SAPPHIRE CORPORATION LIMITED

REGISTRATION NUMBER: 198502465W

FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

PART 1

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

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

	Group		
	2015	**2014**	**Change**
	$'000	**$'000**	**%**
Revenue	116,351	58,487	98.9
Cost of sales	(97,154)	(43,746)	122.1
Gross profit	**19,197**	**14,741**	**30.2**
Other income			
- Project related	287	–	NM
- Other operating income	8,366	547	NM
Distribution costs	(376)	–	NM
Administrative expenses	(15,130)	(13,528)	11.8
Other expenses	(1,959)	(3,883)	(49.5)
Profit/(loss) from operations	**10,385**	**(2,123)**	**NM**
Finance costs	(1,914)	(1,593)	20.2
Share of results of associates	–	(14)	NM
Profit/(loss) before income tax	**8,471**	**(3,730)**	**NM**
Income tax expense	(1,975)	(1,438)	37.3
Profit/(loss) from Continuing Operations	**6,496**	**(5,168)**	**NM**
Results of Discontinued Operations			
Discontinued Operations *			
Profit from Discontinued Operations (net of tax)	–	5,306	NM
Profit for the year	**6,496**	**138**	**NM**
Profit attributable to:			
Owners of the Company #	6,469	138	NM
Non-controlling interest	27	–	NM
Profit for the year	**6,496**	**138**	**NM**

Profit attributable to Owners of the Company includes net profits from the following business segments:

- Infrastructure (3 months ended 31 December 2015)	*2,534*		
- Mancala Australia (full-year)	*2,520*		

* The sale of Steel Business (Discontinued Operations) was completed on 29 December 2014.

Note:

NM – Not Meaningful.

Consolidated Statement of Comprehensive Income

	Group		
	2015 **$'000**	**2014** **$'000**	**Change** **%**
Profit for the year	6,496	138	NM
Other comprehensive income			
Translation differences relating to financial statements of foreign subsidiaries [1]	(2,162)	(1,023)	111.3
Other comprehensive income for the year, net of tax	(2,162)	(1,023)	111.3
Total comprehensive income for the year	4,334	(885)	NM
Total comprehensive income attributable to:			
Owners of the Company	4,354	(885)	NM
Non-controlling interest	(20)	–	NM
Total comprehensive income for the year	4,334	(885)	NM

Note:

NM – Not Meaningful.

1. Translation differences relating to accounting translation of financial statements of our foreign subsidiaries to S$ term. Translation loss in 2015 arose mainly from a weakening RMB against the SGD.

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

Notes to Income Statement

	Group Discontinued operations			Group Continuing operations		
	2015 $'000	2014 $'000	Change %	2015 $'000	2014 $'000	Change %
Revenue includes the following:						
Mining services	–	–	–	54,572	58,487	(6.7)
Infrastructure (3 months)	–	–	–	61,779	–	NM
Sale of manufactured vanadium, and steel products, commission from trading of steel projects and others products	–	94,291	NM	–	–	–
Other income includes the following:						
Project related:						
Consultancy fees	–	–	–	127	–	NM
Unwinding of discount on retention monies	–	–	–	160	–	NM
Other operating income:						
Exchange gain, net	–	–	–	3,431	67	NM
Gain on disposal of property, plant and equipment	–	–	–	75	150	(50.0)
Gain on changes in fair value of contingent consideration	–	–	–	2,099	–	NM
Interest income – banks	–	532	NM	954	17	NM
Interest income – bond	–	–	–	1,238	–	NM
Interest income – others	–	–	–	272	–	NM
Rental income	–	2,726	NM	231	63	266.7
Other expenses include the following:						
Amortisation of intangible assets	–	–	–	(637)	(175)	264.0
Exchange loss, net	–	(1,454)	NM	–	(2,400)	NM
Loss on disposal of associates	–	–	–	–	(754)	NM
Impairment loss on available-for-sale financial assets	–	(9,600)	NM	–	–	–
Impairment loss on goodwill	–	–	–	(1,215)	–	NM
Impairment loss on receivables	–	–	–	(108)	–	NM
Finance costs include the following:						
Interest expense – corporate bonds	–	–	–	(216)	–	NM
Interest expense – bank loans	–	(305)	NM	(933)	(573)	62.8
Interest expense – long term payable to affiliated party	–	(3,807)	NM	–	–	–
Interest expense – finance lease	–	–	–	(765)	(1,020)	(25.0)
Profit before income tax is arrived after deducting:						
Depreciation of property, plant and equipment	–	–	NM	(6,037)	(3,791)	59.2
Depreciation of investment property	–	–	–	(208)	–	NM
Reversal of impairment losses on doubtful receivables	–	–	–	–	11	NM
Income tax expense is arrived after:						
Over-provision of tax for prior year	–	–	–	309	–	NM

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

	Group		Company	
	31.12.2015 $'000	31.12.2014 $'000	31.12.2015 $'000	31.12.2014 $'000
Assets				
Property, plant and equipment	46,275	35,571	111	110
Investment properties	13,457	–	–	–
Intangible assets	16,494	1,768	–	–
Interests in subsidiaries	–	–	89,847	13,036
Other investments	86	90	1	1
Other receivables	–	–	5,164	5,414
Deferred tax assets	2,226	–	–	–
Total non-current assets	78,538	37,429	95,123	18,561
Inventories	3,442	1,923	–	–
Contracts work in progress	54,858	–	–	–
Trade receivables (Note 1)	126,646	7,199	–	–
Other receivables, deposits and prepayments	27,927	61,816	1,105	56,579
Non-current assets held for sale	8,148	1,781	–	–
Cash at bank and in hand	35,079	12,247	5,791	10,509
Total current assets	256,100	84,966	6,896	67,088
Total assets	334,638	122,395	102,019	85,649
Equity				
Share capital	277,067	260,489	277,067	260,489
Reserves	(186,505)	(187,889)	(189,759)	(189,452)
Equity attributable to owners of the Company	90,562	72,600	87,308	71,037
Non-controlling interest	1,544	–	–	–
Total equity	92,106	72,600	87,308	71,037
Liabilities				
Other payables	1,495	7,780	–	7,000
Financial liabilities	13,372	5,649	11	–
Deferred tax liabilities	1,816	463	–	–
Total non-current liabilities	16,683	13,892	11	7,000
Trade payables	74,379	11,124	419	528
Other payables and accruals	78,757	16,444	14,271	7,084
Progress billings in excess of contracts work in progress	8,416	–	–	–
Financial liabilities	59,408	7,170	10	–
Current tax liabilities	4,889	1,165	–	–
Total current liabilities	225,849	35,903	14,700	7,612
Total liabilities	242,532	49,795	14,711	14,612
Total equity and liabilities	334,638	122,395	102,019	85,649

Note 1: Details of trade Receivables as at 31 December 2015 were as follows:

	Trade receivables	Revenue	Turnover (days)
Infrastructure Business	117,639	61,779 (3 months)	174
Mining Services Business	9,007	54,572	60

Not past due	95%
Due less than 1 year	3%
Due more than 1 year	2%
	100%

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

	31.12.2015		31.12.2014	
	Secured $'000	Unsecured $'000	Secured $'000	Unsecured $'000
Amount repayable in one year or less, or on demand	37,638	21,770	7,170	–
Amount repayable after one year	13,372	–	5,649	–
Mancala Australia				
- Bank overdraft	911	–	1,736	–
- Short-term bank borrowings	1,047	–	2,416	–
- Current portion of finance lease	2,577	–	3,018	–
- Non-current portion of finance lease	2,963	–	5,649	–
Ranken				
- Short-term bank borrowings	27,430	21,770	–	–
- Current portion of finance lease	5,663	–	–	–
- Long term bond	7,444	–	–	
- Non-current portion of finance lease	2,954	–	–	–
Corporate function				
- Current portion of finance lease	10	–	–	–
- Non-current portion of finance lease	11	–	–	–
Total	**51,010**	**21,770**	**12,819**	**–**

Details of any collateral as at 31 December 2015

Mancala Australia

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

(ii) The carrying value of fixed assets under finance lease as at 31 December 2015 approximates $12.2 million.

Ranken

(i) The short-term and long-term bank loans for Ranken are secured by personal guarantees by the vendors of Ranken and land and building with total carrying amounts of $21.8 million and deposits pledged of $3.8 million.

(ii) The carrying value of fixed assets under finance lease as at 31 December 2015 approximates $13.1 million.

(iii) As at 31 December 2015, the vendors have granted personal guarantees for the purpose of securing total banking facilities of $80.1 million (RMB 368.0 million) for Ranken's working capital.

Corporate function

(i) The carrying value of fixed assets under finance lease as at 31 December 2015 approximates $0.03 million.

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

	Group	
	2015	**2014**
	$'000	**$'000**
Operating activities		
Profit/(loss) before income tax	8,471	(3,730)
Adjustments for:		
Amortisation of intangible assets	637	175
Depreciation of property, plant and equipment	6,037	3,791
Depreciation of investment property	208	–
Interest expense	1,914	1,593
Interest income	(2,464)	(17)
Unwinding of discount on retention monies	(160)	–
Impairment on receivables	108	–
Impairment loss on goodwill	1,215	–
Gain on disposal of property, plant and equipment	(75)	(150)
Loss on disposal of associates	–	754
Share of results of associates	–	14
Operating profit before working capital changes	15,891	2,430
Changes in working capital:		
Inventories	650	238
Contracts work-in-progress, net	1,199	–
Trade and other payables	(95,239)	342
Trade and other receivables	36,236	975
Released of fixed deposit pledged	55,760	–
Cash flows from operations	14,497	3,985
Payment of rectification costs	–	(74)
Income tax paid	(1,607)	–
Cash flows from operating activities	12,890	3,911
Net cash from operating activities for discontinued operations	–	3,860
	12,890	7,771
Investing activities		
Acquisition of subsidiary, net of cash acquired (Note A)	(40,210)	384
Interest received	1,226	17
Payment for purchase of property, plant and equipment	(2,708)	(346)
Proceeds from disposal of property, plant and equipment	232	1,306
Proceeds from disposal of Steel Business	57,399	–
Cash flows from investing activities	15,939	1,361
Cash flows from investing activities for discontinued operations	–	9,296
	15,939	10,657
Financing activities		
Interest paid	(1,914)	(1,593)
Payment of finance lease liabilities	(4,092)	(11,188)
Proceeds from bank loan	26,292	1,736
Payment of bank loan	(29,522)	(3,203)
Cash flows used in financing activities	(9,236)	(14,248)
Cash flows used in financing activities for discontinued operations	–	(305)
	(9,236)	(14,553)

	Group 2015 $'000	Group 2014 $'000
Net increase in cash and cash equivalents	19,593	3,875
Cash and cash equivalents at beginning of the year	10,511	6,719
Effect of exchange rate changes on the balances held in foreign currencies	233	(83)
Cash and cash equivalents at end of the year	30,337	10,511
Cash and cash equivalents consist of the following:		
Fixed deposits	5,790	469
Cash and bank balances	29,289	11,778
Cash and cash equivalents	35,079	12,247
Bank overdraft	(911)	(1,736)
Fixed deposit pledged	(3,831)	–
	30,337	10,511

Note A

On 1 October 2015, the Group acquired 100% of the equity interest in Ranken Infrastructure Limited ("Ranken"), an Engineering, Procurement and Construction ("EPC") business specialising in design, construction and project consultation in China's rail transit sector. The effect of cash flow arising from the acquisition of 100% equity interests in Ranken, is set out below:

	Group 2015 $'000
Property, plant and equipment	22,518
Intangibles	7,240
Investment properties	14,084
Deferred tax assets	1,773
Inventories	2,169
Trade and other receivables	237,253
Fixed deposit pledged	59,591
Cash and cash equivalent	23,071
Trade and other payables	(227,349)
Financial liabilities	(69,754)
Deferred tax liabilities	(1,739)
Total identifiable net assets	68,857
Non-controlling interest	(1,564)
Goodwill	9,518
Total consideration	76,811
Fair value of equity instruments issued (165,000,000 ordinary shares)	13,530
Consideration payable in cash	63,281
	76,811
Cash consideration paid	(63,281)
Cash and cash equivalent of the subsidiary acquired	23,071
Net cash outflow on acquisition of subsidiary, net of cash acquired	(40,210)

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

(Bi) Consolidated Statement of Changes in Equity

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

(Bi) Consolidated Statement of Changes in Equity

	Share capital $'000	Capital reserve $'000	Merger reserve $'000	Other reserves $'000	Currency translation reserve $'000	Accumulated profit /(losses) $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Group									
At 1 January 2015	260,489	1,235	418	(1,353)	(690)	(187,499)	72,600	–	72,600
Profit for the year	–	–	–	–	–	6,469	6,469	27	6,496
Other comprehensive income									
Translation differences relating to financial statements of foreign subsidiaries	–	–	–	–	(2,115)	–	(2,115)	(47)	(2,162)
Total other comprehensive income	–	–	–	–	(2,115)	–	(2,115)	(47)	(2,162)
Total comprehensive income	–	–	–	–	(2,115)	6,469	4,354	(20)	4,334
Transactions with owners, recognised directly in equity									
Issue of shares*	16,578	(2,970)	–	–	–	–	13,608	–	13,608
Total contributions by and distributions to owners	16,578	(2,970)	–	–	–	–	13,608	–	13,608
Changes in ownership of subsidiaries									
Acquisition of subsidiary with non-controlling interests	–	–	–	–	–	–	–	1,564	1,564
Total changes in ownership of subsidiaries	–	–	–	–	–	–	–	1,564	1,564
At 31 December 2015	277,067	(1,735)	418	(1,353)	(2,805)	(181,030)	90,562	1,544	92,106

(Bii) Statement of Changes in Equity

	Share capital $'000	Capital reserve $'000	Other reserves $'000	Fair value reserve $'000	Accumulated losses $'000	Total equity $'000
2014						
Company						
At 1 January 2014	260,489	1,084	(1,353)	1,497	(188,517)	73,200
Loss for the year	–	–	–	–	(666)	(666)
Other comprehensive income						
Reclassification to profit or loss from equity on disposal of available-for-sale financial asset	–	–	–	(1,497)	–	(1,497)
Total other comprehensive income	–	–	–	(1,497)	–	(1,497)
Total comprehensive income	–	–	–	(1,497)	(666)	(2,163)
At 31 December 2014	260,489	1,084	(1,353)	–	(189,183)	71,037

FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

(Bii) Statement of Changes in Equity

	Share capital $'000	Capital reserve $'000	Other reserves $'000	Accumulated losses $'000	Total equity $'000
2015					
Company					
At 1 January 2015	260,489	1,084	(1,353)	(189,183)	71,037
Profit for the year	–	–	–	2,663	2,663
Total comprehensive income	–	–	–	2,663	2,663
Transactions with owners, recognised directly in equity					
Issue of shares *	16,578	(2,970)	–	–	13,608
Total contributions by and Distributions to owners	16,578	(2,970)	–	–	13,608
At 31 December 2015	277,067	(1,886)	(1,353)	(186,520)	87,308

Note *:
1. On 18 May 2015, the Company issued 895,919 ordinary shares to Directors under the Sapphire Shares Award Scheme with fair value of $78,000; and

2. On 1 October 2015, the Company issued 165,000,000 ordinary shares pursuant to the acquisition of Ranken for $0.10 each. The fair value of the shares issued was $13,530,000 and the difference of $2,970,000 was recorded in capital reserve.

FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

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

Share Capital

	No. of shares	**Share capital $'000**
As at 1 January 2015	810,949,328	260,489
18 May 2015: Issue of shares to Directors under the Sapphire Shares Award Scheme	895,919	78
1 October 2015: Issue of shares pursuant to the acquisition of Ranken	165,000,000	16,500
Total number of issued shares excluding treasury shares	976,845,247 #	277,067

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

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

	31.12.2015	**31.12.2014**
Total number of issued shares excluding treasury shares	976,845,247 #	810,949,328

Pursuant the announcement made by the Company on 8 January 2016, 27 January 2016 and 2 February 2016 in relation to the Company's proposed share consolidation exercise, the Company convened an Extraordinary General Meeting held on 18 February 2016, for which the quotation of 325,615,082 Consolidated Shares arising from the Proposed Share Consolidation of every three (3) existing ordinary shares in the capital of the Company into one (1) consolidated share of the Company was approved by the shareholders of the Company. The Company will make further announcement on the listing and quotation of the Consolidated Shares in due course.

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

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

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

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

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

Not applicable.

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

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for current reporting year compared with the audited financial statements for the year ended 31 December 2014.

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

The Group adopted the new/revised FRS and INT FRS applicable for the financial period beginning 1 January 2015. The adoption of the new/revised FRSs did not result in any substantial change to the Group accounting policies or has any significant impact on the full year financial statements for FY2015.

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

	For the 12 months ended	
	2015	**2014**
Basic earnings per share (cents)	0.76	0.01
Diluted earnings per share (cents)	0.76	0.01

The calculation of the above basic earnings per share and diluted earnings per share was computed based on (i) profit attributable to owners of the Company divided by the weighted average number of shares of 853,093,103 (2014: 810,949,328); and (ii) profit attributable to owners of the Company included a 3-month earnings for Infrastructure Business.

The weighted average number of shares during the year is the number of shares outstanding at the beginning of the period, adjusted by the number of shares issued during the year multiplied by a time-weighting factor.

In 2014 and 2015, the diluted earnings per share are the same as basic earnings per share as the Group does not have any dilutive capital instruments.

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

	Group		Company	
	31.12.2015	**31.12.2014**	**31.12.2015**	**31.12.2014**
Net asset value per ordinary share (cents)	9.27	8.95	8.94	8.76
Number of shares in issue	976,845,247	810,949,328	976,845,247	810,949,328

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

Review of Group Performance

Overview for FY2015

On 1 October 2015, the Group completed the acquisition of the entire equity stake of Ranken Infrastructure Limited ("Ranken"), an Engineering, Procurement and Construction ("EPC") business specialising in design, construction and project consultation in China's rail transit sector ("Infrastructure Business"). As such, the Group's financial performance for FY2015 comprised:

- three-month financial performance of the Infrastructure Business (4Q15);
- full-year financial performance of the Mining Services Business;
- full-year financial performance of Corporate Function.

Review of Financial Performance (FY2015 vs FY2014)

Note: Significant changes in revenues, cost of sales and operating expenses during the financial year under review were mainly attributed to maiden consolidation of three-month Ranken's financial performance in 4Q2015.

Total Revenue rose by $57.9 million to $116.4 million in FY2015, boosted by the maiden consolidation of Ranken's fourth quarter results from 1 October 2015 to 31 December 2015 ("4Q15"). The three-month revenues from our Infrastructure Business was $61.8 million, making Ranken the largest revenue contributor for FY2015. Revenue from our Australian mining services business, Mancala Holdings Pty Ltd ("Mancala") increased by Australian dollars (A$) A$1.8 million in FY2015 due mainly to the completion of more raise boring works and higher production volume for its nickel mine project in Vietnam. However, as the Australian dollar weakened during the year under review against our reporting currency, the Singapore dollar ($ or S$), Group's mining revenue thus fell by $3.9 million to $54.6 million in FY2015, which was lower when expressed in S$ term.

Total gross profit rose by $4.5 million to $19.2 million on maiden consolidation of Ranken's results for 4Q15 in FY2015. Overall gross profit margin in FY2015 was 16.5% as compared to 25.2 % in FY2014, due mainly to higher direct cost incurred for the mining services business.

Other income (project related) rose by $0.3 million due mainly to higher consultancy fees and realization of project retention monies for Ranken (Note: In accordance with Financial Reporting Standards, retention monies are recognized at their present value after applying a discount rate to the gross retention sums. The unwinding of this discount on the retention monies is presented in other income);

Other income (other operating income) rose by $7.8 million to $8.4 million due mainly to:

- Rental income of $0.22 million from third parties in relation to the leases of Ranken's commercial building, which we acquired;

- Interest income of $1.0 million earned from fixed deposits placed with licensed banks;

- Interest income of $1.2 million from Propitious Holdings Company Limited ("Propitious") following redemption of its bond in full for completion of disposal of the Steel Business;

- Foreign exchange gains as a result of strengthening of the Chinese Renminbi against the Singapore dollar during the year under review. Specifically,

  - $1.5 million foreign exchange gain given our $/RMB hedge at fixed exchange rate of 4.75 for the RMB-denominated sale proceeds from the disposal of the legacy steel business, meaning higher RMB-denominated proceeds in S$ term;

  - $1.4 million foreign exchange gain mainly from our RMB-denominated loan owing by Ranken, meaning higher amount of our RMB-denominated loan receivable in S$ term. The RMB-denominated loan has since been capitalised following the completion of the acquisition of Ranken; and

  - $0.46 million foreign exchange gain on our RMB-denominated cash at bank, meaning higher RMB-denominated cash in S$ term;

- Fair value gain of $2.1 million related to the acquisition of Mancala as a result of a fall in fair value of contingent purchase consideration payable on acquisition of Mancala. The deferred purchase consideration of Mancala had previously been recorded and estimated based on an accounting valuation recommended by an external independent professional valuer, taking into account certain net profit targets which Mancala could achieve. As Mancala's actual Net Profit was below this accounting estimate, the Group's liabilities to pay deferred consideration 'on-the-book' fell by $2.1 million given the 'lower-than-expected' Net Profit of Mancala ("Fair Value Estimate for Mancala").

Despite

- Foreign exchange loss of $0.25 million due to weakening of A$ against the $ for our loan to Mancala which meant lower amount of loans receivable in $ term.

Distribution costs of $0.4 million related to Ranken's marketing expenses.

Administrative expenses rose by $1.6 million to $15.1 million due mainly to the inclusion of $3.9 million administrative expenses incurred by Ranken and one-off professional fees of $0.4 million for the acquisition of Ranken, despite a fall of $2.6 million in Mancala's administrative expenses due to cost control. The Group's administrative expenses comprised mainly staff related costs.

Other expenses fell by $1.9 million in FY 2015 in the absence of foreign exchange loss and loss on disposal of associate totaling $3.2 million (which were recorded last year), offset by an impairment loss of $1.2 million on goodwill for the acquisition of Mancala due to 'lower-than-expected' net profit of Mancala (Please refer to above "Fair Value Estimate for Mancala" for further details).

Finance costs rose by $0.3 million in FY2015 to S$2.0 million due mainly to the inclusion of $0.9 million interest expense incurred by Ranken, which has working capital borrowings whereas interest expense for Mancala fell by $0.6 million due to lower loan obligations and finance lease obligations.

Income tax expense was $2.0 million, attributable to withholding tax for Mancala's Vietnam operations, provision for income tax on taxable profits for both Mancala's Vietnam operations and Ranken's operations, offset by recognition of deferred tax assets by Mancala and its over provision of income tax for the previous year.

Given the above,

- Profit attributable to Owners of the Company ("Net Profit") rose sharply to $6.5 million, from a small profit of $0.14 million in FY2014;

- Operating Profits before Working Capital or "Cash Profit" for the Group rose sharply to $15.9 million for FY2015; and

- Operating cash flows for the Group improved to $12.9 million for FY2015.

Review of Financial Position (31 December 2015 vs 31 December 2014)

Note: Significant changes in financial position during the financial year under review were mainly attributed to maiden consolidation of Ranken's financial position as at 31 December 2015.

Property, Plant and Equipment ("PPE") rose by $10.7 million to $46.3 million on maiden consolidation of Ranken's PPE, recorded at fair value after the Purchase Price Allocation exercise conducted by the independent professional valuer at acquisition date. The PPE for Ranken and Mancala were $21.4 million and $24.8 million respectively as at 31 December 2015.

Investment properties rose to $13.5 million on maiden consolidation of Ranken's investment properties comprising certain units in commercial buildings, which Ranken currently leases to third parties for rental income.

Intangible assets rose by $14.7 million to $16.5 million due mainly to:

- Recognition of $9.5 million goodwill on the acquisition of Ranken, being the excess of our cost of investment over our share of net assets of Ranken (recorded at the net fair value of the identifiable assets, liabilities and contingent liabilities). The goodwill and fair value of the assets and liabilities had been determined by an independent professional valuer;

- Land use rights of $6.6 million on maiden consolidation of Ranken's financial position, which is recorded at fair value after the Purchase Price Allocation exercise conducted by the independent professional valuer at acquisition date;

offset by:

- Impairment of $1.2 million goodwill on acquisition of Mancala due to lower-than-expected net profit recorded by Mancala (as highlighted in the above "Fair Value Estimate for Mancala"); and

- Amortisation of Mancala's order backlog of $0.2 million.

The intangible assets for Ranken and Mancala were $9.5 million and $0.4 million respectively as at 31 December 2015.

Deferred tax assets rose to $2.2 million on consolidation of Ranken's financial position. Deferred tax assets for Ranken and Mancala were $1.7 million and $0.5 million respectively.

Inventories rose by $1.5 million to $3.4 million on maiden consolidation of Ranken's financial position, which comprised mainly raw materials for construction. The inventories for Ranken and Mancala were $1.4 million and $2.0 million respectively as at 31 December 2015.

Contract work in progress relates to Ranken's projects under construction of $54.9 million.

Trade receivables rose by $119.5 million to $126.6 million, which comprised:

- Ranken's trade receivables of $117.6 million on maiden consolidation of Ranken's financial position, which represented a trade debtor's turnaround time of 174 days as at 31 December 2015; and

- Mancala's trade receivables of $9.0 million, which represented a trade debtor's turnaround time of 60 days as at 31 December 2015.

Other receivables, deposits and prepayments fell by $33.9 million to $27.9 million despite maiden consolidation of Ranken's financial position due mainly to proceeds from disposal of Steel Business of $57.4 million received during the year. Other receivables, deposits and prepayments for Ranken and Mancala were $22.5 million and $4.3 million respectively as at 31 December 2015. Other Receivables and Deposits for Ranken comprised mainly materials procured on behalf of project owners and security deposits placed with the project owners (refundable on project completion).

Cash and cash equivalents for the Group rose by $22.8 million to $35.1 million as at 31 December 2015 on the maiden consolidation of Ranken's financial position and cash profits for the year. More specifically, the cash position for Corporate Function, Ranken and Mancala were $5.8 million, $26.7 million and $2.6 million respectively as at 31 December 2015. Total cash of $3.8 million had been pledged as fixed deposits for Ranken's secured bank borrowings.

Non-current assets held for sale rose by $6.4 million to $8.1 million, which comprised mining related equipment specifically identified by Mancala for sale. This is in line with the strategic decisions of the management to improve overall assets utilization and free up cash flows for the mining services business of Mancala given the market volatility of the mining industry.

Other long-term payables fell by $6.3 million due mainly to the reclassification of the non-current contingent consideration relating to acquisition of Mancala to current liabilities as it is expected to be paid in FY2016. It should be noted that this contingent consideration remains conditional subject to Mancala achieving certain net profit targets.

Total current and long-term financial liabilities rose by $60.0 million due mainly by maiden consolidation of Ranken's financial position. Ranken and Mancala's total financial liabilities were $65.3 million and $7.5 million respectively as at 31 December 2015. Ranken's financial liabilities comprised $49.3 million in bank borrowings, $7.4 million in bond and $8.6 million of finance lease obligations whereas Mancala's financial liabilities comprised mainly the finance lease obligations.

Trade payables rose by $63.3 million to $74.4 million on maiden consolidation of Ranken's financial position. Trade payables for Ranken and Mancala were $62.5 million and $11.4 million respectively as at 31 December 2015.

Other payables and accruals rose by $62.3 million to $78.8 million on maiden consolidation of Ranken's financial position. Other payables and accruals for Ranken and Mancala were $56.4 million and $8.3 million respectively as at 31 December 2015. Other payables and accruals for Ranken comprised deposits received from clients of $28.5 million and security deposits from sub-contractors, VAT payables and accruals of operating expenses. Other Payables of the Company (corporate) comprised mainly the estimated purchase consideration payable to Mancala's vendors of $10.9 million (which is still subject to adjustments and conditional upon Mancala achieving certain net profit targets). Other payables for Mancala comprised mainly the PAYG withholding in Australia and withholding tax in Vietnam to meet employees' personal obligations and accrued operating expenses.

Current tax liabilities rose by $3.7 million to $4.9 million on consolidation of Ranken's financial position. Current tax liabilities for Ranken and Mancala were $3.3 million and $1.6 million respectively, which were provided for based on taxable profits.

Deferred tax liabilities rose by $1.3 million to $1.8 million on consolidation of Ranken's financial position. Deferred tax liabilities for Ranken and Mancala were $1.6 million and $0.2 million respectively, which were recorded as the result of the Purchase Price Allocation exercise conducted by the independent professional valuer at acquisition date.

Non-controlling interest relates to 2.34% held by minority shareholders in the capital of Ranken Railway Construction Group Co., Ltd and its subsidiaries.

Total equity attributable to owners of the Company or Shareholders' Equity rose sharply by $18.0 million to $90.6 million due to:

- increase in share capital by $16.6 million to $277.1 million as a result of (i) new shares issued under the Sapphire Shares Award Scheme on 18 May 2015 with a fair value of $78,000; and (ii) 165,000,000 new shares issued at $0.10 each on 1 October 2015 pursuant to completion of the acquisition of Ranken at $0.10 each;

Reserve rose by $1.4 million due mainly to current year earnings of $6.5 million, offset by translation loss of $2.1 million and an amount of $3.0 million recorded as part of the capital reserve given the difference between the issue price and fair value of the 165 million new shares issued for the acquisition of Ranken.

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

In the Group's 3Q2015 results announcement, the board stated that the Group would be profitable in FY2015, barring unforeseen circumstances. In FY2015, the Group reported a net profit of $6.5 million compared to a small profit of $0.1 million in FY2014 (including results for Discontinued Operations).

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

Our major corporate restructuring exercise and turnaround strategies for the Group over the last two years have significantly improved its overall financial performance and financial position while generating positive operating cash flows for FY2015. Meanwhile, we have set out various strategies to grow our infrastructure business and sustain our mining services business.

Infrastructure Business

On 1 October 2015, we completed the acquisition of the entire equity of Ranken, a profitable engineering, procurement and construction ("EPC") business specialising in design, construction and project consultation in China's rail transit sector. Ranken is one of only a few operators in China with fully integrated Triple-A qualifications and licenses for design, construction and project consultation that Ranken is now well positioned for the projected growth in the sector, given the rapid increase of infrastructure spending in China and other emerging markets in Asia.

The speed with which Ranken has won its recent contracts has been encouraging. Over the last five months, Ranken secured railway infrastructure contracts with a combined worth of RMB 1.3 billion, resulting in a healthy order book for Ranken of approximately RMB 2.0 billion as of now. Over the next 12 months, we intend to significantly scale up Ranken's production capacity for its EPC business relating to civil engineering projects for metro, urban rail transit and other major land transport infrastructure.

Ranken plans to scale up production capacity via 'asset-light' business models given its efficient supply chain management and effective resources deployment. Ranken will expand the engineering team and improve its financial position to leverage for additional working capital judiciously, among other measures. Ranken's growth strategies can therefore be executed without significant capital expenditure.

The Group expect Infrastructure Business to continually be the largest contributor to our revenues, moving forward.

Mining Services Business

The Group expects sentiment in the mining industry to remain guarded over the next 12 months, given the weak commodity prices. That said, the Group still sees opportunities for Mancala Australia, as governments in markets such as China emphasise sustainable development for the mining industries; with a focus on technological upgrades, environmental protection and productivity improvement, scopes of work which Mancala can offer.

Capitalising on this trend, we are exploring opportunities for strategic alliances between Mancala and concession owners in China. Through these alliances, the Group intends to develop sustainable revenue streams for the mining services business so that Mancala can improve its asset utilisation over a medium-term.

In line with these strategies, we announced on 6 January 2016 that we were in talks with a potential strategic investor, which has expressed interest in forming an alliance with Mancala via equity participation directly in the mining services business. Mancala had also visited a zinc and lead mine in China to provide a quote for a mining services contract. The discussion with this strategic investor, if materialised, will allow Mancala's working capital to be funded via external sources, freeing up the Group's resources for Ranken, the infrastructure business. Mancala has also streamlined its operations, controlled its fixed costs and paid down its borrowings amid market uncertainty in the industry. Mancala's current order book stood at A$28.4 million as of now.

Given the above strategies and barring unforeseen circumstances, the Group expects to remain profitable for the financial year ending 31 December 2016.

11 Dividend

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

No.

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

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

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

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

(a) By business segment: FY2015

	3 months Infrastructure $'000	Mining services $'000	Total $'000
Revenue and expenses			
Total revenue from external customers	61,779	54,572	116,351
Interest income	887	321	1,208
Unwinding of discount on retention monies	160	–	160
Interest expenses	(880)	(1,033)	(1,913)
Depreciation and amortisation	(2,701)	(4,137)	(6,838)
Reportable segment profit before income tax	3,641	3,728	7,369
Other material non-cash items:			
- Impairment loss of goodwill	–	–	–
Reportable segment assets	266,758	51,950	318,708
Capital expenditure	1,517	1,191	2,708
Reportable segment liabilities	197,693	35,939	233,632

(b) By business segment: FY 2014

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

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

	2015 $'000	2014 $'000
Revenue		
Total revenue for reportable segments	116,351	152,778
Elimination of inter-segment	–	–
Consolidated revenue	116,351	152,778
Profit or loss		
Total profit/(loss) before income tax for reportable segments	7,369	(6,370)
Unallocated amounts:		
- Other income	6,668	24,735
- Other expense	(5,566)	(16,698)
- Tax expense	(1,975)	(1,529)
Consolidated profit for the year	6,496	138
Assets		
Total assets for reportable segments	318,708	54,090
Elimination of inter-segment assets	(667)	–
Other unallocated amounts	16,597	68,305
Consolidated total assets	334,638	122,395
Liabilities		
Total liabilities for reportable segments	233,632	40,804
Elimination of inter-segment liabilities	(5,565)	(5,414)
Other unallocated amounts	14,465	14,405
Consolidated total liabilities	242,532	49,795

	Reportable segment total $'000	Unallocated amounts $'000	Consolidated total $'000
Other material items 2015			
Interest income	1,208	1,256	2,464
Unwinding of discount on retention monies	160	–	160
Interest expenses	(1,913)	(1)	(1,914)
Depreciation and amortisation	(6,838)	(44)	(6,882)
Other material items 2014			
Interest income	549	–	549
Interest expenses	(5,705)	–	(5,705)
Capital expenditure	2,481	7	2,488
Depreciation and amortisation	(3,925)	(41)	(3,966)

(c) By geographical segment

FY2015	Revenue $'000	Non-current assets $'000
Australia	33,702	19,287
Vietnam	20,870	6,536
Singapore	–	9,629
People's Republic of China	61,657	43,086
Bangladesh	105	–
India	17	–
	116,351	78,538

FY2014	Revenue $'000	Non-current assets $'000
Australia	38,308	29,123
Vietnam	20,179	6,980
Singapore	–	1,326
People's Republic of China	94,291	–
	152,778	37,429

14 Disclosure of Interested Person Transaction Conducted under a Shareholder Mandate for the period ended 31 December 2015

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

15 Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

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

Pursuant to Rule 704(13) of the SGX-ST Listing Manual, the Company wishes to inform that none of the persons occupying a managerial position in the Company or any of its principal subsidiaries is related to a Director or Chief Executive Officer of Substantial Shareholder of the Company as at 31 December 2015.

BY ORDER OF THE BOARD

Teh Wing Kwan
Managing Director and Group Chief Executive Officer
26 February 2016