Our Ref: CVC/GI/GI/MI/MH4509/11

APPENDIX D - VALUATION REPORT

CHENGDU RANKEN BUILDING
NO 189 WUKEXI SECOND ROAD,
UHOU DISTRICT, CHENGDU CITY
SICHUAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA



We have estimated the value of car parking portion of the Property by reference to comparable asking prices of car parking spaces in the vicinity. Locations of the developments of the three comparable asking prices are situated close to the Property and the adjusted unit sales price is RMB95,000 per car parking spaces. The market value of the car parking portion of the Property as at the Date of Valuation was RMB15,000,000.

12.1 Sale Comparable (Office)

We have identified several office comparable properties with details listed below:

Development	Comparable 1 Xhiling Plaza 智领广场	Comparable 2 Youbu Centre 优博中心	Comparable 3 Zone A of Xibuzhigu 西部智谷 A 区
			
Address	Wuxing Fifth Road	Wukexi First Road	Junction of Wukexi West Fourth Road and Wuxing Fifth Road
Gross Floor Area (sq m)	350.00	350.00	600.00
Level	5	7	6
Asking Price (RMB/ sq m/ month)	5,260	5,100	6,000

Development	Comparable 4 Xiuhuiding 西物慧鼎
	
Address	Wuqing South Road
Gross Floor Area (sq m)	1,000.00
Level	5
Asking Price (RMB/ sq m/ month)	5,800

Our Ref: CV/CL/GL/ML/KI/14509(1)

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APPENDIX D - VALUATION REPORT

CHENGDU RANKEN BUILDING
NO 189 WUKEXI SECOND ROAD,
UHOU DISTRICT, CHENGDU CITY
SICHUAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA



Location Map of Sale Comparable (Office)



APPENDIX D - VALUATION REPORT

CHENGDU RANKEN BUILDING
NO 189 WUKEXI SECOND ROAD,
UHOU DISTRICT, CHENGDU CITY
SICHUAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA



12.2 Rental Comparable (Office)

We have collected some asking rental of office in the vicinity with details listed below:

Development	Comparable 1	Comparable 2	Comparable 3
	Block 3 of Dakexing Creative Park 大科星创意园 3 号楼	Zone D of Xibuzhigu 西部智谷 D 区	Xiwuhuiding 西物慧鼎
			
Address	Wukexi First Road	Intersection at Wukexi Fourth Road and Wuxing Fourth Road	Wuqing South Road
Gross Floor Area (sq m)	200.00	N/A	1,000.00
Level	6	N/A	2
Asking Rent (RMB/ sq m/ month)	35	35 – 40	32
Remarks	Inclusive of tax	Exclusive of tax*	Exclusive of tax*

*Remarks: In general, 12 percent property tax and 5.5 percent sales tax are considered.

Location Map of Rental Comparable (Office)



Our Ref: CV/CL/GL/ML/I/14509(1)

APPENDIX D - VALUATION REPORT

CHENGDU RANKEN BUILDING
NO 189 WUKEXI SECOND ROAD,
UHOU DISTRICT, CHENGDU CITY
SICHUAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA

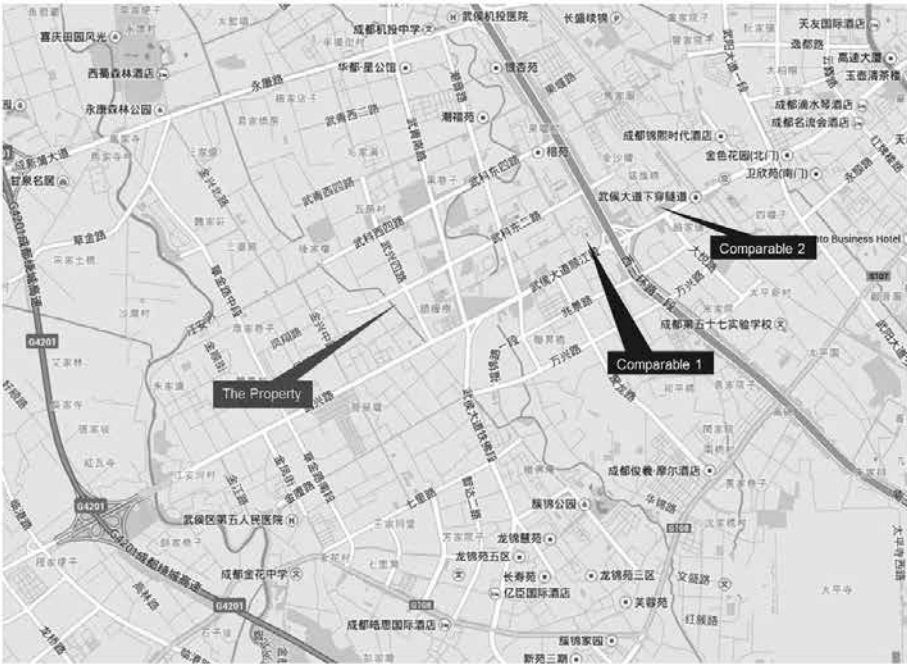


12.3 Sale Comparable (Car Parking Spaces)

We have collected some asking unit price of car parking spaces in the vicinity with details listed below:

Development	Comparable 1	Comparable 2
	Languang Nuodingshan 蓝光诺丁山	Foursquare 中华名园
Address	No. 2 Wuxing First Road	Shunhe Street
Asking Sale Price (per space)	110,000	105,000

Location Map of Sale Comparable (Car Parking Spaces)



APPENDIX D - VALUATION REPORT

CHENGDU RANKEN BUILDING
NO 189 WUKEXI SECOND ROAD,
UHOU DISTRICT, CHENGDU CITY
SICHUAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA



13.0 Valuation

We are of the opinion that the market value of the Property in existing state as at 20 November 2014 was in the sum of **RMB102,000,000 (RENMINBI ONE HUNDRED AND TWO MILLION ONLY)**, subject to its existing tenancies, the aforesaid basis of valuation and its title being free of all material encumbrances or defects.

14.0 Remarks

Our valuation is at market level as at the date of valuation and could, therefore, include a speculative element that might not be realizable upon forced sale.

Our valuation normally includes all plant and machinery that form part of the building services installations. Process plant, machinery and equipment which may have been installed wholly in connection with the occupiers' industrial or commercial processes, together with furniture and furnishings, tenants' fixtures and fittings are excluded in our valuation.

Whilst we have taken care to investigate the title to the Property, we do not accept liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers. Neither have we verified the correctness of any information supplied to us concerning the Property whether in writing or verbally by the instructing party or Ranken.

We have relied to a very considerable extent on the information given by the instructing party or Ranken and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupancy and site area and all other relevant matters. Dimensions, measurements and areas included in this valuation report are based on information provided to us and are therefore only approximations. We have no reason to doubt the truth and accuracy of the information provided to us which are material to the valuation. We were also being advised that no material facts have been omitted from the information supplied.

No allowance has been made in our report for any charges, mortgages or amounts owing on any property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoing of an onerous nature which could affect its value.

Our Ref: CV/CL/GL/ML/KI/14509(1)

APPENDIX D - VALUATION REPORT

CHENGDU RANKEN BUILDING
NO 189 WUKEXI SECOND ROAD,
WUHOU DISTRICT, CHENGDU CITY
SICHUAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA



We have valued the Property on the assumption that, in all respects, it is insured against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

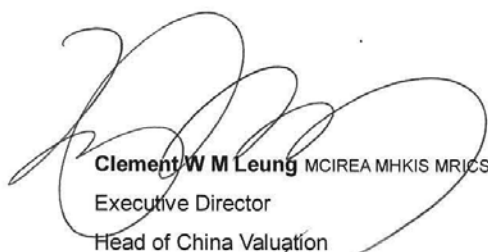
Neither the whole or any part of the valuation report nor any reference thereto may be included in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any web-site) without our prior written approval of the form and context in which it may appear.

In accordance with our standard practice, we must state that this valuation report is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

Conversion factors used in this report are:

1 square metre = 10.764 square feet

1 metre = 3.2808 feet



Clement W M Leung MCIREA MHKIS MRICS RPS (GP)
Executive Director
Head of China Valuation
For and on behalf of
Knight Frank Petty Limited
4th Floor, Shui On Centre
6 - 8 Harbour Road
Wanchai
Hong Kong

Our Ref : CV/CL/GL/ML/kl/14509(1)

Date : 2 March 2015

ML/kl

Our Ref: CV/CL/GL/ML/kl/14509(1)

APPENDIX E - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

Contents

	Page
Compilation report	E2
Proforma statements of financial position	E3
Proforma statements of profit or loss and other comprehensive income	E4
Proforma statements of changes in equity	E5
Proforma statements of cash flows	E6
Notes to the financial statements	E8

APPENDIX E - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

Compilation Report

Date: 3 March 2015

The Management
Sapphire Corporation Limited
3 Shenton Way #25-01
Shenton House
Singapore 068805

Introduction

We have compiled the accompanying pro forma combined financial statements of Ranken Railway Construction Group Co., Ltd (the "Company") and its subsidiaries (the "Group") based on information you have provided. These pro forma combined financial statements comprise the statement of financial position of the Company as at 31 December 2011 and 2012, the statements of financial position of the Group as at 31 December 2013, the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Company for the reporting year ended 31 December 2011 and 2012, the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the reporting year ended 31 December 2013, and a summary of significant accounting policies and other explanatory information. The financial statements are prepared in accordance with the basis of accounting specified in Note 2 to the pro forma combined financial statements.

Scope of work

We performed this compilation engagement in accordance with Singapore Standard on Related Services 4410 (Revised), Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist management in the preparation and presentation of these pro forma combined financial statements on the basis of accounting described in Note 2 to the pro forma combined financial statements. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These pro forma combined financial statements and the accuracy and completeness of the information used to compile them are management's responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information to compile these pro forma combined financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether these pro forma combined financial statements are prepared in accordance with the basis of accounting described in Note 2.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 2 to the pro forma combined financial statements, which describes the basis of accounting. This report has been prepared solely for your response to the Singapore Exchange Limited in connection with the proposed acquisition of the Group by Sapphire Corporation Limited. This report is made solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore

APPENDIX E - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

Pro forma combined statements of financial position
as at 31 December 2011, 2012 and 2013

		The Group 2013 RMB'000	The Company 2012 RMB'000	The Company 2011 RMB'000
	Note			
ASSETS				
Non-Current Assets				
Intangible asset	4	4,755	4,858	4,961
Property, plant and equipment	5	82,530	86,021	58,545
Available-for-sale financial assets	6	8,400	3,000	3,000
Long term investments	7	-	49,662	45,310
Other assets	8	2,745	1,414	1,675
		98,430	144,955	113,491
Current Assets				
Short term investment		-	-	1,500
Inventories	9	6,427	2,287	877
Work-in-progress		164,001	46,758	57,925
Trade and other receivables	10	523,427	330,303	255,442
Cash and bank balances	11	91,761	42,362	130,160
		785,616	421,710	445,904
Total assets		884,046	566,665	559,395
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	12	230,000	140,000	140,000
Reserves	13	17,756	15,811	4,702
Equity attributable to owners of the Company		247,756	155,811	144,702
Non-controlling interests		1,196	-	-
Total equity		248,952	155,811	144,702
Non-Current Liabilities				
Bonds payables	15	40,000	41,921	41,046
Bank loans	16	24,272	13,546	-
		64,272	55,467	41,046
Current liabilities				
Bank loans	17	76,000	100,000	122,530
Trade and other payables	14	478,908	249,183	244,370
Current tax payable	18	15,914	6,204	6,747
		570,822	355,387	373,647
Total liabilities		635,094	410,854	414,693
Total equity and liabilities		884,046	566,665	559,395

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

APPENDIX E - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

**Pro forma combined statements of profit or loss and
other comprehensive income
for the financial years ended 31 December 2011, 2012 and 2013**

		The Group 2013 RMB'000	The Company 2012 RMB'000	The Company 2011 RMB'000
	Note			
Revenue	19	557,750	292,230	215,532
Cost of sales	20	(446,175)	(240,512)	(166,517)
Gross profit		111,575	51,718	49,015
Other income	21	292	5,176	10,517
Selling and distribution expenses		(2,266)	(1,620)	(1,574)
Administrative expenses		(57,465)	(29,257)	(40,043)
Other expenses	22	(432)	(1,040)	(482)
Finance costs		(15,638)	(11,715)	(8,683)
Profit before taxation		36,066	13,262	8,750
Taxation	23	(10,241)	(3,313)	(2,400)
Profit for the year, representing total comprehensive income for the year		25,825	9,949	6,350
Profit attributable to:-				
Net period attributable to shareholders of Company		26,165	9,949	6,350
Non-controlling interests		(340)	-	-
		25,825	9,949	6,350

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

APPENDIX E - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

Pro forma combined statements of changes in equity for the financial years ended 31 December 2011, 2012 and 2013

The Company	Share capital RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2011, as previously stated	100,000	127	677	100,804
Prior years' adjustments	-	-	(2,452)	(2,452)
Balance at 1 January 2011, as restated	100,000	127	(1,775)	98,352
Profit for the year, representing total comprehensive income for the year	-	-	6,350	6,350
Capital contributions (Note 12)	40,000	-	-	40,000
Balance at 31 December 2011, as previously stated	140,000	127	4,575	144,702
Prior years' adjustments	-	-	1,160	1,160
Balance at 31 December 2011, as restated	140,000	127	5,735	145,862
Profit for the year, representing total comprehensive income for the year	-	-	9,949	9,949
Balance at 31 December 2012	140,000	127	15,684	155,811

The Group	Share capital RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Total attributable to equity holders of the company RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2013, as previously stated	140,000	402	18,147	158,549	1,881	160,430
Prior years' adjustments	-	-	(17,634)	(17,634)	(345)	(17,979)
Balance at 1 January 2013, as restated	140,000	402	513	140,915	1,536	142,451
Profit for the year, representing total comprehensive income for the year	-	-	26,165	26,165	(340)	25,825
Transactions with owners, recognised directly in equity						
Contributions by and distribution to owners						
Dividend appropriation	-	-	(9,200)	(9,200)	-	(9,200)
Capital contributions (Note 12)	90,000	(124)	-	89,876	-	89,876
Balance at 31 December 2013	230,000	278	17,478	247,756	1,196	248,952

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

APPENDIX E - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

Pro forma combined statements of cash flows for the financial years ended 31 December 2011, 2012 and 2013

	The Group 2013 RMB'000	The Company 2012 RMB'000	The Company 2011 RMB'000
1. Cash Flow from Operating Activities			
Cash from selling commodities or offering labor	431,819	237,289	133,692
Refund of tax and fee received	-	-	600
Other cash received related to operating activities	525,521	316,136	445,950
Cash Inflows Subtotal	957,340	553,425	580,242
Cash paid for commodities or labor	412,071	180,808	108,677
Cash paid to and for employees	40,674	21,961	30,667
Taxes and fees paid	17,528	12,516	9,349
Other cash paid related to operating activities	508,259	367,944	415,626
Cash Outflows Subtotal	978,532	583,229	564,319
Cash flow (used in)/ generated from operating activities	(21,192)	(29,804)	15,923
2. Cash Flow from Investing Activities			
Cash from investment withdrawal	-	2,054	3,005
Cash from investment income	-	-	-
Net cash from disposing fixed assets, intangible assets and other long-term assets	20	17	1,010
Other cash received related to investing activities	-	-	-
Cash Inflows Subtotal	20	2,071	4,015
Cash paid for buying fixed assets, intangible assets and other long-term investment	12,730	28,839	34,029
Cash paid for investment	2,380	7,851	26,990
Other cash paid related to investing activities	-	-	4
Cash Outflows Subtotal	15,110	36,690	61,023
Cash flow used in investing activities	(15,090)	(34,619)	(57,008)
3. Cash Flow from Financing Activities			
Cash received from accepting investment	90,000	-	71,400
Borrowings	-	100,035	94,500
Other cash received related to financing activities	126,000	13,989	14,500
Cash Inflows Subtotal	216,000	114,024	180,400
Cash paid for debt	118,512	107,746	35,000
Cash paid for dividend, profit or interest	11,332	25,693	6,516
Other cash paid related to financing activities	3,963	3,960	-
Cash Outflows Subtotal	133,807	137,399	41,516
Cash flow generated from/ (used in) financing activities	82,193	(23,375)	138,884
4. Foreign Currency Translation Gain(Losses)	-	-	-
5. Net Increase/ (Decrease) in Cash and Cash Equivalents	45,911	(87,798)	97,799

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

APPENDIX E - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

Pro forma combined statements of cash flows (Cont'd)
for the financial years ended 31 December 2011, 2012 and 2013

Supplementary Schedule:	The Group 2013 RMB'000	The Company 2012 RMB'000	The Company 2011 RMB'000
1. Convert net profit to cash flow from operating activities			
Net profit	26,165	9,949	6,350
Plus: Non-controlling interests	(340)	-	-
Depreciation for fixed assets	11,021	5,624	5,122
Amortisation of intangible assets	106	103	103
Amortisation of long-term deferred expenses	-	(667)	(1,259)
Decrease of deferred expenses(Less: Increase)	2,785	-	-
Increase of accrued expenses(Less: Decrease)	(3,959)	-	-
Loss on disposal of fixed assets, intangible assets and other			
long-term assets(Less: Profit)	65	-	178
Financial expenses	15,295	-	-
Investment losses (Less: Profit)	-	(54)	(5)
Decrease of inventory(Less: Increase)	(126,924)	9,757	128,911
Decrease of operation receivables(Less: Increase)	(66,919)	(36,255)	(100,938)
Increase of operation payables(Less: Decrease)	123,605	(18,260)	(22,539)
Others	(2,090)	-	-
Net cash (used in)/ generated from operating activities	(21,190)	(29,803)	15,923
2. Investing and financing activities involved in cash			
Debt converted to capital	-	-	-
Convertible bond maturity within one year	-	-	-
Leasehold improvements	-	-	-
Net cash from financing activities	-	-	-
3. Net increase of cash and cash equivalents			
Cash ending balance	91,761	42,362	130,160
Less: cash beginning balance	45,850	130,160	32,361
Net increase/(decrease) of cash and cash equivalents	45,911	(87,798)	97,799

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

APPENDIX E - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

Notes to the combined financial statements for the financial years ended 31 December 2011, 2012 and 2013

1 General information

On 06 April 1998, the Company was incorporated as a limited liability company and domiciled in the People's Republic of China ("PRC"). The license registration number of the business corporation is 510100000014619. The registered and paid up capital is RMB 230 million. The legal representative of the company is Wang Heng. The registered office and principal place of business is located at 8 Floors of 中铁隆大厦, No. 189 武侯区武科西二路, Chengdu, Sichuan Province, China.

The principal activities of the Company are those relating to the provision of engineering, procurement and construction ("EPC") for railway, highway, municipal, industrial and civil construction and water conservancy projects, contract foreign projects, engineering design, import and export of technologies, engineering information technology consulting, enterprise management information consulting, construction machinery equipment leasing, project management, mines, city management, gas, heat power supply, solid waste treatment project construction, and sewage treatment project construction. The business scope above does not include the project which is restricted by national laws, administrative laws and regulations, and qualification certificate.

The paid up capital amounting RMB230 million has been certified by 四川立信会计师事务所有限公司 (formerly known as "四川立信会计师事务所有限公司") on 7 July 2013.

2 Basis of Preparation

The financial statements are prepared in accordance with China Accounting Standard for Business Enterprises ("CAS") 中国企业会计准则 and the Accounting System for Business Enterprise ("ASBE") 企业会计制度 issued by Ministry of Finance of the People's Republic of China.

Prior to 31 December 2012, no consolidated financial statements have been prepared and issued and accordingly, the financial statements presented for the financial years ended 31 December 2011 and 2012 were based on the financial information compiled from the Company's financial statements audited by 四川金典会计师事务所有限公司 dated 26 April 2012 and 26 March 2013 respectively. The consolidated financial statements for financial year ended 31 December 2013 was audited by 重庆万隆方正会计师事务所有限责任公司 and issued on 22 May 2014.

The financial statements for each of the reporting period ended 31 December 2011, 2012 and 2013 have been adjusted for on a pro-forma basis to take into effect the financial impact arising from capitalisation of the 中铁隆大厦, located at No. 189武侯区武科西二路 (the "Transaction"). Management had previously capitalised the cost of a commercial building in the Company's accounting books and records even though a Trust Agreement had been put in place between the founding members of the Company and the Company itself, confirming that the ownership of the commercial building rests with the founding members and not the Company. The legal title of the commercial building has been subsequently registered in the name of the Company on 10 June 2014.

The pro forma financial statements of the Company for the financial years ended 31 December 2011 and 2012 have been prepared in accordance with CAS and ASBE. The consolidated financial statements of the Group for the financial year ended 31 December 2013 have taken into account certain audit adjustments identified by Foo Kon Tan LLP during the course of their financial due diligence exercise conducted on the Group to align to International Financial Reporting Standards ("IFRS") for purpose of the acquisition exercise of the Company by Sapphire Corporation Limited.

Accordingly, the statements of financial position of the Company and the Group for the financial years ended 31 December 2011, 2012 and 2013 have been prepared as if the abovementioned Transaction had been in existence throughout the relevant periods.

The financial statements have been prepared under the historical costs convention, except as disclosed in the accounting policies below. The financial statements are presented in Renminbi ("RMB") as the Group's and the Company's principal operations are conducted in the PRC. All financial information is presented in RMB and rounded to the nearest thousand, unless otherwise stated.

Financial year

The financial year of the company is from 1 January to 31 December.

APPENDIX E - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

3 Summary of significant accounting policies

Functional and presentation currencies

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The combined financial statements are presented in Renminbi, which is also the functional currency of the Company, as the Group's principal operations are conducted in the PRC.

Accounting basis and valuation policy

The company's account is prepared based on accrual accounting basis and the actual cost pricing principle. All the properties are measured at the actual cost when obtained, the Company shall make provision for impairment in accordance with accounting standards, if any indicators of impairment appears.

Conversion of foreign currencies

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of each reporting period are recognised in profit or loss.

Foreign currency gains and losses are reported on a net basis as either other income or other expenses depending on whether foreign currency movements are in a net gain or net loss position.

These are following situations:

For exchange gains or loss in construction progress, is recognised in long-term unamortized expenses.

Exchange gain or loss derived from borrowings of property, plant and equipment, is compliance with the principle treatment of the borrowing costs.

Except for situations above, exchange gain or loss is recognised in finance cost for the current period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the transactions.

Cash, cash equivalent and bank balances

Cash and cash equivalents includes short term deposit, high liquidity, easily converted into known amount of cash, and an insignificant risk of change in value.

Short term investment

Short term investment is based on actual payment including taxes, transaction costs and other related cost. For the actual payment includes cash dividend or accrued interest on debenture, it is treated as receivables separately.

If the group receive cash dividend or debenture interest during short term investment period, it will be offset against the book value of investment except for the cash dividend or debenture interest received, which has already accounted for.

Short term investment is valued at lower of cost and market value as at year end. Provision shall be made for the difference if the cost is lower than market value. If the value of short term investment is restored subsequently, the company shall reverse the provision made in prior year.

Accounting method for bad debt

1. Company's bad debt losses recognized depending on different situations with the following method:

- (1) For debtor who declared as bankrupt or revocation, the company shall obtain Declaration of Bankruptcy, Cancellation of Business Registration, or Certificate of Revocation of Business License or legal document from respective government department; the trade receivable therefore shall be written off for any uncollectible debts after deduction of debts that has been paid off by the liquidation on assets of the debtor.
- (2) For debtors that are dead or deemed to be missing or dead by law, and who does not has a heritor and is unable to settle the debts through his property or heritage, the respective receivables shall be written off as bad debts after the legal document has been obtained;
- (3) Receivable that shall be written off as bad debt if it is involved in a lawsuit, and the case is lost based on in-forced verdict or judgment by the court; or the case is won but it has been suspended of execution due to inability to executive;
- (4) For receivable with aging period over three years, if there is a legal pressing and negotiations record and is confirmed no business transactions has been taken place during the three years; it shall be written off after deduction of all the payables related to this debtor plus compensation fees paid to responsible person;

APPENDIX E - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

3 Summary of significant accounting policies (Cont'd)

Accounting method for bad debt (Cont'd)

- (5) For receivable that has an aging period over three years, if the debtors are residents in foreign countries, Hong Kong, Macao and Taiwan regions which the debts are unable to be collected through legal pressing for payment, and it is confirmed no business transactions has been taken place during the three years; it shall be written off after obtaining the Opinion Report for Termination of Pressing Payment from foreign agency, or Certificate of Abscond, Certificate of Bankruptcy of the debtor from business organizations of PRC embassies.
 - (6) For outstanding balances in related parties or within the group, the debtor and the creditor shall net off their debts by the same amount at the same time; a written agreement shall be signed between the party and each party shall provide relative financial information for the debts treatment.
2. Accounting method for bad debts: the company shall use allowance method to review allowance for bad debts regularly or review annually at each financial year end; and estimated the possibility of bad debts for each receivable; for the doubtful debts, a provision for bad debts shall be made.
3. Accounting treatment for provision of bad debts: perform aging and collectability analysis for each of trade receivable and other receivables at the year-end; for receivable that is indication to have an impairment loss, a provision for bad debts based on the estimated collectability.

Inventories

1. Inventory classification

Inventories includes project construction, raw material, low value consumable parts, self-manufactured semi-finished goods, and finished goods.
2. The method for valuation of inventory purchased and issued

The inventory is valued at actual cost when purchased, and valued at individual specific unit cost when issued or used. Low value consumable parts and wrappage is amortized based on one-off amortization method when used.
3. Inventory system

The company adopted perpetual inventory system.
4. Recognition for inventory written down or obsolete stock

Inventories are stated at the lower of cost and net realisable value. Allowance is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value. The amount of any write-down of inventories to net realisable value is recognised as an expense in the period the write-down occurs. There is no allowance made for obsolete, slow moving and defective inventories by the company.

Long term investments

1. Long-term equity investment
 - (a) Valuation of long term equity investment

Long term investments are initially recognised at cost. Methods of recognition of initial cost for long term equity investments are as follows:
 - (1) The cost shall be recognised at actual cost after deduction of cash dividend declared but yet received, at the point of purchase of a long-term equity investment;
 - (2) If the long term equity investment obtained through non cash asset offset debt, or receivables, the initial investment cost shall be recognised at book value plus tax payable and related premium;
 - (3) If the long term equity investment through non-monetary transaction, the initial investment cost shall be recognised at exchange value plus tax payable and any premium.
 - (4) When obtaining long-term equity investments by administrative allocation, the Company measured the initial cost of investment based on the book value allocated by the administrative.

APPENDIX E - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

3 Summary of significant accounting policies (Cont'd)

Long term investments (Cont'd)

1. Long-term equity investment (cont'd)

(b) Policy for return on investment

The Company invested in other units, if the voting capital is 20% or above, or investment is less than 20% but have a major impact, the company adopts equity accounting method; For the voting capital is 20% below, or investment is more than 20% but not have significant impact, the company adopts cost accounting method.

(c) Measurement between the cost and par value of the long term equity investment

If initial investment cost is more than owner's equity, the difference is amortised by ten years or certain basis, and recognised into current year profit & loss; the duration of amortisation is based on the period in the contract. If there is no duration stated in the contract, it shall be amortised less than or equal to 10 years. If the initial investment cost is less than owner's equity, the difference recognised in capital reserve.

(d) On disposal of a long term equity investment, the difference between carrying amount and disposal proceeds is recognised in current period as gain or loss on disposal of investment.

2. Long-term debt investments

The long-term debt investments shall initially be recognised as actual cost after deduction of interest to the due date but yet received. The difference between bond value and net amount of initial cost minus related fees and bond interest not yet expired, is treated as bond premium or discount, the bond interest income during bond period is amortised using straight line basis.

When disposing of long-term debt investment, the difference between book value of investment and actual price, is recognised as current period investment gain or loss.

3. Impairment of long-term investments

The company shall examine book value of long-term investment as at year end. If the market price continued to fall, or the recoverable amount is lower than book value of long-term investment due to deterioration of the invested entity operating conditions, the company recognises the difference in current period as gain or loss.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

- (1) Property, plant and equipment includes production commodity, plants and buildings, machinery and equipment, transportation facilities, with the unit cost above Rmb 2,000, providing labour service, rental, business management more than 1 year.
- (2) Depreciation is based on the cost of an asset less its residual value. Depreciation is recognised as an expense in profit or loss and calculated using the straight-line method to allocate their depreciable amount over their estimated useful lives as follows:

Category	Residual value	Useful life	Yearly depreciation (%)
Buildings	5%	25-45 years	3.80-2.11
Plant and equipment	5%	10-15 years	9.50-6.33
Motor vehicles	5%	4-10 years	23.75-9.50
Office equipment and fittings	5%	3-10 years	31.67-9.50
Forest	5%	50 years	1.90

When property, plant and equipment is impaired, depreciation rate and depreciation amount has to be determined based on the book value of property, plant and equipment and remaining useful life; if provision for impairment of property, plant and equipment is recovered, depreciation rate and depreciation amount are determined by restored book value of property, plant and equipment and its remaining life.

For fixed asset depreciation need to be adjusted due to impairment of fixed assets, provision made for impairment of fixed assets before shall not be adjusted.

APPENDIX E - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

(3) Method for provision for impairment of property, plant and equipment

Property, plant and equipment shall be assessed by company as at year end an impairment will be made for the difference between recoverable value and book value if the recoverable value is lower than book value. And the difference is recognised as current period profit and loss.

Construction-in-progress

(1) Construction in progress is measured at actual cost of each project, any cost incurred before expected conditions for use, is recognised as construction cost.

(2) The estimated value shall be transferred to fixed assets in that month once the construction in progress asset is ready for use. Accordingly, depreciation will be made for the fixed asset and the original accounting entry shall be adjusted upon the project completion.

(3) Method for provision for impairment of construction-in-progress

The company shall fully examine construction-in-progress as at year end. The company will make provision for impairment for construction-in-progress in the following circumstances: postponed indefinitely with no prospect of a restarting the construction within next 3 years; the construction-in-progress is behind in performance and technology, and bringing high uncertainty in company's economic interests; these reflect the impairment indicator

Intangible asset

(1) Valuation of intangible assets

The intangible asset is recognised at actual cost when it acquired. The actual cost is determined by following method:

- (1) actual cost is recognised based on purchase price
- (2) actual cost is recognised based on the value agreed by investment parties if the intangible asset invested by investors
- (3) intangible assets acquired by means of repaying debts through non-cash, or creditor's rights receivables, the actual cost is recognised based on book value of creditor's rights receivables plus tax payables and premium.
- (4) intangible assets through non-monetary transaction, the actual cost is recognised based on book value of exchanged intangible asset plus related tax payable and premium.
- (5) for donated intangible asset, recognise actual cost according to following rules:
 - (a) when donors provided relevant supporting documents, the actual cost is recognised based on amount on the supporting documents and plus tax payable.
 - (b) if relevant documents is not available, the actual cost should be recognised in following orders:
 - (i) the actual cost is recognised based on same or similar intangible assets in active market plus relevant tax payable.
 - (ii) If the same or similar intangible assets are not available in active market, the actual cost is recognised based on net present value of future cash flow generated of donated intangible asset.
- (6) The registration fee and lawyer fee arising from self-developed intangible asset according to legal procedures and direct fees arising from development process, all shall be recognised to current period profit and loss.

(2) Amortization of intangible assets

The intangible assets are amortised over the estimated useful life at the time the company acquired. Estimated useful life is determined shorter between beneficial useful life and legal useful life. If there is no beneficial useful life and legal useful life available, the intangible asset is amortised over less than 10 years basis, and also recognised to current period profit and loss.

(3) Method for provision for impairment of intangible asset

The intangible assets shall be examined by the company as at year end, the difference between recoverable value and book value shall be recognised in current year profit and loss if the recoverable value is lower than book value when meeting the circumstance below:

- (1) the intangible assets have been replaced by other technology, which results in significant adverse impact on economic benefits of the company.
- (2) the current market price of intangible assets is fallen heavily, and it shall not be restored in the remaining amortization useful life.

APPENDIX E - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

3 Summary of significant accounting policies (Cont'd)

Intangible asset (Cont'd)

(3) Method for provision for impairment of intangible asset (Cont'd)

- (3) the current intangible assets are beyond legal protection period, but still have some value to use.
- (4) there are indicators showing impairment for intangible assets in substance.

(4) Transfer of intangible assets

The intangible assets shall be transferred when intangible assets could not bring economic benefits. The circumstances which indicates that intangible assets do not bring economic benefits:

- (1) the intangible assets have been replaced by other technology, and could not bring economic benefits.
- (2) the intangible assets have not been protected by law, and could not bring economic benefits.

Long-term amortization expenses

Incorporation expenses are recognised when incurred, it shall be recognised in profit and loss in that month when the company commence its operation.

Long-term amortisation expenses are recognised when incurred, it shall be amortized over beneficial periods of such projects. If it could not be beneficial for future period, the balance will be directly recognised to profit and loss.

Borrowing cost

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

The borrowing cost were incurred after completion of construction of qualifying assets. The borrowing costs were recognised as finance expenses in profit and loss.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(1) Sales of goods:

The revenue is recognised upon the transfer of significant risk and rewards of ownership of goods to customers, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(2) Contract revenue:

As soon as outcome of the foundation engineering contract can be estimated reliably, contract revenue and costs are recognised in profit or loss based on the completion of the physical proportion of the contract work. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work and claims, to the extent that it is probable that they will result in revenue and can be measured reliably.

When the outcome of a foundation engineering contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss. Allowance is made where applicable for any foreseeable losses on uncompleted contracts as soon as the possibility of the loss is ascertained.

APPENDIX E - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

3 Summary of significant accounting policies (Cont'd)

Revenue (Cont'd)

(3) Interest income

Interest income is recognised using the effective interest method.

The recognition of revenue should meet following requirements simultaneously:

- (1) trade related economic interests can flow into our company.
- (2) the amount can be measured reliably.

Income tax accounting method

Company income tax accounting treatment is based on tax law.

Consolidated financial statements

(1) The scope of consolidated of financial statements

Consolidation of financial statements when the company has 50% equity investment (or less than 50%) in control over, or has significant influence over another entity.

(2) Compilation method of consolidated financial statements

The consolidated financial statements is prepared according to the ministry of finance accounting (1995) No 11 《关于印发〈合并会计报表暂行规定〉的通知》，和财会二字（1996: 2号文《关于合并会计报表合并范围请示的复函》，based on parent and subsidiaries' financial statements and joint venture and other relevant information by elimination of inter-company balances and transactions. Consolidate the assets, liabilities, revenue, expenses, profit or loss according to the proportionate of shareholdings.

APPENDIX E - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

3 Summary of significant accounting policies (Cont'd)

Invested entities in consolidated financial statement

(1) Basic information:

Entity name	Relationship	Company type	Nature of business	Legal representative	Registered address	The accounting method
大连中铁隆工程有限公司	Wholly owned subsidiary	Limited liability company	Municipal engineering, Construction engineering, Railway project, Mechanical and electrical equipment installation	Luo Zuo Bing 罗佐彬	大连市中山区港湾街3-1号6层	Cost Method
四川隆建工程顾问有限公司	Subsidiary	Limited liability company	Engineering consultant, Project management, construction cost consultation, project design, supervision, bidding agents	Zhou Yong 周勇	成都市顺城大街206号四川国际大厦19楼B座	Cost Method
四川新隆建设工程有限公司	Subsidiary	Limited liability company	Municipal engineering, highway engineering, railway engineering, building construction engineering, water resources and hydropower engineering, electrical and mechanical equipment installation engineering, rail transportation projects	Wu Zhong Hua 吴中桦	成都市武侯区武青南路33号成都武侯高新技术创业服务中心孵化楼第2层216号	Cost Method
四川金隆劳务有限公司	Subsidiary	Limited liability company	Construction subcontracting: Domestic labour dispatch	Qian Jian Bing 钱建兵	成都市武侯区武青南路33号5层509号	Cost Method
北京国企隆贸易有限责任公司	Subsidiary	Limited liability company	Goods exports and imports, import and export agent, import and export of technology, technology extension service	Liu Si Ming 刘思明	北京市朝阳区北辰东路8号B座1497室	Cost Method
成都云隆科技有限公司	Subsidiary	Limited liability company	Computer software and hardware research and development, technology consultant, technology services and transfer, Intelligent building equipment research and development	Zhang Wei Xuan 张伟瑄	成都市武侯区武侯新城管委会武科西二路189号9楼B区	Cost Method
成都嘉隆物业服务有限公司	Wholly owned subsidiary	Limited liability company	Property management and consultant, lease of house, house agent, hydropower equipment installation, hotel management	Zhang Ying 张英	成都市武侯区武侯新城管委会武科西二路189号中铁隆大厦二层206号	Cost Method
中铁隆沙特公司	Wholly owned subsidiary	Limited liability company				Cost Method
中铁隆印尼公司	Wholly owned subsidiary	Limited liability company				Cost Method

APPENDIX E - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

3 Summary of significant accounting policies (Cont'd)

Invested entities in consolidated financial statement

(2) Movements of registered capital and its change during FY2013:

Entity name	Opening balance	Registered Capital Changes in 2013	Closing balance
大连中铁隆工程有限公司	20,000,000.00	-	20,000,000.00
四川隆建工程顾问有限公司	12,000,000.00	-	12,000,000.00
四川新隆建设工程有限公司	6,000,000.00	7,000,000.00	13,000,000.00
四川金隆劳务有限公司	1,000,000.00	-	1,000,000.00
北京国企隆贸易有限责任公司	10,000,000.00	-	10,000,000.00
成都云隆科技有限公司	5,000,000.00	5,000,000.00	10,000,000.00
成都嘉隆物业服务服务有限公司	1,000,000.00	1,000,000.00	2,000,000.00
中铁隆沙特公司	851,199.72	-	851,199.72
中铁隆印尼公司	-	1,667,871.20	1,667,871.20

(3) Movements of shareholdings and changes during FY2013:

Entity name	At beginning of year		Changes in 2013	At end of year	
	Opening shareholding	Shareholding proportion		Closing Shareholding	Shareholding proportion
大连中铁隆工程有限公司	20,000,000.00	100.00%	-	20,000,000.00	100.00%
四川隆建工程顾问有限公司	7,880,861.29	87.50%	2,619,138.71	10,500,000.00	87.50%
四川新隆建设工程有限公司	6,901,100.00	98.33%	5,998,900.00	12,900,000.00	99.23%
四川金隆劳务有限公司	712,000.00	90.00%	188,000.00	900,000.00	90.00%
北京国企隆贸易有限责任公司	7,325,886.86	80.00%	674,113.14	8,000,000.00	80.00%
成都云隆科技有限公司	4,990,000.00	99.80%	5,000,000.00	9,990,000.00	99.90%
成都嘉隆物业服务服务有限公司	1,000,000.00	100.00%	900,000.00	1,900,000.00	95.00%
中铁隆沙特公司	851,199.72	100.00%		851,199.72	100.00%
中铁隆印尼公司	-	-	1,667,871.20	1,667,871.20	100.00%

Total shareholdings changed during the year is RMB17,048,023.05, Includes: actual investment payment is RMB14,567,871.20; Increment in investments using equity accounting method compared to prior year using cost method is RMB2,873,251.85; The adjustment of the long-term equity investment under the same control investment is RMB393,100.00.

Entities are not included in consolidated financial statements

Entities	Shareholdings as at year end	Shareholding proportion (%)	Registered address	Accounting method
四川隆劲投资有限公司	4,900,000.00	49.00	四川省	Cost method
琼海数码港置业有限公司	3,500,000.00		海南省	Cost method
合计	8,400,000.00			

Changes in accounting policy and estimates, prior year accounting errors correction

(1) Changes in accounting policy

There are no changes in accounting policy in current period.

(2) Changes in accounting estimates

There are no significant accounting estimates in current period.

(3) Prior year accounting errors correction

There is no prior year accounting errors correction.

APPENDIX E - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

3 Summary of significant accounting policies (Cont'd)

Taxation

Tax categories	Tax rate %	Tax basis	Remark
Business tax	3,5	Taxable labour income	
Value added tax	6	Taxable labour income	
City maintenance and construction tax	7	Circulation tax payable	
Education surcharge	3	Circulation tax payable	
Corporate income tax	25	Income tax payable	

4 Intangible assets

	Group 2013 RMB'000	Company 2012 RMB'000	Company 2011 RMB'000
Land use rights	4,755	4,858	4,961
	4,755	4,858	4,961

5 Property, plant and equipment

	Buildings RMB'000	Others RMB'000	Construction- in-progress RMB'000	Total RMB'000
<u>Cost</u>				
At 31 December 2011	32,658	-	40,752	73,410
At 31 December 2012	106,510	-	-	106,510
At 31 December 2013	81,179	37,971	-	119,150
<u>Accumulated depreciation</u>				
At 31 December 2011	14,865	-	-	14,865
At 31 December 2012	20,489	-	-	20,489
At 31 December 2013	7,604	29,016	-	36,620
<u>Net book value</u>				
At 31 December 2011	17,793	-	40,752	58,545
At 31 December 2012	86,021	-	-	86,021
At 31 December 2013	73,575	8,955	-	82,530

APPENDIX E - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

6 Available-for-sale financial assets

	Group	Company	Company
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
琼海数码港置业有限公司	3,500	3,000	3,000
四川隆劲投资有限公司	4,900	-	-
	8,400	3,000	3,000

7 Long term investments

	Group	Company	Company
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
大连中铁隆工程有限公司	-	20,000	20,000
四川隆建工程顾问有限公司	-	7,881	7,881
北京国企隆贸易有限责任公司	-	7,326	7,326
四川新隆建工程有限公司	-	6,901	6,901
成都嘉隆物业服务有限公司	-	1,000	500
四川金隆劳务有限公司	-	712	712
中铁隆沙特分公司	-	852	-
成都云隆科技有限公司	-	4,990	1,990
	-	49,662	45,310

8 Other assets

	Group	Company	Company
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
Temporary equipment	2,745	1,414	1,675
	2,745	1,414	1,675

9 Inventories

	Group	Company	Company
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
Raw Materials	6,272	2,287	877
Finish goods	153	-	-
Others	2	-	-
	6,427	2,287	877

APPENDIX E - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

10 Trade and other receivables

	Group 2013 RMB'000	Company 2012 RMB'000	Company 2011 RMB'000
Trade receivables	297,337	155,656	112,889
Other receivables	179,803	164,202	130,749
Bills receivables	5,520	-	-
Advances to suppliers	39,171	5,313	5,023
Petty cash (备用金)	-	751	3,328
Deferred and prepaid expenses	1,596	4,381	3,453
	523,427	330,303	255,442

The ageing of trade and other receivables at amortised cost at the reporting date is:

	Group 2013 RMB'000	Company 2012 RMB'000	Company 2011 RMB'000
Trade receivables			
- Not more than 1 year	248,483	155,656	112,889
- Within 1 to 2 years	48,854	-	-
	297,337	155,656	112,889
Other receivables			
- Not more than 1 year	134,743	164,202	130,749
- Within 1 to 2 years	45,060	-	-
	179,803	164,202	130,749
Advances to suppliers			
- Not more than 1 year	39,171	5,313	5,023
	516,311	325,171	248,661

10.1 The list of major trade receivables

Group Name	2013 RMB'000	Ageing
北京新奥集团有限公司	76,901	Not more than 1 year
重庆建工集团股份有限公司	39,512	Within 1 to 2 years
成都地铁有限责任公司	21,287	Not more than 1 year
西安城墙景区管理委员会	15,315	Not more than 1 year
Samid 公司	12,887	Not more than 1 year
	165,902	

No main shareholders (5% shares and above) are in the list of trade receivables.

Company Name	2012 RMB'000	Description
成都地铁有限责任公司	46,808	Project settlement
重庆建工集团股份有限公司	24,740	Project settlement
四川星船城水泥有限公司	14,182	Project settlement
	85,730	

APPENDIX E - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

Company	2011	Description
Name	RMB'000	
重庆建工集团股份有限公司	14,811	Project settlement
成都轨道交通有限公司	7,793	Project settlement
中铁二局深圳分公司	5,823	Project settlement
四川星船城水泥有限公司	33,295	Project settlement
	61,722	

10.2 The list of major other receivables

Group	2013	Ageing
Name	RMB'000	
四川隆劲投资有限公司	20,000	Not more than 1 year
乌鲁木齐建设工程招标投标管理办公室	20,000	Not more than 1 year
四川品达投资管理有限公司	14,000	Within 1 to 2 years
重庆建工集团股份有限公司	8,650	Not more than 1 year
	62,650	

No main shareholders (5% shares and above) are in the list of other receivables.

10.3 The list of major advance to suppliers

Group	2013	Ageing
Name	RMB'000	
海瑞克（成都）隧道设备有限公司	9,354	Not more than 1 year
广州海瑞克隧道机械有限公司	9,262	Not more than 1 year
广西卓业投资有限公司	5,978	Not more than 1 year
刘柏阳	2,000	Not more than 1 year
四川省彭山县鸿伟劳务派遣有限公司	1,429	Not more than 1 year
	28,023	

No main shareholders (5% shares and above) are in the list of advance to suppliers.

Company	2012	Description
Name	RMB'000	
刘柏阳施工队	2,000	Labour costs
苗秀青施工队	638	Labour costs
	2,638	

Company	2011	Description
Name	RMB'000	
青岛广纳物资有限公司	629	Purchase materials
广汉金达隧道机械有限公司	366	Purchase materials
	995	

APPENDIX E - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

10.4 The breakdown of Deferred and prepaid expenses

	Group	Company	Company
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
Rental	44	50	34
Financing charges	1,552	2,045	2,275
Consultant service fees	-	2,286	1,144
	1,596	4,381	3,453

11 Cash and bank balances

	Group	Company	Company
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
Cash balances	3,527	3,356	1,778
Bank balances	64,702	32,415	128,381
Other monetary assets	23,532	6,591	1
	91,761	42,362	130,160

12 Share capital

	Group	Company	Company
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
<u>Issued and fully paid, with no par value</u>			
At 1 January	140,000	140,000	100,000
Capital contributions	90,000	-	40,000
At 31 December	230,000	140,000	140,000

13 Reserves

	Group	Company	Company
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
Capital reserve	278	127	127
Retained earnings	17,478	15,684	4,575
	17,756	15,811	4,702

APPENDIX E - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

14 Trade and other payables

	Group	Company	Company
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
Bills payables	51,000	10,000	23,000
Trade payables	181,821	127,477	77,766
Advance received from customers	147,651	15,901	59,589
Salary payables	825	595	472
Other payables	80,854	91,194	83,543
Dividend payables	16,700	-	-
Accrued expenses	57	4,016	-
	478,908	249,183	244,370

	Group	Company	Company
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
Bills payables			
- Not more than 1 year	51,000	10,000	23,000
Trade payables			
- Not more than 1 year	181,821	127,477	77,766
Advance received from customers			
- Not more than 1 year	147,651	15,901	59,589
Other payables			
- Not more than 1 year	80,854	91,194	83,543
	461,326	244,572	243,898

14.1 The list of major trade payables

Group	2013	Description
<u>Name</u>	RMB'000	
广西卓业投资有限公司	10,035	Purchase raw materials
北京华铁正德经贸有限公司	9,805	Purchase raw materials
北京空港通和混凝土有限公司	9,319	Purchase raw materials
威远县广维建材有限公司	4,962	Purchase raw materials
中建商品混凝土成都有限公司	4,362	Purchase raw materials
	38,483	

No main shareholders (5% shares and above) are in the list of trade payables.

APPENDIX E - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

14 Trade and other payables (Cont'd)

14.2 The list of major advances received from customers

Group Name	2013 RMB'000	Description
新奥集团有限公司	23,449	Project payments
南宁轨道交通公司	18,356	Project payments
Samid 公司	8,488	Project payments
四川劲力房地产开发有限公司	55	Project payments
	50,348	

No main shareholders (5% shares and above) are in the list of advances received from customers.

Company Name	2012 RMB'000	Description
中铁二局四公司工程款	5,617	Project payments
成都地铁有限责任公司	4,437	Project payments
中铁二局一公司陕西铜黄高速项目部	2,407	Project payments
二局地铁十号线经理部	2,231	Project payments
	14,692	

Company Name	2011 RMB'000	Description
中铁二局五公司工程款	39,683	Project payments
中铁二局四公司工程款	6,440	Project payments
中铁二局一公司陕西铜黄高速项目部	3,514	Project payments
神东煤炭分公司工程款	704	Project payments
	50,341	

14.3 The list of major other payables

Group Name	2013 RMB'000	Description
四川劲力房地产开发有限公司	20,000	Intercompany balance
金富利公司	8,082	Intercompany balance
四川省宜宾建筑劳务开发有限公司成都分公司	2,729	Security deposits
四川恒瑞建筑劳务有限公司	2,486	Security deposits
Samid公司	2,307	Security deposits
	35,604	

APPENDIX E - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

14 Trade and other payables (Cont'd)

14.3 The list of major other payables (Cont'd)

No main shareholders (5% shares and above) are in the list of other payables.

Company Name	2012 RMB'000	Description
四川隆建工程顾问有限公司	30,120	Intercompany balance
大兴线项目部	5,000	Intercompany balance
北京地铁四号线项目部	2,081	Intercompany balance
京平项目部	1,400	Intercompany balance
中铁二局	4,891	Intercompany balance
大连中铁隆	4,500	Intercompany balance
	47,992	

Company Name	2011 RMB'000	Description
轨道交通大兴线02标	9,500	Intercompany balance
四川京隆机电物资有限公司北京分公司	800	Intercompany balance
代发工资	699	Intercompany balance
成都中铁隆工程有限公司	500	Intercompany balance
四川隆建工程顾问有限公司	17,946	Intercompany balance
京平项目部	1,400	Intercompany balance
大连中铁隆工程有限公司	4,500	Intercompany balance
	35,345	

14.4 The list of major accrued expenses

Group Name	2013 RMB'000
Construction utilities	15
Tax and surcharges	42
	57

15 Bond payables

	Group 2013 RMB'000	Company 2012 RMB'000	Company 2011 RMB'000
Face value	40,000	40,000	40,000
Discount value	-	-	(762)
Interest payables	-	1,921	1,808
	40,000	41,921	41,046

APPENDIX E - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

16 Bank loan

	Group 2013 RMB'000	Company 2012 RMB'000	Company 2011 RMB'000
Finance liability (应付融资租赁款)	24,272	13,546	-
	24,272	13,546	-

17 Bank loan

	Group 2013 RMB'000	Company 2012 RMB'000	Company 2011 RMB'000
成都银行华兴支行	20,000	25,000	30,000
成都银行华兴支行	-	-	14,000
东亚银行成都分行	6,000	5,000	-
建行成都岷江支行	50,000	20,000	-
民生银行成都分行	-	30,000	50,000
民生银行成都分行	-	-	13,530
成都银行金河支河	-	20,000	-
深圳发展银行成都分行	-	-	15,000
	76,000	100,000	122,530

18 Current tax payables

	Group 2013 RMB'000	Company 2012 RMB'000	Company 2011 RMB'000
Business tax and others	-	6,204	6,747
Value Added Tax	(48)	-	-
Business tax	8,029	-	-
Company income tax	6,821	-	-
City maintenance and construction tax	257	-	-
Individual income tax	19	-	-
Stamp duty tax	81	-	-
Local education surcharge	(6)	-	-
Education surcharge	230	-	-
Price regulation fund of non-staple food	5	-	-
Natural resource consumption tax	524	-	-
Water conservancy build fund	2	-	-
	15,914	6,204	6,747

APPENDIX E - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

19 Revenue

	Group	Company	Company
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
Income from main business	557,750	292,230	215,532
	557,750	292,230	215,532

20 Cost of goods sold

	Group	Company	Company
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
Cost of goods sold	427,264	230,322	159,418
Business tax and surcharges	18,911	10,190	7,099
	446,175	240,512	166,517

21 Other income

	Group	Company	Company
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
Subsidies income	3	-	-
Payables written off	267	-	-
Other operating income	-	4,856	10,464
Investment income	-	54	5
Non-business income	-	264	48
Others	22	2	-
	292	5,176	10,517

22 Other expenses

	Group	Company	Company
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
Penalty	1	-	-
Loss on disposal of fixed assets	64	-	-
Provision for bad debt	112	-	-
Impairment loss on doubtful debt	236	-	-
Others	19	1,040	482
	432	1,040	482

APPENDIX E - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

23 Taxation

	Group	Company	Company
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
Income tax	10,241	3,313	2,400
	10,241	3,313	2,400

24 Contingency

Till the date of this audit report, the company has no contingency for disclosure.

25 Subsequent event

The company has repaid all bonds payables on 14 April 2014.

26 Commitment

Till the date of this audit report, the company has no major commitment for disclosure.

27 Others

Till the date of this audit report, there is no false financial information in the company's financial report. The company and management are liable for the facticity and integrity of the annual financial report. No other major commitment for disclosure.

APPENDIX F - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

Contents	Page
Compilation report	F2
Pro forma statements of financial position	F3
Pro forma statements of profit or loss and other comprehensive income	F4
Pro forma statements of changes in equity	F5
Pro forma statements of cash flows	F6
Appendix A – Basis of Preparation	F7

APPENDIX F - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

Compilation Report

Date: 3 March 2015

The Management
Sapphire Corporation Limited
3 Shenton Way #25-01
Shenton House
Singapore 068805

Introduction

We have compiled the accompanying pro forma combined financial statements of Ranken Railway Construction Group Co., Ltd (the "Company") and its subsidiaries (the "Group") based on information you have provided. These pro forma combined financial statements comprise the statement of financial position of the Group as at 30 June 2014, the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the reporting period ended 30 June 2014. The financial statements are prepared in accordance with the basis of accounting as set out in Appendix A.

Scope of work

We performed this compilation engagement in accordance with Singapore Standard on Related Services 4410 (Revised), Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist management in the preparation and presentation of these pro forma combined financial statements on the basis of accounting described in Appendix A. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These pro forma combined financial statements and the accuracy and completeness of the information used to compile them are management's responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information to compile these pro forma combined financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether these pro forma combined financial statements are prepared in accordance with the basis of accounting described in Appendix A.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Appendix A, which describes the basis of accounting. This report has been prepared solely for your response to the Singapore Exchange Limited in connection with the proposed acquisition of the Group by Sapphire Corporation Limited. This report is made solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore

APPENDIX F - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

Pro forma combined statements of financial position
as at 30 June 2014

	The Group 30 June 2014 RMB'000	The Group 31 December 2013 RMB'000
ASSETS		
Non-Current Assets		
Intangible asset	4,704	4,755
Property, plant and equipment	124,990	82,530
Available-for-sale financial assets	8,400	8,400
Construction work in progress	1,117	-
Long term investments	1,560	2,745
Other assets	1,286	-
	142,057	98,430
Current Assets		
Inventories	7,797	6,427
Work-in-progress	327,914	164,001
Trade and other receivables	460,177	523,427
Cash and bank balances	67,279	91,761
	863,167	785,616
Total assets	1,005,224	884,046
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	230,000	230,000
Reserves	37,197	17,756
Equity attributable to owners of the Company	267,197	247,756
Non-controlling interests	841	1,196
Total equity	268,038	248,952
Non-Current Liabilities		
Bonds payables	-	40,000
Bank loans	52,324	24,272
	52,324	64,272
Current Liabilities		
Bank loans	137,000	76,000
Trade and other payables	531,434	478,908
Current tax payable	16,428	15,914
	684,862	570,822
Total liabilities	737,186	635,094
Total equity and liabilities	1,005,224	884,046

APPENDIX F - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

**Pro forma combined statements of profit or loss and
other comprehensive income
for the financial period ended 30 June 2014**

	The Group 6 months ended 30 June 2014 RMB'000	The Group 12 months ended 31 December 2013 RMB'000
Revenue	346,579	557,750
Cost of sales	(289,711)	(446,175)
Gross profit	56,868	111,575
Other income	130	292
Selling and distribution expenses	(1,342)	(2,266)
Administrative expenses	(23,412)	(57,465)
Other expenses	(160)	(432)
Finance costs	(11,240)	(15,638)
Profit before taxation	20,844	36,066
Taxation	(1,758)	(10,241)
Profit for the year, representing total comprehensive income for the year	19,086	25,825
Profit attributable to:-		
Net profit attributable to shareholders of		
Company	19,441	26,165
Non-controlling interests	(355)	(340)
	19,086	25,825

APPENDIX F - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

Pro forma combined statements of changes in equity for the financial period ended 30 June 2014

The Group	Share <u>capital</u> RMB'000	Capital <u>reserve</u> RMB'000	Retained <u>earnings</u> RMB'000	Total attributable to equity holders of the <u>Company</u> RMB'000	Non- controlling <u>interests</u> RMB'000	Total <u>equity</u> RMB'000
Balance at 1 January 2013, as previously stated	140,000	402	18,147	158,549	1,881	160,430
Prior years' adjustments	-	-	(17,634)	(17,634)	(345)	(17,979)
As restated	140,000	402	513	140,915	1,536	142,451
Profit for the year, representing total comprehensive income for the year, as previously stated	-	-	26,165	26,165	(340)	25,825
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Dividends declared	-	-	(9,200)	(9,200)	-	(9,200)
Issuance of shares	90,000	(124)	-	89,876	-	89,876
Balance at 31 December 2013	230,000	278	17,478	247,756	1,196	248,952
Profit for the period, representing total comprehensive income for the period	-	-	19,441	19,441	(355)	19,086
Balance at 30 June 2014	230,000	278	36,919	267,197	841	268,038

APPENDIX F - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

Pro forma combined statements of cash flows for the financial period ended 30 June 2014

	The Group Six months ended 30 June 2014 RMB'000	The Group Twelve months ended 31 December 2013 RMB'000
1. Cash Flow from Operating Activities		
Cash from selling commodities or offering labor	183,123	431,819
Refund of tax and fee received	-	-
Other cash received related to operating activities	106,378	525,521
Cash Inflow Subtotal	289,501	957,340
Cash paid for commodities or labor	229,832	412,071
Cash paid to and for employees	22,288	40,674
Taxes and fees paid	10,609	17,528
Other cash paid related to operating activities	46,466	508,259
Cash Outflow Subtotal	309,195	978,532
Cash flow used in operating activities	(19,694)	(21,192)
2. Cash Flow from Investing Activities		
Cash from investment withdrawal	-	-
Cash from investment income	-	-
Net cash from disposing fixed assets, intangible assets and other long-term assets	10	20
Other cash received related to investing activities	-	-
Cash Inflow Subtotal	10	20
Cash paid for buying fixed assets, intangible assets and other long-term investment	6,401	12,730
Cash paid for investment	-	2,380
Other cash paid related to investing activities	-	-
Cash Outflow Subtotal	6,401	15,110
Cash flow used in investing activities	(6,391)	(15,090)
3. Cash Flow from Financing Activities		
Cash received from accepting investment	71,000	90,000
Borrowings	-	-
Other cash received related to financing activities	-	126,000
Cash Inflow Subtotal	71,000	216,000
Cash paid for debt	59,679	118,512
Cash paid for dividend, profit or interest	9,718	11,332
Other cash paid related to financing activities	-	3,963
Cash Outflow Subtotal	69,397	133,807
Cash flow generated from financing activities	1,603	82,193
4. Foreign Currency Translation Gain(Losses)	-	-
5. Net (Decrease)/ Increase in Cash and Cash Equivalents	(24,482)	45,911

Supplementary Note:

1. Net increase of cash and cash equivalents		
Cash ending balance	67,279	91,761
Less: cash beginning balance	(91,761)	45,850
Net (decrease)/increase in cash and cash equivalents	(24,482)	45,911

APPENDIX F - PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

Appendix A - Basis of Preparation

The financial statements are prepared in accordance with China Accounting Standard for Business Enterprises (“CAS”) 中国企业会计准则 and the Accounting System for Business Enterprise (“ASBE”) 企业会计制度 issued by Ministry of Finance of the People’s Republic of China.

The consolidated financial statements for financial year ended 31 December 2013 was audited by 重庆万隆方正会计师事务所有限公司 and issued on 22 May 2014. The financial statements for each of the reporting year / period ended 31 December 2013 and 30 June 2014 have been adjusted for on a pro-forma basis to take into effect the financial impact arising from capitalisation of the 中铁隆大厦, located at No. 189武侯區武科西二路 (the “Transaction”). Management had previously capitalised the cost of a commercial building in the Company’s accounting books and records even though a Trust Agreement had been put in place between the founding members of the Company and the Company itself, confirming that the ownership of the commercial building rests with the founding members and not the Company. The legal title of the commercial building has been subsequently registered in the name of the Company on 10 June 2014.

In addition, the consolidated financial statements of the Group for the financial year/period ended 31 December 2013 and 30 June 2014 have also taken into account certain audit adjustments identified by Foo Kon Tan LLP during the course of their financial due diligence exercise conducted on the Group to align to International Financial Reporting Standards (“IFRS”) for purpose of the acquisition exercise of the Company by Sapphire Corporation Limited.

Accordingly, the statements of financial position of the Group for the financial year/period ended 31 December 2013 and 30 June 2014 respectively have been prepared as if the abovementioned transaction had been in existence throughout the relevant periods.

The financial statements are presented in Renminbi (“RMB”) as the Group’s principal operations are conducted in the People’s Republic of China. All financial information is presented in RMB and rounded to the nearest thousand.

NOTICE OF EXTRAORDINARY GENERAL MEETING

SAPPHIRE CORPORATION LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 198502465W)

Unless otherwise defined or the context otherwise requires, all capitalised terms herein shall bear the same meanings as used in the circular dated 18 August 2015 issued by the Company (the “Circular”).

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Sapphire Corporation Limited (the “**Company**”) will be held on 2 September 2015 at 11 a.m. at 55 Market Street, #03-01, Singapore 048941 for the purpose of considering and, if thought fit, passing with or without any modifications the following Ordinary Resolutions:

SHAREHOLDERS SHOULD NOTE THAT THE ORDINARY RESOLUTIONS 1 AND 2 ARE INTER-CONDITIONAL. IN THE EVENT THAT EITHER OF THE ORDINARY RESOLUTIONS 1 OR 2 IS NOT PASSED, THE OTHER ORDINARY RESOLUTION 1 OR 2 (AS THE CASE MAY BE) WILL ALSO NOT BE PASSED.

ORDINARY RESOLUTION 1: THE PROPOSED ACQUISITION, THE TRANSFER OF A CONTROLLING INTEREST TO THE VENDOR AND THE PROPOSED SUBSCRIPTION

That:

- (a) approval be and is hereby given for the proposed acquisition of one (1) share in the capital of Ranken Infrastructure Limited (中铁隆建设有限公司) (the “**Target**”) from Best Feast Limited (the “**Vendor**”) for the consideration of RMB 78.375 million (approximately S\$16.5 million) as a major transaction (the “**Proposed Acquisition**”), subject to the terms and conditions of the subscription and sale and purchase agreement entered into between the Company, the Target and the Vendor dated 22 November 2014 (the “**Agreement**”);
- (b) approval be and is hereby given for the proposed issue and allotment of 165,000,000 new ordinary shares in the capital of the Company (“**Shares**”) at the issue price of S\$0.10, subject to the terms and conditions of the Agreement (the “**Consideration Shares**”);
- (c) approval be and is hereby given for the transfer of a controlling interest in the Company to the Vendor arising from the allotment and issuance of the Consideration Shares pursuant to Rule 803 of the Listing Manual;
- (d) approval be and is hereby given for the proposed subscription of 6,000 shares in the capital of the Target for the consideration of RMB 282.0 million (approximately S\$59.4 million) (excluding interest on the bonds), representing the issue price of RMB 47,000 (approximately S\$9,895) (the “**Proposed Subscription**”), subject to the terms and conditions of the Agreement;
- (e) approval be and is hereby given for the proposed issue by the Company of:
 - (i) a RMB 82.0 million (approximately S\$17.3 million) interest free loan to the Target; and
 - (ii) a 4.5% redeemable non-convertible corporate bond amounting to a principal amount of RMB 120.0 million (approximately S\$25.3 million) to the Target; and
 - (iii) a 4.5% redeemable non-convertible corporate bond amounting to a principal amount of RMB 80.0 million (approximately S\$16.8 million) to the Target,
 subject to the terms and conditions of the Agreement; and
- (f) any of the directors of the Company (“**Directors**”) be and is hereby authorised to complete and to do all acts and things as he may consider necessary or expedient for the purposes of or in connection with the Proposed Acquisition and Proposed Subscription and to give effect to this Ordinary Resolution 1 (including any amendment to the Agreement, execution of any other agreements or documents and procurement of third party consents) as he shall think fit and in the interests of the Company.

ORDINARY RESOLUTION 2: THE PROPOSED USE OF PROCEEDS

That:

- (a) approval be and is hereby given for the Target to repay RMB 190.0 million (approximately S\$40.0 million) to the Vendor, representing the amount owed from the acquisition of Chengdu Kai Qi Rui Business Management Co., Ltd (成都凯琪瑞企业管理有限公司), Ranken Railway Construction Group Co., Ltd (中铁隆工程集团有限公司) (“**Ranken**”) and its subsidiaries, provided that Ms Wang Heng and/or Mr Wang Jilu shall grant a personal guarantee or procure such guarantee to be granted for the purpose of securing total banking facilities of not less than RMB 237.5 million (approximately S\$50.0 million) for the Target Group’s working capital;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) approval be and is hereby given for Ranken to acquire the land and building (Zhong Tie Long Building, 中铁隆大厦) located at No. 189 Wu Ke Xi Second Road, Wu Hou Area, Chengdu City, Sichuan Province, People's Republic of China (中国, 四川省, 成都市, 武侯区, 189 武科西二路) (the "**Commercial Building**") from Ms Wang Heng and Mr Wang Jilu, the founding members (the "**Founding Members**") of Ranken for a purchase consideration of RMB 92.0 million (approximately S\$19.4 million) or 90.0% of the Commercial Building's valuation of RMB 102.0 million (approximately S\$21.5 million) in accordance with the valuation report of the Commercial Building set out in Appendix D of the Circular;
- (c) any of the Directors be and is hereby authorised to complete and to do all acts and things as he may consider necessary or expedient for the purposes of or in connection with the Proposed Use of Proceeds and to give effect to this Ordinary Resolution 2 (including any execution of any agreements or documents and procurement of third party consents) as he shall think fit and in the interests of the Company.

By Order of the Board
Sapphire Corporation Limited

Teh Wing Kwan
Managing Director and Group Chief Executive Officer

18 August 2015

Notes:

1. *A member entitled to attend and vote at the EGM is entitled to appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a member of the Company.*
2. *The form of proxy in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.*
3. *If the form of proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.*
4. *If no name is inserted in the space for the name of your proxy on the form of proxy, the Chairman of the EGM will act as your proxy.*
5. *The form of proxy or other instruments of appointment shall not be treated as valid unless deposited at the Company's registered office at 1 Robinson Road, #17-00 AIA Tower, Singapore 048542 not less than 48 hours before the time appointed for holding the EGM and at any adjournment thereof.*

Personal data privacy:

*By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM 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 EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (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.*

PROXY FORM

SAPPHIRE CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 198502465W)

IMPORTANT:

1. For investors who have used their CPF money to buy Shares in Sapphire Corporation Limited, this Circular is forwarded to them at the request of their CPF Agent Banks 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 EGM as OBSERVERS must submit their requests through their respective CPF Agent Banks so that their Agent Banks may register, in the required format with the Company Secretary, by the time frame specified. (Agent Banks: Please see Note 10 on required format.) Any voting instructions must also be submitted to their Agent Banks within the time frame specified to enable them to vote on the CPF investor's behalf.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 18 August 2015.

*I/We (Name)

of (Address)

being *a member/members of **SAPPHIRE CORPORATION LIMITED** (the “Company”), hereby appoint:

Name	Address	*NRIC / Passport Number	Proportion of shareholdings to be represented by proxy	
			Number of Shares	%
*and/or				

or failing *him/them the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf and to demand a poll, at the Extraordinary General Meeting of the Company (“**EGM**”) to be held on 2 September 2015 at 11 a.m. at 55 Market Street, #03-01, Singapore 048941 and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the EGM as indicated in the spaces provided hereunder. If no specified directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

No.	Ordinary Resolution	Number of votes for ⁽¹⁾	Number of votes against ⁽¹⁾
1.	To approve the Proposed Acquisition, the transfer of a Controlling Interest to the Vendor and the Proposed Subscription		
2.	To approve the Proposed Use of Proceeds		

(1) If you wish to use all your votes “For” or “Against”, please indicate with an “X” within the box provided. Otherwise, please indicate the number of votes as appropriate.

Dated this day of 2015

Signature(s) of Member(s) or Common Seal of Corporate Shareholder

*Please delete accordingly

Important: Please read notes overleaf.

Total Number of Shares in:	
(a) CDP Register	
(b) Register of Members	

Notes:

1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint one (1) or two (2) proxies to attend and vote in his stead.
2. Where a member appoints more than one (1) proxy, he/she should specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy and if no percentage is specified, the first named proxy shall be treated as representing 100% of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
3. A proxy need not be a member of the Company.
4. 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 Companies Act, (Cap. 50) of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of Shares. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by you.
5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 1 Robinson Road #17-00, AIA Tower, Singapore 048542 not less than 48 hours before the time set for the EGM.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or by his/her 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 common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation which is a shareholder of the Company may, in accordance with Section 179 of the Companies Act, (Cap. 50) of Singapore, authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM.
9. The Company shall be entitled to reject the instrument appointing a proxy or proxies, if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on 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 if a shareholder of the Company, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at 48 hours (being two (2) Business Days) before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.
10. Agent Banks acting on the request of CPF Investors who wish to attend the EGM as observers are requested to submit in writing, a list of details of the members' names, NRIC/Passport numbers, addresses and numbers of Shares held. The list, signed by an authorised signatory of the Agent Bank, should reach the Company Secretary, at the registered office of the Company not later than 48 hours before the time appointed for holding the EGM.

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