SAPPHIRE
盛世企业

ENVISIONING THE NEXT PROGRESS

2017 ANNUAL REPORT

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CORPORATE PROFILE

Sapphire Corporation Limited ("Sapphire" or the "Group") is an investment management and holding company principally engaged in the rail and infrastructure engineering, procurement and construction ("EPC") business, having divested its legacy steel business in 2014 and disposed of an 81% stake in its mining services business in early 2017. Sapphire is incorporated in Singapore and has been listed on the Mainboard of the Singapore Exchange since 1999.

The Group owns a 100% stake in China-based EPC business Ranken Infrastructure Limited ("Ranken") and its subsidiaries, which it acquired on 1 October 2015 as part of a new growth strategy via earnings-accretive investment. Founded in 1998, Ranken is incorporated in Hong Kong and based in Chengdu. It is a full-fledged EPC firm and one of the largest privately owned integrated rail transport infrastructure groups in China. Ranken holds full Triple-A qualifications and licences for design, civil engineering, construction and project consultation in the rail sector.

Ranken's expertise includes civil engineering works for metro lines, urban rail transit, expressways, roads and bridges. Its track record includes major infrastructure projects in China and South Asia.

盛世企业有限公司(简称"盛世"或"集团")目前是投资管理和控股公司，在2014年剥离其遗留的钢铁业务后其下属子公司和在2017年出售81%矿业服务业的股权，如今盛世致力于发展其核心EPC业务。盛世是新加坡注册公司，于1999年在新加坡上市。

盛世持有以中国为基地，从事EPC业务的Ranken建设有限公司及其下属公司(简称"Ranken")100%的股权，作为盛世基于增加收入投资铁路设施领域新增长战略的一部分，盛世于2015年10月1日正式将其并入。成立于1998年，中铁隆在香港设立并以成都为总部。Ranken是一家成熟的EPC工程总承包商，同时也是中国最大从事铁路交通设施工程的民营企业之一。它在铁路领域拥有设计、土木工程、建筑和项目咨询方面的AAA资质和许可证。

Ranken善于地铁线路、城市轨道、高速公路、道路和桥梁的土木工程。其业绩多分布于中国和南亚的主要基础设施项目。

CORPORATE DEVELOPMENT

Key Corporate Milestones

2017

MAY 2017
Entry into strategic partnerships with Beijing Enterprises Water Group and China Railway Investment Group to explore water treatment and municipal environmental protection projects

AUGUST 2017
Certified as High-Tech Enterprise by Sichuan Competent Authorities

DECEMBER 2017
Appointment of New CEO, Ms. Wang Heng

Appointment of New Independent Directors, Mr. Oh Eng Bin and Mr. Zhai Guiwu

Growing Multinational Enterprise Award conferred by Chengdu Government

FY2017 Full Year Results
– Secured RMB2.2 billion worth of contracts. Posts Profit of RMB44.4 million (announced in February 2018)

Corporate Transformation

2016

MARCH 2016
Appointment of Ms Wang Heng and Mr Cheung Wai Suen as Executive Directors; their extensive experience in China's civil engineering and construction sector is expected to benefit the Group

NOVEMBER 2016
Capital Weekly's Listed Enterprise Excellence Award, the first by a company listed outside Hong Kong

DECEMBER 2016
Signs SPA for disposal of 81% stake in Mancala (completed in February 2017)

FY2016 Full Year Results
– Secured RMB1.7 billion worth of contracts. Posts Profit of RMB 46.8 million (announced in February 2017)

2015

SEPTEMBER 2015
EGM – Obtained shareholders' approval for Acquisition of Ranken

OCTOBER 2015
Completion of Acquisition of Ranken

DECEMBER 2015
Ranken Secures Significant Railway Infrastructure Contracts

FY2015 Full Year Results
– Revenue almost doubles on three-month contributions from Ranken; Posts Profit of RMB29.5 million (announced in February 2016)

2014

JANUARY 2014
Completion of Acquisition of Mancala

APRIL 2014
Proposed Divestment of Loss-Making Steel Business

JULY 2014
EGM – Obtained shareholders' approval for Divestment of Steel Business

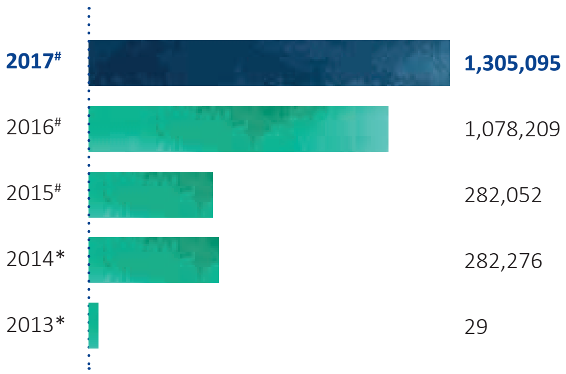
NOVEMBER 2014
Proposed Acquisition of Ranken
(an earnings-accretive investment in rail infrastructure)

DECEMBER 2014
Completion of Divestment of Steel Business

FY2014 Full Year Results
– Reverses Three Years of Losses to Post Profit for FY2014 (announced in February 2015)

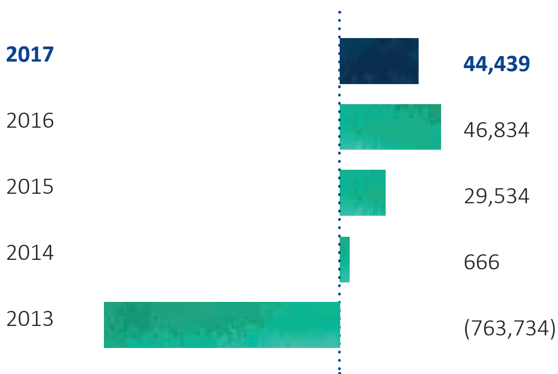
FINANCIAL HIGHLIGHTS

REVENUE (RMB'000)

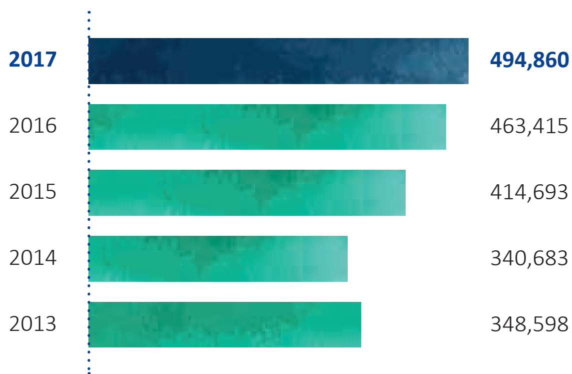


GROSS PROFIT (RMB'000)

PROFIT / (LOSS) (RMB'000)

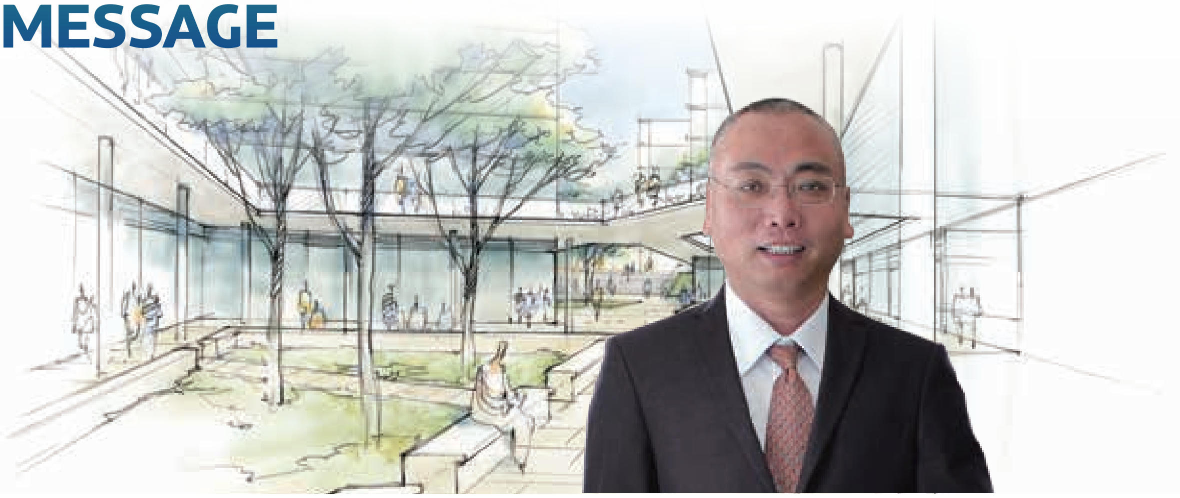


SHAREHOLDERS' FUNDS (RMB'000)



* Excludes discontinued Steel Business.
# Excludes discontinued Mining Services Business. In FY2015, revenue and gross profit of the Infrastructure Business were from 1 October 2015 (3 months).

CHAIRMAN'S MESSAGE



DEAR SHAREHOLDERS,

I am honoured to present you with the annual report for the financial year ended 31 December 2017 ("FY2017"), another pivotal 12 months in the history of Sapphire Corporation ("Sapphire" or the "Group"). This also marks my first report in my capacity as Chairman of the Board.

Our engineering, procurement and construction ("EPC") business, Ranken Infrastructure Limited ("Ranken") reported another year of profitability. Following its acquisition by Sapphire in FY2015, Ranken's revenue contributions have enabled Sapphire to reverse years of losses in a turnaround that also saw the Group exit its legacy steel business.

FINANCIAL PERFORMANCE

Sapphire reported strong top-line growth in FY2017 with revenue of RMB1.3 billion, a 21% increase from last year's RMB1.1 billion as Ranken – the Group's main revenue driver – undertook more ongoing projects in China. Gross profit increased 14.3% to RMB149.9 million from RMB131.1 million in FY2016; gross profit margin narrowed to 11.5% (FY2016: 12.2%) due to higher costs of materials.

Selling and distribution costs rose to RMB8.8 million due to higher travelling expenses, as well as project tendering and assessment costs, as Ranken evaluated and tendered for new contracts. Administrative expenses fell by RMB2.5 million to RMB56.8 million thanks to tighter cost control.

While the Group's net profit dipped to RMB44.4 million for FY2017 (FY2016: RMB46.8 million), Sapphire's continuing operations recorded a net profit of RMB43.5 million and net cash generated from operating activities of RMB10.6 million. Mancala Group ("Mancala"), our former mining services business – classified as discontinued operations pursuant to a Sale and Purchase Agreement on 30 December 2016 – made a net loss of RMB3.2 million for the two months ended 28 February 2017.

Our cash and cash equivalents were RMB125.7 million as at 31 December 2017 (FY2016: RMB145.2 million), due to net cash outflow as we invested in equipment and facilities for the initial stages of Ranken's new projects, as well as environmental compliance requirements.

Earnings per ordinary share were RMB13.63 cents (2.79 Singapore cents) in FY2017 compared to RMB14.38 cents (2.94 Singapore cents) in FY2016. Group net asset value per share was RMB151.76 cents (Singapore 31.1 cents) as at 31 December 2017, up from RMB142.24 cents the previous year (29.6 Singapore cents).

各位股东：

我很荣幸向各位提呈截至2017年12月31日财政年度（“2017财年”）之年度报告。这是盛世企业（以下简称“盛世”或本“集团”）历史上另一个关键的12个月之年度报告。这也是我成为董事会主席后的首份报告。

盛世的工程、采购和施工（“EPC”）业务，中铁隆建设有限公司（以下简称“中铁隆”），今年继续展现了其盈利能力。继2015财年被盛世收购后，中铁隆的收入贡献帮助盛世扭转了多年的亏损局面，同时也让集团退出了传统钢铁业务。

财务业绩

盛世于2017财年录得强劲增长，营收为13亿元人民币，较去年的11亿元人民币增长了21%。这是由于集团的主要营收来源中铁隆在中国承接了更多的项目。毛利润由2016财年的1.311亿元人民币增长14.3%至本财年的1.499亿元人民币。由于原材料成本上涨，毛利率较2016财年的12.2%收窄至本财年的11.5%。

随着中铁隆评估和竞标新合同，差旅费用、项目竞标和评估费用增加，使集团的销售和分销成本上升至880万元人民币。由于成本控制更为严格，管理费用下降250万元人民币至5680万元人民币。

尽管集团2017财年净利润下降至4440万元人民币（2016财年：4680万元人民币），盛世的持续经营录得了净利润4350万元人民币，运营活动产生的现金净额为1060万元人民币。根据2016年12月30日的买卖协议，本集团的前采矿服务业务澳洲曼卡拉集团（以下简称“曼卡拉”）被视为已终止经营业务。截至2017年2月28日为止的两个月，该公司录得净亏损320万元人民币。

截至2017年12月31日，由于集团为中铁隆新项目初期阶段以及环保法规的要求，投资了设备和设施，从而产生了现金流出净额，集团现金及现金等价物录得1.257亿元人民币（2016财年：1.452亿元人民币）。

2017财年每股收益为人民币13.63分（2.79新分），2016财年每股收益为人民币14.38分（2.94新分）。截至2017年12月31日，集团每股资产净值为151.76分（31.1新分），较去年同期的人民币142.24分（29.6新分）有所上升。

CHAIRMAN'S MESSAGE

CORPORATE DEVELOPMENTS

Ranken is one of a few private operator in China to hold fully integrated Triple-A qualifications and licences for design, construction and project consultation in the rail transit sector. While China is our main market, we are actively targeting contracts in emerging markets along the Belt and Road such as Sri Lanka, India, Bangladesh and Nepal.

We are pursuing strategic collaborations with Chinese conglomerates and state-owned enterprises to expand the scope of our core business. On 16 May 2017, Ranken entered into partnerships with Beijing Enterprises Water Group (北控水务集团有限公司) and China Railway Investment Group (中铁投资集团有限公司), which we expect to open up new opportunities in future. The collaboration with Beijing Enterprises Water Group has been progressing well thus far, with a few water management projects under exploration.

Shareholders may also note that we have proposed a full-year dividend of 0.1 Singapore cent per share as a small token of appreciation, subject to approval at the AGM in April 2018.

BOARD AND EXECUTIVE CHANGES

- I was first appointed as Executive Director on 16 March 2016 and was re-designated as Executive Chairman of Sapphire Corporation on 28 February 2018;
- Ms Wang Heng was appointed as Executive Director on 16 March 2016 and was re-designated as Chief Executive Officer on 15 December 2017;
- Mr Teh Wing Kwan was re-designated from Group CEO and Managing Director to Non-Independent Non-Executive Director on 15 December 2017;
- Mr Oh Eng Bin was appointed to the Board on 18 December 2017 and was re-designated as Lead Independent Non-Executive Director on 28 February 2018;
- Mr Duan Yang and Mr Zhai Guiwu were appointed as Independent Non-Executive Director on 24 March 2017 and 18 December 2017, respectively; and
- Mr Ding Rui was appointed as Chief Technical Officer on 28 February 2018.

Mr Teo Cheng Kwee retired on 26 April 2017. Mr Lim Jun Xiong Steven, Mr Fong Heng Boo, Mr Tao Yeoh Chi, Mr Yang Jian and Mdm Cheung Kam Wa relinquished their directorships on 15 December 2017 as part of a planned leadership transition.

APPRECIATION

On behalf of the Board, I warmly welcome our new directors and look forward to working together to launch a new phase of growth for Sapphire. We thank the previous Board and former Group CEO Mr Teh Wing Kwan, who is relinquishing his directorship – for their counsel and contributions. We wish them the best in their future pursuits.

To our management, employees, partners, clients, and last but not least our shareholders, we remain grateful for your faith in Sapphire and hope for your support in the journey ahead.

Regards,

CHEUNG WAI SUEN
Executive Chairman

企业发展

中铁隆是中国仅有的几家在轨道交通领域拥有设计、施工和项目咨询全面综合AAA资质和许可证的私营企业。虽然中国是我们的主要市场，我们也在积极开拓斯里兰卡、印度、孟加拉和尼泊尔等一带一路沿线新兴市场的合同。

我们正在与中国大型企业和国有企业进行战略合作，以扩大我们的核心业务范围。2017年5月16日，中铁隆与北控水务集团有限公司和中铁投资集团有限公司展开合作伙伴关系，希望于未来共同开拓新机遇。目前看来，与北控水务的合作推进非常顺利，我们在共同拓展一些值得期待的水环境治理项目。

股东们应该注意到，我们已建议派发每股0.1新分的全年股息，以作为答谢股东们的小小心意。此提议须待2018年4月年度股东大会批准后方可落实。

董事会和管理层变化

- 我于2016年3月16日首次获委任为执行董事，于2018年2月28日调任为盛世企业执行主席；
- 王恒女士于2016年3月16日获委任为执行董事，于2017年12月15日调任为首席执行官；
- 郑永权先生于2017年12月15日卸任集团首席执行官和董事总经理，调任为非执行非独立董事；
- 胡荣明先生于2017年12月18日获委任加入董事会，于2018年2月28日获委任为非执行首席独立董事；
- 段杨先生和翟桂武先生分别于2017年3月24日及2017年12月18日获委任为非执行独立董事；和
- 丁睿先生于2018年2月28日出任首席技术官。

作为领导层转型的一部分，张青贵先生于2017年4月26日退任，而林隽雄先生，庞廷武先生，陶耀建先生，杨健先生和张锦华女士于2017年12月15日辞任其董事职位。

答谢

我谨代表董事会欢迎各位新董事，并期待与他们密切合作，开启盛世企业发展的新篇章。同时我们也感谢前董事会成员和将卸下董事职务的前任集团首席执行官郑永权先生提出的明智建议，并祝愿他们在未来的事业追求中取得佳绩。

我们也非常感谢我们的管理层、员工、合作伙伴、客户以及我们的股东们。感谢你们一路來给予盛世企业的信心。衷心希望在集团的未来旅途中，能继续获得你们的支持。

谢谢。

张伟瑄
执行主席

CEO'S REVIEW

Dear Valued Shareholders,

I am honoured to be writing to you today as the new CEO of Sapphire Corporation and assure you that the great responsibility of this position is not lost on me.

Sapphire is a company with a 19-year listed company history. After a series of corporate restructuring exercises, Sapphire began focusing on engineering, procurement and construction ("EPC") for rail transit and other underground infrastructure as its core business at the end of 2015. With China's promising economic outlook and the Belt and Road initiative in place – not to mention Singapore's well-regulated capital markets – we stepped up efforts to increase transparency and attract investors.

I spent most of the year on a plane, with total mileage of 331,280 kilometres and an average of 1.3 flights per day. On several occasions, I flew to three cities in a single day, travelling through more than half of China. Our sites operated 24 hours a day with managers on three shifts. Our marketing team spent many late nights preparing to bid for projects. Such is the level of commitment you can expect from us.

Our EPC business, Ranken Infrastructure Limited ("Ranken"), is one of China's largest private urban rail engineering companies in China, with a footprint in 18 Chinese cities and two overseas countries. This year, we focused on refining our development strategy. In particular, we are strengthening our market competitiveness by leveraging on our existing technical expertise to expand into relevant areas, as well as establishing new business relationships.

2017 was marked by many achievements. These include the opening of Ranken's post-doctoral innovation centre in Sichuan Province, which highlights our R&D capabilities. In addition, Ranken received the title of "Belt and Road Multinational Growth Company" from the Chengdu government for successfully expanding its business overseas. It also scored a spot in the Evaluation of Beijing Subway Contractors for the second consecutive year, ranking second out of 48 contractors.

The establishment of our industry ecosystem was a true highlight this year. Our strategic partnerships with Beijing Enterprises Water Group, China Railway Investment and Xinjiang Weitai have opened more doors for us. Such collaborations will enable each of us to play to our respective strengths and win supporters while minimising risk.

The abstract for the 2017 annual report is laid out in the "Operation and Financial Review" section. You are welcome to email us any comments or opinions (our addresses are listed later in the report).

尊敬的各位股东：

感谢董事会的信任，感谢盛世管理团队的支持，我作为盛世的新任CEO,深感这份责任的重大。盛世是一家有着19年上市历史的公司，在经过一系列的业务整合和资本运作后，最终在2015年底明确了以轨道交通等地下工程相关领域工程建设为主业，以中国速度和一带一路机会为契机，依靠新加坡资本市场的规范管理来加大透明度，吸引更多投资者的关注和支持。

2017年，我基本在飞行中度过。我统计了一下自己过去一年的飞行里程，累计331,280公里，平均每天飞行1.3次，记得好多次都在一天内飞到三个城市开展工作，穿越大半个中国。我们的工地都是24小时作业，管理人员需要三班倒，我们的市场人员为了编写有竞争力的投标文件，一年中总有大多数时间在熬夜。这是盛世员工的工作状态，也是盛世的节奏。

2017年，是盛世战略更加清晰的一年，通过延伸产业链强化市场竞争力，通过地下工程技术优势拓展相关领域业务，通过建立企业生态圈来发展壮大。目前，盛世旗下的中铁隆已发展成为中国最大的私营城市轨道工程公司之一，在中国18个城市和海外2个国家参与了轨道交通建设。这得益于公司在地铁及地下工程领域这一目标的持续专注，归功于员工的勤奋和智慧。

2017年，在我们的共同努力下，中铁隆继续荣获了一系列荣誉，其中，认定中铁隆为四川省博士后创新实践基地的标志著中铁隆的科技研发能力得到行业的进一步认可；获得成都市一带一路跨国成长企业的称号意味著成都市相关政府部门对中铁隆海外业务拓展努力的褒奖；在北京地铁项目中，中铁隆连续两年在总承包商履约考评中名列前茅，2017年在48家总承包商中排名第二。

万物相生方能生生不息。构建生态圈是盛世2017年的重点之一。通过与北控水务、中铁投资、新疆维泰等企业的合作，发现了更多机会。合作将弥补企业的短板，赢得更多支持，企业抵抗风险的能力也将等到加强。

感谢股东的支援，感谢客户的信任，感谢伙伴的扶持，感谢员工的奋斗，让我们更加团结，紧密合作，期待来年丰硕。

2017年的年报概要刊载在"运营和财务评论"部分，呈请阅读。如有任何想法，欢迎直接写信给我们。(我们的邮箱位址显示在年报中)。

CEO'S REVIEW

INDUSTRY OVERVIEW

Although Ranken's efforts to secure new projects drove up our expenses this year, it paid off in the form of our RMB3.2 billion order book – the highest since acquisition by Sapphire – and the RMB2.2 billion worth of new projects won in FY2017 alone. These contracts include engineering and construction for major segments of metro and rail transit lines in Chengdu, Dalian, Hefei, Urumqi, Ningbo and Beijing, as well as design consultancy in Taiyuan.

Our prospects remain bright as China's infrastructure development is entering a golden age. The government expects to spend about RMB15 trillion on infrastructure under the 2016-2020 13th Five-Year Plan, including RMB3.5 trillion for rail transport; China currently has 34 metro systems in its cities, spanning approximately 5,000km, with at least 16 more up and running (over 3,000km) by 2020. While there is still room for growth in the first- and second-tier cities which have traditionally been our strength, Ranken is looking to expand into third- and fourth-tier cities, which will soon be a massive market. We will also explore new modes of rail transit such as magnetic levitation (maglev) and suspended monorails.

In addition, we will capitalise on our extensive technical capabilities in underground engineering to expand into related sectors such as utility tunnels. The 13th Five-Year Plan has outlined that the state will build more of such tunnels, as well as underground pipelines and cables, to ease urban traffic congestion. Over 8,000 km of these utility tunnels will be built by 2020 at an expected construction rate of 30%, presenting more opportunities for Ranken.

Moreover, the rate of proper disposal and treatment of polluted soil in first- and second-tier cities will increase from the current 53% to 90%, while the rate of urban water pollution will be limited to the 10% range. The radius of green spaces in parks will be no less than 80% of the total area. Given Ranken's cutting-edge technology and top talent in these areas, as well as our strong track record, we are confident of seizing fresh opportunities to grow our business in these areas.

ON TRACK FOR GROWTH

Most of Sapphire's revenue stems from the abundant opportunities in China, where Ranken is aggressively bidding for projects to undertake independently. We are also evaluating industry consortiums through which to secure bigger and more complex contracts. Internally, we will leverage Ranken's asset-light business model to increase production capacity and lower costs – without compromising on quality – to improve margins.

Sapphire is listed and headquartered in Singapore, a financial hub and strategic gateway to the Southeast Asian nations, which combined represent one of the world's ten largest economies. We expect that Singapore will be a good base from which to consolidate our regional presence and access Asia's emerging markets.

I am grateful to the Board, our management team and employees for their hard work. I also wish to express my appreciation once again to former Group CEO Mr Teh Wing Kwan for recommending me to the Board. Although he will not stand for re-election at the upcoming Annual General Meeting ("AGM"), I would be remiss not to acknowledge Mr Teh's role in spearheading Sapphire's corporate transformation. I look forward to building on his work and leading Sapphire into a new era of growth.

To my fellow shareholders, thank you for your faith in us. Rest assured your investments are in good hands and that Sapphire remains a company of which you can be proud.

I look forward to meeting you all at the AGM.

Regards,

WANG HENG
Chief Executive Officer
Email: wangheng@sapphirecorp.com.sg

行业概览

尽管中铁隆努力争取新项目，推高了我司今年的开支，但是这一努力使我司的订单量达到了32亿元人民币，创下被盛世企业收购以来的历史新高。仅2017财年一年内，公司就取得了价值22亿元人民币的新项目。这些合同包括成都、大连、合肥、乌鲁木齐，宁波和北京的地铁和轨道交通路线的主要部分的工程和建设工作，以及太原的设计咨询业务。

随著中国进入基建黄金时代，我司的前景一片光明。中国城市轨道交通有巨大的发展空间，根据"十三五"规划（2016-2020年），政府预计将在基建上投入15万亿元人民币，其中包括3.5万亿元人民币的铁路运输。中国目前在城市拥有34个地铁系统，总长约5000公里。到2020年前，还将增加3000公里以上。我司的传统优势在一线和二线城市，这些城市仍有发展空间。根据中国政府的规划，三、四线城市的轨道交通以建设快、投资成本相对较小的新制式轨道交通（如磁悬浮和悬浮单轨）为主，我司也在积极拓展三线和四线城市的业务版图，这些地区很快将会成为一个庞大的市场。

此外，为改善城市人居环境、提升市政基础设施智慧化和绿色发展水准，中国政府在"十三五"规划中，还对地下综合管廊和水环境治理提出了明确的发展要求。在2020年前，中国城市新区新建道路综合管廊建设率将达到30%，中国将会建成超过8000公里的地下综合管廊；在一二线城市的污泥无害化处置率将由现在的53%升至90%，城市黑臭水体均控制在10%以内，公园绿地服务半径覆盖率不低于80%。中铁隆在这些领域有充足的技术及人才储备、过往也有优异的业绩支撑，有信心在这些领域持续拓展公司业务。

稳步发展

盛世企业的大部分收入来源于中国市场的大量机会，而中铁隆也在该市场中积极竞标，争取更多的业务订单。就内部管理而言，我们还将继续通过完善和优化制度及流程，以提升效率，提高盈利能力。

盛世企业是一家总部位于新加坡的新交所上市公司。新加坡是东南亚国家的金融中心和战略门户。该区域是世界十大经济体之一。我们将充分发挥盛世企业作为新加坡上市公司公信力和资源优势，并以其作为中铁隆拓展亚洲新兴市场业务的平台。

我在此感谢董事会、我们的高管团队和员工的辛勤工作。前任集团首席执行官郑永权先生将于即将举行的股东周年大会上卸下董事之职且不续任，我们感谢他在引领盛世转型并为集团未来奠定基础方面所发挥的作用。我将在他工作的基础上，继续将盛世带入一个新的发展时期。

感谢我们的股东，谢谢对我们的信任。你们的投资是明智的，盛世企业仍是你们可以引以为荣的公司。

期待在年度股东大会上与大家见面。

谢谢。

王恒
首席执行官
邮箱：wangheng@sapphirecorp.com.sg

BOARD OF DIRECTORS & KEY EXECUTIVES

MS WANG HENG
Chief Executive Officer and Executive Director

Ms. Wang Heng was appointed to the Board with effect from 16 March 2016 and re-designated as Chief Executive Officer on 15 December 2017. She is a co-founder and executive director of Ranken Railway Construction Group Co., Ltd. ("Ranken Railway").

A qualified engineer and technician, Ms Wang started her career with CRB China, where she worked in engineering technology and marketing for almost 10 years before founding Ranken Railway. She has worked in the civil engineering sector for 27 years, and has accumulated a wealth of experience in urban mass transit. She specializes in strategic management, market expansion and resource integration. Under her leadership, Ranken Railway has a presence in 18 cities and ranks among the top Chinese private enterprises in urban rail transit.

As a co-founder of Ranken Railway, Ms. Wang is experienced with project tendering and bidding for small and large-scale civil engineering contracts in China. She oversees the company's operations, business development strategy and expansion into new markets.

Ms. Wang holds a Bachelor of Engineering from Southwest Jiaotong University with a major in Railway Engineering, as well as an Executive MBA from Tsinghua University.

Ms. Wang was last elected as a Director of the Company on 27 April 2016.

王恒女士
首席执行官兼执行董事

王恒女士于2016年3月16日获委任为董事，并于2017年12月15日获委任为首席执行官。她是Ranken Railway工程集团有限公司（"Ranken Railway"）的创始人之一和执行董事。

王恒女士是资深工程师和技术员。在加入中铁隆之前，她在中国铁建从事工程技术和市场营销工作将近十年之久。她在土木工程建设领域已有二十七年的工作经历，在城市轨道交通及其关联领域拥有丰富的经验和资源，擅长于战略管理、市场拓展和资源整合。在她的领导下，中铁隆目前已经进入中国18个城市参与城市轨道交通建设，在中国从事城市轨道交通建设的民营企业中名列前茅。

作为 Ranken Railway 的创始人之一，王恒女士对中国土木工程项目的招投标管理无论大小都拥有丰富的运营经验，她负责主管Ranken Railway的经营、战略和市场拓展。

王恒女士先后毕业于西南交通大学铁道工程专业和清华大学经济管理学院，是工学学士和工商管理硕士。

王恒女士于2016年4月27日再次当选为公司董事。

MR CHEUNG WAI SUEN
Executive Chairman

Mr Cheung Wai Suen was appointed to the Board with effect from 16 March 2016 and was re-designated to Chairman of the Board on 28 February 2018. He brings with him more than 30 years of experience in China's civil engineering and construction sector.

Mr Cheung has been an executive director of Ranken Railway Construction Group Co., Ltd ("Ranken Railway") since 1998, during which he advised Ranken Railway on key operational matters, marketing strategies and overseas expansions. He currently assists with the formulation of Ranken Railway's corporate and investment strategies.

Mr Cheung holds a Bachelor of Law from Renmin University of China and an Executive MBA from Peking University's Guanghua School of Management.

Mr Cheung was last elected as a Director of the Company on 27 April 2016.

张伟瑄先生
执行主席

张先生于2016年3月16日获委任为董事。并于2018年2月28日当选董事会主席。他在中国土木工程和建设领域拥有30多年的经验。

张先生自1998年以来就一直担任 Ranken Railway 工程集团有限公司("Ranken Railway")的执行董事，负责 Ranken Railway 的运营、市场战略和海外拓展。他目前负责中铁隆公司战略和投资战略的规划。

张先生是中国人民大学法学学士和北京大学光华管理学院工商管理硕士。

张先生于2016年4月27日再次当选为公司董事。

BOARD OF DIRECTORS & KEY EXECUTIVES

MR OH ENG BIN
Non-Executive Lead Independent Director

Mr Oh Eng Bin was appointed to the Board with effect from 18 December 2017 and was redesignated as Lead Independent Director on 28 February 2018. He brings with him significant legal expertise, having practised since 1999. He is currently a senior partner in Dentons Rodyk, focusing on corporate practice as well as the firm's China and India divisions.

Mr Oh specialises in corporate finance and mergers & acquisitions, with a focus on equity capital markets transactions involving IPOs and RTOs of companies listed in Singapore, China, Taiwan and Indonesia. He is also experienced in secondary capital market issues such as secondary listings, secondary post-listing fund-raising – including rights issues and placements – and post-listing advisory and compliance.

Mr Oh also advises on capital markets licensing and compliance, as well as a wide range of general corporate advisory work for public and private companies; with subject matter ranging from private equity investments, joint ventures and corporate restructuring to debt restructuring and franchising.

Mr Oh holds a Bachelor of Law degree (Honours) from the National University of Singapore and is admitted to the Singapore Bar.

胡荣明先生
非执行首席独立董事

胡先生于2017年12月18日获委任为非执行独立董事，之后于2018年2月28日，成为首席独立董事。胡先生自1999年起执业，现为瑞德有限责任合伙律师事务所公司业务部的合伙人以及该所中国业务小组及印尼业务小组的合伙人。

胡先生主要从事公司融资和兼并，尤其集中在股权资本市场，包括新加坡、中国、台湾和印尼公司的首次公开招股和反收购以及第二资本市场的发行，包括二次上市、二次上市后募资和上市后的咨询和合规工作。

胡先生亦就资本市场的许可和合规提供法律意见，也向上市公司和私人公司提供各方面的一般性公司咨询，包括私人投资、合营、企业重组、债务重组和融资。

胡先生持有新加坡国立大学法律学士学位（荣誉），获得新加坡执业律师资格。

MR DUAN YANG
Non-Executive Independent Director

Mr Duan Yang was appointed to the Board with effect from 24 March 2017.

Mr Duan has significant banking experience gained in Hong Kong, China and France, having served as the Head of Global Markets Division for China in Société Générale Hong Kong and Head of Fixed Income Sales for China in Standard Chartered Bank Hong Kong. He also previously held leadership roles at Bear Stearns and other international banks. He is currently a director of Beijing Nufront Ltd, a company specialising in wireless communications technology, and Fascinating HK Ltd.

Mr Duan holds an MBA from ESSEC Business School in France and a Bachelor in Mathematics from Wuhan University.

Mr Duan was last elected as a Director of the Company on 26 April 2017.

段杨先生
非执行独立董事

段先生于2017年3月24日获委任为非执行独立董事。

段先生在香港，中国和法国的金融业积累了丰富的经验，曾担任香港法国兴业银行全球市场部中国区主管，香港渣打银行中国区销售和固定收益负责人。他也曾在贝尔斯登（Bear Stearns）和其它几家国际银行担任领导职务。目前是北京新岸线有限公司的董事，该公司是一家专门从事无线通信技术的公司，与此同时他也是宏瀚国际（香港）有限公司的董事。

段先生持有法国高等经济商业大学（ESSEC）工商管理硕士学位， 毕业于武汉大学数学系。

段先生于2017年4月26日再次当选为公司董事。

BOARD OF DIRECTORS & KEY EXECUTIVES

MR ZHAI GUIWU
Non-Executive Independent Director

Mr Zhai Guiwu was appointed to the Board with effect from 18 December 2017. He has extensive industry experience in corporate and operational management. His specialisations include risk management, financial management and work safety production management.

Mr Zhai is the former vice president of China Shenhua Energy Company Limited (SH:601088). He was previously the chairman of Shenhua Shendong Coal Group Co., Ltd., and held numerous executive and senior management positions in various companies under China Shenhua Group.

Prior to joining China Shenhua Group in 1999, Mr. Zhai served in senior engineering and management posts at Dayan Mining Bureau. He has held deputy management posts in companies specialising in mechanical, electrical and mining works.

As a professor of engineering, Mr Zhai holds a bachelor's degree from Liaoning Technical University, a master's degree in business administration from Tsinghua University, and a doctorate from China University of Mining and Technology.

翟桂武先生
非执行独立董事

翟先生于2017年12月18日获委任为非执行独立董事。翟先生具有丰富的公司管理运营经验和行业管理经验，尤其擅长风险管理、财务管理和安全生产管理。

翟先生曾担任中国神华能源股份有限责任公司副总裁。翟先生曾任神华神东煤炭集团有限责任公司董事长，中国神华能源股份公司神东煤炭分公司副总经理、执行董事、总经理，神华神东煤炭公司副总工程师兼动力部经理、副总经理。

翟先生1999年加入神华集团前曾任大雁矿务局副总工程师、大雁矿务局电务厂厂长、机电公司副经理、大雁矿务局运销处副处长、一矿副矿长等职务。

翟先生是教授级高级工程师，他毕业于辽宁工程技术大学获学士学位，于清华大学获工商管理硕士学位，于中国矿业大学获博士学位。

MR TEH WING KWAN
Non-Executive Non-Independent Director

Mr Teh Wing Kwan was appointed as Group Chief Executive Officer (CEO) with effect from 3 October 2013 and was re-designated as non-independent non-executive director on 15 December 2017.

Mr Teh specialises in corporate finance, corporate restructuring and mergers and acquisitions. Under Mr Teh's leadership, Sapphire has undergone a major restructuring and corporate transformation exercise since his appointment in 2013. Mr. Teh has also led Sapphire to be the first company listed outside Hong Kong to receive the 2016 Listed Enterprise Excellence Awards from Hong Kong-based Capital Weekly.

Mr Teh, a sophisticated investor, is currently the Chairman of the Board for a company listed on the Mainboard of the Hong Kong Stock Exchange ("HKSE") and an Advisor to the Board of a company listed on the Mainboard of the Singapore Exchange ("SGX-ST"). He has also served as a non-executive director for companies listed on the Australian Securities Exchange, SGX-ST and HKSE.

Mr Teh is a Fellow of the Association of Chartered Certified Accountants (United Kingdom), a Fellow Chartered Accountant of the Institute of Singapore Chartered Accountant, an International Affiliate of the Hong Kong Institute of Certified Public Accountants, a Chartered Accountant of the Malaysian Institute of Accountants, a Full Member of Singapore Institute of Directors and a member of the Hong Kong Securities and Investment Institute. Mr Teh was a nominee for the 2015 and 2016 Asia Pacific Entrepreneurship Awards (Singapore) under the Industrial and Commercial Products Industry as well as the Outstanding Leaders category for the 2017 and 2018 Asia Corporate Excellence & Sustainability Awards.

Mr Teh will retire by rotation at the forthcoming AGM, and has decided not to stand for re-election due to his other corporate appointments.

郑永权先生
非执行非独立董事

郑永权先生于2013年10月3日获委任为集团首席执行官，并于2017年12月15日调任为非执行非独立董事。

郑先生擅长于公司融资和重组并购。自2015年郑先生成为盛世CEO以来他带领盛世进行了重组和转型。在郑先生的领导下，盛世成为第一家在香港以外上市的公司，获颁香港"资本周刊"颁发的2016年上市企业卓越奖。

郑先生目前为一家在香港联交所主板上市公司（"港交所"）的董事会主席，同时也是一家新加坡主板上市公司的董事会顾问（"新交所"）。他还曾担任在澳大利亚交易所、新交所和港交所上市公司的非执行董事。

郑先生是注册会计师公会（英国）资深会员、新加坡特许会计师机构公会的资深特许会计师、香港注册会计师公会国际会员、马来西亚会计师公会注册会计师、新加坡董事协会全职会员和香港证券投资机构会员。郑先生也获提名为2015年和2016年（新加坡）亚太工商行业企业收购专家，也曾为2017和2018年亚洲企业卓越与可持续发展奖的杰出领导者的提名人。

郑先生为能专注于其他董事及企业职务，他将在来临的周年股东大会上卸下盛世董事之职。

BOARD OF DIRECTORS & KEY EXECUTIVES

MR DING RUI
Chief Technical Officer (Non-Board Member)

Mr Ding Rui was appointed as Chief Technical Officer ("CTO") on 28 February 2018.

Mr Ding serves as the chief engineer and general manager of the overseas business department of Ranken Railway Construction Group Co., Ltd ("Ranken Railway"). He is responsible for Ranken Railway's operations in relation to research and development, quality control, work safety, international business development and construction management.

Mr Ding previously served as deputy director of the China Railway System Technology Center and deputy commander of the China Railway System Chengdu-Chongqing Specialised Command.

Mr. Ding is a senior engineering professor and a certified State Council Special Allowance Expert in China. He graduated from Sichuan University with a Ph.D. in Civil Engineering (Geotechnical Engineering) in 2005. He owns 8 patents, 1 monograph for publication (Key Technology for Gas Tunnel Construction) and has won more than 10 provincial and ministerial awards for advancements in science and technology. He is a National May 1 Labor Medalist and a recipient of the Zhan Tianyou Railway Science and Technology Award, Mao Yi Shen Railway Science and Technology Award, National Science and Technology Progress Award by the China Association of Construction Enterprise Management, and the Sichuan Provincial Youth Science and Technology Award, among many other honors.

丁睿先生
首席技术官（非董事局成员）

丁先生于2018年02月28日获委任为首席技术官。

丁先生现任中铁隆工程集团有限公司总工程师兼海外事业部总经理，负责集团公司技术、质量、安全管理及海外事业部经营、生产、日常管理。

丁先生曾担任中铁系统技术中心副主任，中铁系统成渝客专指挥部副指挥长。

丁先生是教授级高级工程师，也是中国国务院特殊津贴专家。他于2005年毕业于四川大学获土木工程（岩土工程）博士学位。他拥有专利授权8项，出版专著1部《瓦斯隧道建设关键技术》，获得省部级科技进步奖10余项，为全国五一劳动奖章获得者，为詹天佑铁道科学技术奖、茅以升铁道工程师奖、中国施工企业管理协会科学技术奖技术创新先进个人及四川省青年科技奖等众多奖项获得者。

MADAM CHEUNG KAM WA, EMMA
Chief Operating Officer (Non-Board Member)

Mdm Cheung Kam Wa, Emma was appointed to the Board with effect from 14 November 2012, having joined as Chief Operating Officer ("COO") on 3 January 2012. She ceased to be a Director while remained as COO on 15 December 2017.

She has more than 20 years of company management experience, mainly in the areas of commodity trading, logistics, mergers and acquisitions. She is also familiar with commercial and accounting regulations in China and Hong Kong.

Prior to joining the Group, Mdm Cheung held senior management positions in Sichuan TranVic Group in China and was the General Manager of HSC Resources Ltd in Hong Kong. As COO, she now assists the CEO with day-to-day operations.

Mdm Cheung holds a Master's degree in Law from the Graduate School of the Chinese Academy of Social Sciences.

张锦华女士
首席营运官（非董事局成员）

张锦华女士在2012年11月14日获委任为公司的董事会成员。她于2012年1月3日加入公司，担任首席营运官。张女士于2017年12月15日卸下其董事之职，并继续担任首席营运官。

她在中国地区拥有超过20年的企业管理经验，尤其是在商品交易、物流、合并以及收购等方面，且熟悉中国和香港的商业和会计法规。

在加入盛世之前，张女士曾经在四川川威集团担任管理层的职位以及香港港威有限公司的总经理。她目前的职务是协助首席执行官处理日常的运作。

她拥有中国社会科学研究生院法学硕士学位。

BOARD OF DIRECTORS & KEY EXECUTIVES

MR NG HOI-GEE KIT
Group Chief Financial Officer (Non-Board Member)

Mr Ng Hoi-Gee Kit was appointed as Chief Financial Officer (CFO) on 23 November 2015.

Mr Ng manages the Group's finance and accounting functions. Prior to rejoining the Group in 2015, he was Group Financial Controller of TLV Holdings Limited (Taka Jewellery Pte Ltd), where he had worked since October 2014. Mr Ng had previously served as CFO of Neijiang Chuanwei Special Steel Corporation Ltd – a legacy subsidiary of Sapphire – from 2009 until 2011, when he became Group CFO. Mr Ng's previous appointments include Senior Audit Manager at KPMG Singapore and Huazhen (Beijing).

Mr Ng graduated from the Association of Chartered Certified Accountants and is a member of the Institute of Singapore Chartered Accountants.

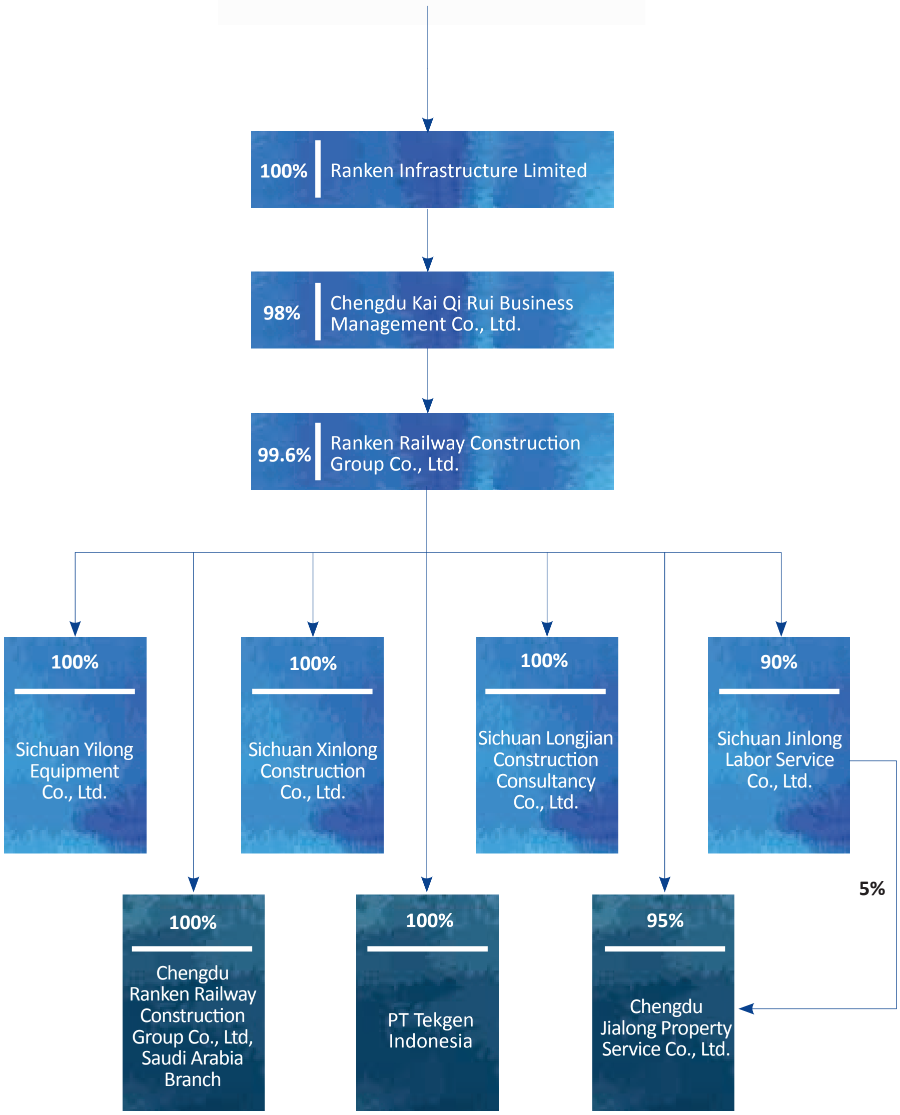
吴海麒先生
集团首席财务官（非董事局成员）

吴海麒先生于2015年11月23日获委任为首席财务官。

吴先生主要负责集团的财务运营。自2014年10月到2015年11月加入集团之前是TLV控股公司（Taka珠宝有限公司）的财务总监。吴先生于2009年–2011年曾担任盛世子公司内江川威特殊钢有限公司的首席财务官，之后成为盛世首席财务官。吴先生曾担任毕马威新加坡和毕马威华振（北京）的高级审计经理。

吴先生毕业于特许公认会计师公会，是新加坡特许公认会计师公会的会员。

CORPORATE STRUCTURE



OPERATION AND FINANCIAL REVIEW

Overview

Sapphire recorded a net profit of RMB44.4 million for FY2017 (FY2016: RMB46.8 million), with a strong top-line growth of 21% to RMB1.3 billion on the back of more ongoing projects in China. Notably, the Group has completed the disposal of its Mining Services Business – classified as discontinued operations which made a net loss of RMB3.2 million for the two months ended 28 February 2017.

Results of Continuing Operations –
(Infrastructure Business and the Company (corporate))

	Group	
	2017 RMB'000	2016 RMB'000
Revenue	1,305,095	1,078,209
Cost of sales	(1,155,165)	(947,073)
Gross profit	**149,930**	**131,136**
Other income	22,035	23,856
Selling and distribution costs	(8,795)	(4,299)
Administrative expenses	(56,783)	(59,252)
Other expenses	(15,400)	(7,958)
Profit from operations	**90,987**	**83,483**
Finance costs	(25,673)	(12,004)
Profit before tax	**65,314**	**71,479**
Tax expense	(20,529)	(14,779)
Profit from continuing operations	**44,785**	**56,700**
Discontinued operations		
Operating loss of discontinued operations	(3,232)	(8,486)
Net gain on disposal of discontinued operations	4,123	–
Profit/(loss) from discontinued operations, net of tax	**891**	**(8,486)**
Profit for the year	**45,676**	**48,214**
Profit attributable to:		
Owners of the Company	44,439	46,834
Non-controlling interest	1,237	1,380
Profit for the year	**45,676**	**48,214**

FY2017 NET PROFIT
RMB 44.4 million

EARNINGS PER SHARE
RMB 13.63 cents
or
Singapore 2.79 cents

Revenue
Rose by RMB 226.9 million to RMB 1.3 billion, on the back of higher number of ongoing projects in China.

Gross profit
In line with the higher revenue, gross profit edged up 14.3% to RMB 149.9 million from RMB 131.1 million in FY2016, whereas gross profit margin narrowed to 11.5% compared to 12.2% in FY2016. The lower margin was mainly due to higher costs of materials; Ranken generally has to bear approximately 5% of material price fluctuation both ways, with project owners bearing any additional cost of fluctuation outside the agreed percentage.

Other income
Fell by RMB 1.8 million to RMB 22.0 million- in the absence of one-off consultancy fees, fair value gain related to the acquisition of Mancala (as a result of a fall in fair value of contingent purchase consideration payable) and net foreign exchange gain, which were recorded in FY2016 but not FY2017. These were mitigated by gain on disposal of subsidiaries arising from reversal of translation differences, as part of the Group's corporate streamlining exercise.

Selling and distribution costs
Rose by RMB 4.5 million to RMB 8.8 million, due mainly to Ranken's higher travelling expenses and project tendering costs, including costs for project assessments.

Administrative expenses
Fell by RMB 2.5 million to RMB 56.8 million due mainly to cost control exercises.

Other expenses
Rose by RMB 7.4 million to RMB 15.4 million mainly due to fair value loss on financial assets amounting to RMB 2.9 million, discounting effect on long-term receivables of RMB 2.2 million and allowance for impairment losses of doubtful receivables of RMB 3.2 million.

Finance costs
Rose by RMB 13.7 million due mainly to higher refinancing costs during the year. Interest expense incurred by Ranken is primarily for its working capital borrowings on average interest cost of 9.7% p.a.

Tax expense
Rose by RMB 5.8 million due mainly to higher non-deductible expenses during the year.

OPERATION AND FINANCIAL REVIEW

Results of Discontinued Operations –
(Mining Services Business)

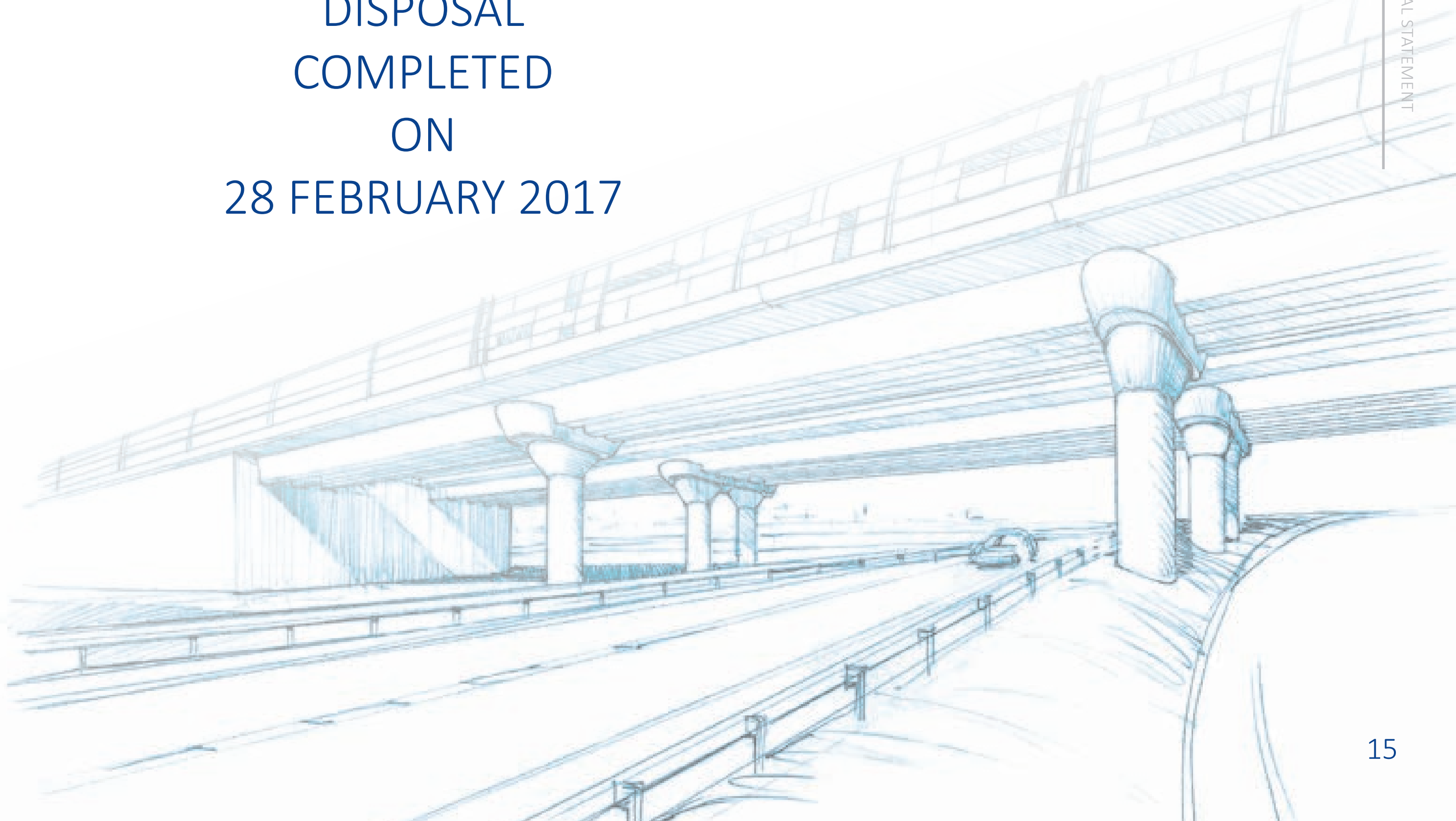
	Group 2017 RMB'000	Group 2016 RMB'000
Revenue	8,675	125,558
Cost of sales	(7,139)	(93,597)
Gross profit	**1,536**	**31,961**
Other income	607	1,472
Administrative expenses	(4,609)	(33,962)
Other expenses	(12)	(5,414)
Loss from operations	**(2,478)**	**(5,943)**
Finance costs	(754)	(2,732)
Loss before tax	**(3,232)**	**(8,675)**
Tax expense	–	189
Loss from discontinued operations	**(3,232)**	**(8,486)**
Gain on disposal of discontinued operations	4,123	–
Profit/(loss) from discontinued operations	**891**	**(8,486)**

The results of Discontinued Operations included (i) net loss for Mancala Group (the Mining Services Business), which is presented as discontinued operations pursuant to the Sale and Purchase Agreement ("SPA") announced on 30 December 2016 to dispose 81% of Mancala Group; and (ii) the Group's net gain on disposal of Mancala Group, the transaction of which was completed on 28 February 2017.

The mining services business made a net loss of RMB 3.2 million in for the 2 months period ended 28 February 2017. On completion of the disposal of Mancala Group, the Group recognised a gain on disposal of RMB 4.1 million, net of the loss incurred on partial settlement of amounts payable to the vendors of Mancala.

81%

DISPOSAL COMPLETED ON 28 FEBRUARY 2017



OPERATION AND FINANCIAL REVIEW

Financial Position – Total Assets	Group 31.12.2017 RMB'000	31.12.2016 RMB'000
Assets		
Property, plant and equipment	138,328	99,649
Intangible assets and goodwill	71,134	71,815
Investment properties	57,094	59,504
Other investments	12,630	100
Other receivables	21,310	–
Deferred tax assets	15,550	18,108
Total non-current assets	**316,046**	**249,176**
Other investments	4,529	–
Inventories	32,603	9,423
Construction work in progress	573,022	398,876
Trade receivables	709,883	653,539
Other receivables	203,234	105,397
Assets classified as held for sale	-	198,973
Cash and cash equivalents	125,748	145,167
Total current assets	**1,649,019**	**1,511,375**
Total assets	**1,965,065**	**1,760,551**

NET ASSETS PER SHARE

RMB 151.76 cents

or

Singapore 31.1 cents

Property, plant and equipment
Rose by RMB 38.7 million due mainly to additions of plant and equipment and site facilities by Ranken for recently secured projects, net of depreciation.

Intangible assets and goodwill
Comprise Ranken's land use rights of RMB 28.7 million and goodwill on acquisition of Ranken of RMB 42.4 million.

Investment properties
Fell by RMB 2.4 million due mainly to depreciation. Comprised certain units in commercial buildings of Ranken (receiving rental income).

Other investments (long-term)
Comprise mainly 19% stake in a former subsidiary company ("Mancala") held as available-for-sale financial assets valued at RMB 12.5 million.

Other receivables (long-term)
Comprise long-term receivables from Mancala amounting to RMB 21.3 million

Other investments (short-term)
Comprise quoted shares held as financial assets designated at fair value through profit or loss of RMB 4.5 million.

Inventories
Rose by RMB 23.2 million, including railway sleeper stock for the Meng Hua project.

Construction work in progress
Rose by RMB 174.1 million due to increased activities of Ranken's infrastructure projects pending certification.

Trade receivables
Rose by RMB 56.3 million (turnaround time of 199 days) given Ranken's higher revenue. Trade receivables included retention monies, Build-and-Transfer contract and other guarantee sums. Excluding which the trade receivables turnaround period would have been approximately 95 days as at 31 December 2017. 99% of trade receivables were not overdue.

Other receivables (short-term)
Other receivables rose by RMB 97.8 million related mainly to Ranken's materials procured on behalf of project owners and refundable security deposits placed with the project owners.

Assets classified as held for sale
Related to assets of the Mining Services Business (discontinued operations) where the disposal of a significant stake in Mancala was completed on 28 February 2017.

Cash and cash equivalents
Fell by RMB 19.4 million to RMB 125.7 million due mainly to net cash outflow in investing activities resulting from higher capital expenditure requirements.

OPERATION AND FINANCIAL REVIEW

Financial Position – Total Equity and Liabilities	Group 31.12.2017 RMB'000	31.12.2016 RMB'000
Equity		
Share capital	413,839	413,393
Reserves	81,021	50,022
Equity attributable to owners of the Company	**494,860**	**463,415**
Non-controlling interests	9,708	8,471
Total equity	**504,568**	**471,886**
Liabilities		
Other payables	–	19,620
Financial liabilities	120,145	14,419
Deferred tax liabilities	6,852	7,028
Total non-current liabilities	**126,997**	**41,067**
Trade payables	650,445	526,341
Other payables	466,120	357,105
Progress billings in excess of construction work in progress	52,516	82,754
Financial liabilities	144,201	159,619
Current tax liabilities	20,218	23,418
Liabilities classified as held for sale	–	98,361
Total current liabilities	**1,333,500**	**1,247,598**
Total liabilities	**1,460,497**	**1,288,665**
Total equity and liabilities	**1,965,065**	**1,760,551**

FY2017 EQUITY

RMB 494.9
million

↑ **RMB 31.4**
million

- **Equity**
  Rose by RMB 31.4 million after accounting for (i) earnings of RMB 44.4 million for the current year and (ii) issuance of shares net of expenses under the Shares Award Scheme of RMB 0.4 million, offset by (iii) net movements in foreign currency translation reserve of RMB 11.9 million, after taking into account translation effects on disposal of foreign subsidiaries and translation of non-RMB denominated financial statements to RMB and (iv) fair value movement of available-for-sale financial asset amounting to RMB 1.5 million.

- **Non-controlling interests**
  Relate to 2.4% held by minority shareholders in the capital of Ranken Railway Construction Group Co., Ltd and its subsidiaries.

- **Other payables (long-term)**
  Fell by RMB 19.6 million due to partial repayment amounting to RMB 19.2 million and the remainder is payable within one year.

- **Total current and long-term financial liabilities**
  Rose by RMB 90.3 million due mainly to refinancing of bank loans, bond proceeds and new finance lease liabilities, net of repayment during the year.

- **Trade payables**
  Rose by RMB 124.1 million due mainly to higher purchases for higher project activities during the year.

- **Other payables (short-term)**
  Rose by RMB 109.0 million to RMB 466.1 million due mainly to (i) higher cash advances from clients as new projects commence the construction phase; and offset by (ii) settlement of consideration payable to Mancala's vendor and the remaining of which is expected to be settled in 1Q2018.

- **Progress billings in excess of construction work in progress**
  Fell by RMB 30.2 million due mainly to lower amount of advance billings made to project owners.

- **Liabilities classified as held for sale**
  Related to the liabilities of the Mining Services Business (discontinued operations) where the disposal of a significant stake in Mancala was completed on 28 February 2017.

OPERATION AND FINANCIAL REVIEW

Cash Flow	2017 RMB'000	2016 RMB'000
Cash flows from operating activities		
Operating profit before working capital changes	132,374	137,356
Changes in working capital	(100,443)	80,964
Cash flows generated from operations	**31,931**	**218,320**
Tax paid	(21,334)	(17,044)
Net cash generated from operating activities	**10,597**	**201,276**
Net cash (used in)/generated from operating activities from discontinued operations (Note A)	(5,057)	26,972
	5,540	**228,248**
Cash flows from investing activities		
Net cash used in investing activities	**(82,259)**	**(55,108)**
Net cash generated from/ (used in) investing activities from discontinued operations (Note A)	13,101	(359)
	(69,158)	**(55,467)**
Cash flows from financing activities		
Net cash generated from/ (used in) financing activities	**34,616**	**(144,471)**
Net cash used in financing activities from discontinued operations (Note A)	(2,250)	(16,790)
	32,366	**(161,261)**
Cash and cash in the cashflow statement	**117,729**	**134,517**

Net cash generated from operating activities

Decreased by RMB190.7 million mainly due to increase in working capital for construction work in progress and trade and other receivables net of higher trade and other payables, on the back of higher number of ongoing projects.

Net cash used in investing activities

Increased by RMB27.2 million mainly due to investment in equipment and facilities for the initial stages of Ranken's new projects, as well as environmental compliance requirements.

Net cash generated from/(used in) financing activities

Cash flows generated from financing activities of continuing operations for FY2017 were RMB34.6 million, due mainly to proceeds from bank loans, finance lease liabilities and bonds of RMB260.0 million for refinancing of Ranken's working capital, offset by repayment of bank loans, finance lease liabilities and interest expense, and loan from a previous shareholder of Ranken's subsidiary amounting to RMB225.4 million.

Overall

Cash and cash equivalents fell by RMB16.8 million to RMB117.7 million (net of fixed deposits pledged of RMB8.0 million) during FY2017.

Note A

Cashflow from discontinued operations relates to that of the Mining Services Business which was disposed on 28 February 2017.

Proposed full-year dividend of **Singapore 0.1** cents

SUSTAINABILITY REPORT

The Group's sustainability report (the "Sustainability Report") demonstrates the Group's consideration of sustainability issues as part of its strategic formulation and business strategies. Taking into account the Environmental, Social and Governance ("ESG") factors since the acquisition of Ranken Infrastructure Limited and its subsidiaries ("Ranken") in October 2015, Sapphire began publishing its maiden Sustainability Report in FY2016. The Group will publish Sustainability Reports on a yearly basis as part of its Annual Report.

Board Statement: Sapphire is committed to good corporate governance and sustainable business practices that foster best practices, transparency, accountability and integrity for the long-term sustainability of our business and value creation for our stakeholders.

The Group aims to align its business interests with that of its stakeholders in order to create long-term value. To this end, it maintains a programme of ongoing stakeholder engagement and continually monitors the impact that its business activities or actions may have on the environment and communities in which it operates, and recognises the importance of healthy ecosystems and social equity.

SCOPE OF REPORT

The Sustainability Report focuses on addressing material ESG factors to provide readers with an accurate and meaningful overview on how sustainability issues are managed, in line with Singapore Exchange's Listing Rules 711A and 711B for listed companies.

The Sustainability Report has been complied with references mainly from Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (G4) and the Third Edition of Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (Construction Industry) (中国企业社会责任报告编写指南 (CASS-CSR3.0) – 建筑业) published by the Corporate Social Responsibility Research Center of the Chinese Academy of Social Sciences.

The Sustainability Report does not cover the mining services operations, which was disposed of in February 2017, and includes all entities disclosed in the Corporate Structure on page 13 of the Annual Report. The Sustainability Report covers the fiscal period from 1 January 2017 to 31 December 2017. The information and data are reported in good faith as the Group continually strengthens its data collection processes.

The Group believes that there is still room for improvement in certain areas of its reporting. As such, this report may not have necessarily documented or provided a comprehensive list of information in relation to all efforts, procedures and practices which the Group has adopted as best practices for its infrastructure business.

SUSTAINABILITY REPORT

OTHER BUSINESS INFORMATION

In addition to information provided elsewhere in the Annual Report, other business information of the Group is as follows:

ASSOCIATION MEMBERSHIP

Ranken is a member of the below associations:

- China Civil Engineering Society (中国土木工程学会)
- The International Society for Trenchless Technology (国际非开挖技术学会)
- The Specialised Committee for Trenchless Technology of the Geological Society of China (中国地质学会非开挖技术专业委员会)
- China National Association of Engineering Consultants (中国工程质询协会)
- China Association of International Engineering Consultants (中国国际工程质询协会)
- Architectural Society of China (中国建筑学会)
- China Society of Explosives and Blasting (中国工程爆破协会)
- China Urban Rail Transit Association (中国城市隧道交通协会)
- China Geotechnical and Anchoring Association (中国岩土锚固工程协会)
- China Association of Railway Engineering Construction (中国铁道工程建设协会)
- China Shipper's Association (中国对外贸易经济合作企业协会)
- China International Contractors Association (中国对外承包工程商会)
- China Tendering and Bidding Association (中国招标投标协会)

Certain names above have been translated into English from Chinese (in the event of any inconsistency, the Chinese name shall be used).

Revenue

The Group provided construction and services (design, supervision and consultancy), as well as equipment leasing, during the year (see Notes to Financial Statements in page 112 of Annual Report) with percentage of revenue as follows:

	2017	2016
Construction contracts (including related interest income)	91.2%	94.1%
Rendering of services	5.2%	5.4%
Leasing and sale of equipment	3.6%	0.5%
Total	**100%**	**100%**

The Group's infrastructure revenue was derived primarily from China with the percentage breakdown as follows (see Notes to Financial Statements in page 131 of Annual Report):

	2017	2016
China	94.8%	99.5%
Other countries (Bangladesh, India and Sri Lanka)	5.2%	0.5%
Total	**100%**	**100%**

The Group carried out 19 (2016: 15) significant construction contracts in various cities across China and 3 (2016: Nil) construction contracts in Sri Lanka during the year.

ISO CERTIFICATES

The Group recognises the importance of sustainable development issues such as product quality, environmental protection and work safety, and has obtained the following certificates of compliance from the International Organization for Standardization (ISO):

ISO Number	Description
ISO 9001: 2015	Engineering Construction Organisation Quality Management System
ISO 14001: 2015	Environmental Management System
OHSAS 18001: 2007	Occupational Health and Safety Management System

SUSTAINABILITY REPORT

One of the largest cross-section cuts in Asia – underground construction of Chongqing Rail Transit Line 6 - Jin Shan Si Station (two-layer train station with 307 m^2 section excavation area)

ANTI-CORRUPTION

The Group is committed to upholding integrity and combating corruption in all its forms. The Group requires all employees to comply with the relevant anti-corruption legislation in all markets where it operates.

During the year, the Group:

– Implemented System of Internal Control for Related Relationship《关联关系内部控制制度》and System of Avoidance for Job Posting《岗位回避制度》; and

– Conducted 22 training sessions for 635 employees to raise awareness of corruption.

There were no instances of major corruption for the Group during the year.

MATERIAL ESG FACTORS

Based on feedback gathered from stakeholders, the Group has identified certain key ESG factors:

(i) Employees
- – Fair and standard employment
- – Training and development
- – Occupational health and safety

(ii) Environment

(iii) Community

(iv) Innovation

(v) Stakeholder Communications

(vi) Corporate Governance (see pages 29 to 55)

This Sustainability Report, together with the Corporate Governance Report, provides details of the Group's ESG factors and the policies, practices and performance of the business operations addressing these material ESG factors. The Group has not but will consider setting targets for material ESG factors going forward.

SUSTAINABILITY REPORT

EMPLOYEES

The Group firmly believes that its success comes from its continued investment in employees. The Group's sustainable development and growth depends on a steadfast strategy of hiring, retaining and nurturing qualified and experienced personnel. The Group's Human Resources strategy recognises the importance of social equity and the provision of equal opportunities in an environment that is safe and healthy for employees.

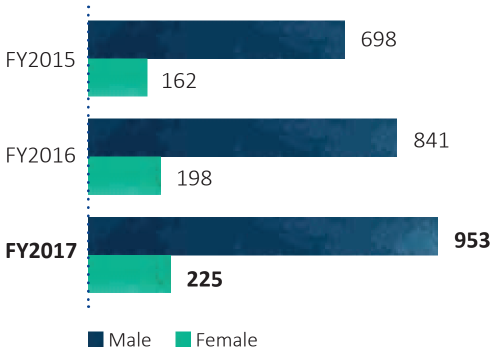
62 years old blasting engineer

FAIR AND STANDARD EMPLOYMENT

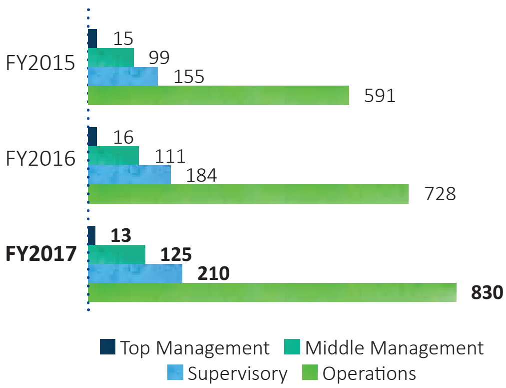
The Group practices fair hiring without prejudice, regardless of age, gender, religion and ethnicity. The Group does not and strictly forbids its labour sub-contractors to hire child labour, in accordance with the People's Republic of China's ("PRC") Labour Law and the Law on Protection of Minors 《中华人民共和国劳动法》和《中华人民共和国未成年人保护法》.

As at 31 December 2017, the Group had approximately 1,178 employees, the majority of whom are stationed in the PRC. Approximately 19% of the Group's workforce and 30% of top management is female. The Group provides reasonable incentives and competitive salaries. All employees are entitled to annual leave depending on their grade and there is no differentiation of pay packages between male and female employees. The Group also pays employees adequate social insurance and housing funds to protect employees' interests.

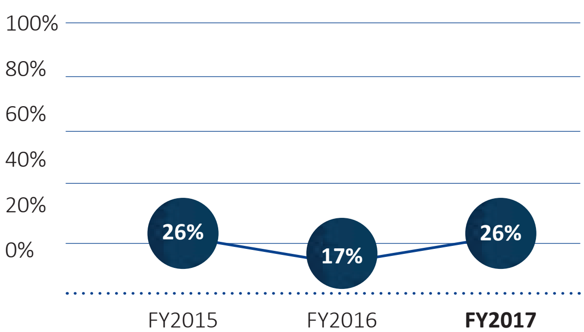
GENDER DISTRIBUTION OF EMPLOYEES



EMPLOYMENT TYPE



YEARLY TURNOVER RATE



SUSTAINABILITY REPORT

TRAINING AND DEVELOPMENT

The Group embraces the philosophy of investing in its people by providing comprehensive training and development opportunities that enhance professional and technical expertise, so that staff can continuously improve their skills and grow within the Group.

In FY2017, the number of annual training hours used was approximately 31 hours per employee. The Group is committed to continuously providing quality training and development programs to help employees maximise their potential. The Group also has a one-to-one mentorship policy for talent development "导师带徒", where teachers and apprentices' communicate regularly to improve the junior employees' professional and technical knowledge and quality of work as well as guide their development.

AVERAGE TRAINING HOURS PER EMPLOYEE

The Group follows the principle of "objectivity, fairness, openness and scientific system" "客观、公正、公开、科学" and carries out employee performance appraisals every year based on the aspects of "integrity, ability, effort and performance" "德、能、勤、绩". Job promotions and adjustments, bonuses and increments are based on the results of these evaluations.

New recruit orientation program – Group Cohesion

OCCUPATIONAL HEALTH AND SAFETY

The Group recognises the importance of occupational health and safety in its development of a competitive workforce. Due to the higher risk posed by the Group's construction-related activities, work safety management is a top priority.

The Group actively creates and promotes safe workplaces across all project sites to ensure that employees are able to perform their duties safely, as well as to minimise the risk of accidents and/or casualties. This commitment to safety not only fosters a harmonious and respectful work culture but also boosts staff morale and increases client satisfaction levels.

Health and Wellness

In addition to training and development, the Group believes employees' mental and physical health and wellness are of equal importance for staff retention. The Group provides regular medical and physical check-ups for employees, establishes health records, and provides special checklists for staff of different ages and positions to ensure their health and well-being.

In addition to providing certain staff with transport and telephone bills reimbursement to improve employees' daily life, the Group also provides financial assistance to workers facing major difficulties such as sickness and/or other special reasons. The Group provides paid maternity leave to its female employees.

By using green equipment and construction practices, as well as providing high-quality personal protective equipment, the effects of harmful gases, dust and noise at work sites are greatly reduced and minimise the risk of occupational health issues.

Work Safety Policies and Management Systems

The Group adheres to the mission of "people-oriented and safe development" "以人为本、安全发展", focusing on "safety, stability and control" "安全、稳定、可控" and an attitude of continuous improvement to its work safety management systems "安全工作只有起点，没有终点".

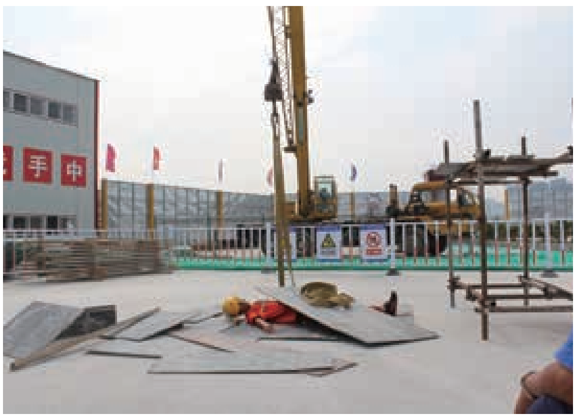
The Group's standardised company-wide policy includes the maintenance of a comprehensive set of work safety management systems. These include procedures for operation of machinery, occupational health and safety practices, emergency rescue plans, environmental protection practices for construction projects, methods of safe explosives management, and a strict system of safety assessments and incentives.

SUSTAINABILITY **REPORT**

The Group holds the Certificate for Work Safety Standardisation – 3rd Level (安全生产标准化三级企业证书) from Chengdu Province Administration of Work Safety in the PRC, demonstrating its compliance with health and safety standards. Other than on-site control, the Group has also introduced and adopted a variety of measures to eliminate the risk of accidents. These include methods such as ad-hoc work safety checks and the monthly investigation and management of major accidents (should any arise) as well as project risk identification and control.

During the year, the Group held targeted training sessions to reiterate the importance of work safety and various emergency drills across project sites, such as serious injuries from fallen heavy objects, broken pipelines, fires and more.

Safety is one of the Group's highest priorities and greatest ongoing concerns. The Group is dedicated to the continuous and sustainable improvement of its work safety management systems, as well as its goal of having zero injuries.



Emergency drill for serious injuries from fallen heavy objects

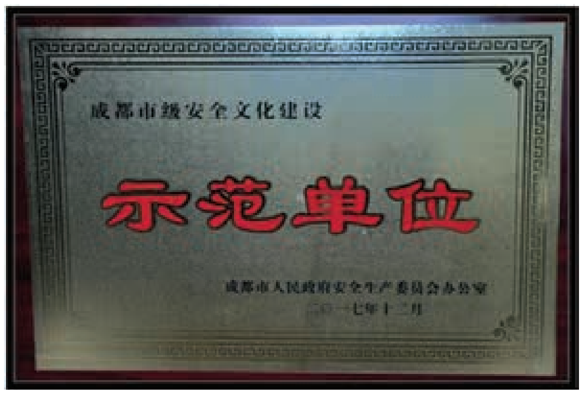
Emergency drill for broken pipelines

Certificates and Awards

The Group now has 24 (2016: 18) safety engineers registered with the Ministry of Human Resources and Social Security of the PRC and 163 (2016: 144) full-time work safety management staff. There are three categories of construction work safety certificates (建安证) ("Work Safety Certificate") issued by the Ministry of Housing and Urban – Rural Development in the PRC, namely Category A, B and C. Of the Company's work safety management staff, 7, 64 and 90 (2016: 7, 56 and 81) staff hold Work Safety Certificates in Categories A, B and C, respectively.

The Group has been certified compliant with OHSAS 18001: 2007 – Occupational Health and Safety Management System for its measures to ensure employees' occupational health and safety requirements are met.

During the year, the Group was awarded the title of "Chengdu Municipal Safety Culture Construction Model Company" issued by the Office of the Safety Production Committee of the People's Government of Chengdu.



Chengdu Municipal Safety Culture Construction Model Company

ENVIRONMENT

The Group is committed to sustainable environmental practices, which play a critical role in preserving, protecting and improving the environment. All employees must adhere to the Group's policy of "green construction, energy saving and emission reduction".

The Group constantly strives to improve its environmental management systems, and conveys the concept of green construction to every employee and project construction. Green Practices for Construction ("Green Construction") include energy and water conservation, minimising waste and pollution, excessive noise, construction waste management, and more.

The Group has also implemented a water recycling system, the use of electric dump trucks and electric machinery, dust removal vehicles, automatic spraying systems for vehicle entering and exiting project sites, enclosed construction site to reduce dust emission and noise, and other Green Construction equipment.

SUSTAINABILITY REPORT

Dust removal vehicle

Enclosed construction site in Guiyang

The Group emphasises environmental protection not only in its construction processes, but also through various community activities to increase residents' environmental awareness and advocate a low-carbon lifestyle.

During the year, the Group spent RMB 16.9 million on environmental protection and did not commit any major violation of environmental issues. The Group has been certified compliant with ISO 14001: 2015 – Environmental Management System, where measures are implemented to reduce pollutant emissions and reduce consumption of energy and resources. The total energy consumption of the Group this year was 8,751 tons of standard coal (including electricity, petrol and diesel).

Pictured below are exchanges with community residents at Dalian Metro Line 5 to brief them on Green Construction and obtain their feedback for improvement.

Also depicted is Taiyuan Metro Line 2, where construction professionals including design institutes, construction units and supervision units – totalling more than 100 people – were invited to visit and observe the Group's Green Construction Practices. The initiative was organised by the Municipal Government, and the Group's site was chosen for its effective Green Construction Practices.

Gathering feedback for improvement from residents at Dalian Metro Line 5

Resident briefing session at Dalian Metro Line 5

Exhibition of Green Construction Practices at Taiyuan Metro Line 2

Exhibition of Green Construction Practices at Taiyuan Metro Line 2

SUSTAINABILITY **REPORT**

COMMUNITY

The Group believes that corporate social responsibility goes beyond job creation and economic contribution and should also include giving back to the community. It actively organises and participates in various charitable activities and volunteer projects to support education, sports and culture, as well as elevating poverty causes. Below are some of the activities:

11 students from the 2017 Zhan Tianyou (詹天佑) class of the Department of Underground Engineering of the Civil Engineering Faculty of Southwest Jiaotong University underwent a one-month internship in the Group this year. This prestigious class is named after Zhan Tianyou, a pioneer in Chinese railroad engineering who is known as the “Father of China’s Railroad”.

Students from the 2017 Zhan Tianyou (詹天佑) Class

The Group donated RMB200,000 worth of cash, computers, medical equipment, daily necessities and other materials to aid various villages in the township of Baiyü County (白玉县), a county in China’s far western Sichuan province which borders the Tibet Autonomous Region. The donation was part of an exchange between the Group and various villages in Baiyü County, where the Group commits to the collaborative promotion of economic, social and talent exchange with a view to elevate poverty in the region.

Elevating poverty at Baiyü County (白玉县)

INNOVATION

The Group believes that innovation is one of the core pillars of sustainability and a key aspect of corporate growth. The Group has an experienced technical team of industry veterans, of which 25 are doctoral or master’s degree holders.

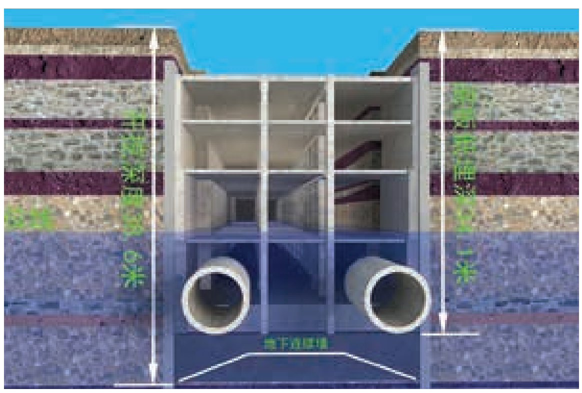
By rapidly adopting technological advancements and committing to independent innovation in all aspects of business, the Group streamlined construction processes and effectively managed all projects to final delivery in a timely fashion.

Its achievements during the year include:

- a research study by Ranken Research and Design centre together with Southwest Jiaotong University on the application of BIM technology in the whole life cycle of urban rail transit, which took seven years to complete, received high praise from the Sichuan Provincial Economic and Information Committee and was described as being of an advanced international standard. The research integrated BIM, 3D Graphic Information System, virtual and augmented reality, cloud computing, big data, artificial intelligence and other technologies for the purpose of engineering visualisation, information and data collection and development of intelligence capability;

- provision of a solution for an underwater excavation and sealing method to be applied in Beijing Metro Line 8 outside Yongding Station. This marked the first time in China where such innovation was used in metro construction. The solution is intended to improve safety and quality levels by using BIM technology from preliminary design stages to 3D construction monitoring so as to pre-empt and solve problems, as well as 3D post-construction analysis; and

- design, build and construction of a complex infrastructure combination of Jian Cao Ping flyover（太原尖草坪立交桥）, train tunnels and Xijianhe Station（西涧河站）as part of Taiyuan Metro – Line 2, the city’s first metro line.



Underwater excavation and sealing using BIM technology

SUSTAINABILITY REPORT

Design, build and construction of a complex infrastructure combination of flyover, train tunnels and train station as part of Taiyuan Metro – Line 2, the city's first metro line.

STAKEHOLDER COMMUNICATIONS

The Group understands the need for direct and frequent stakeholder communications, which are highly relevant to the sustainable development of the Group.

The Group actively communicates and interacts with stakeholders during the course of daily operations to understand and address the demands and concerns of all parties. In addition to meeting stakeholders, the Group participates in conferences and exchanges with the Associations detailed earlier in order to contribute to different areas of the industry, as well as stay abreast of industry trends. Such communications play a key role in Group-wide decision-making processes.

During the year, the Group was diligent in disclosing its quarterly results to the financial community in Singapore, where it is listed on the SGX Mainboard. Its senior management personally engaged with institutional and retail investors and analysts from securities houses. At the FY2016 AGM on 26 April 2017, the then-CEO Mr Teh Wing Kwan held a lengthy and meaningful discussion with shareholders. On 10 March 2018, the current CEO Ms Wang Heng presented at SGX-Shares Investment's Convention on "China – Asean's New Best Friend" and was featured in Shares Investment's publication in both English and Chinese.

To affirm its commitment to shareholders, the Group has proposed a full-year dividend of 0.1 Singapore cent for the 12 months ended 31 December 2017.

Ms Wang Heng, FY2017 Results Briefing

Ms Wang Heng, SGX-Shares Investment's Convention on "China – Asean's New Best Friend"

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CORPORATE GOVERNANCE REPORT

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

This report describes the Company's corporate governance processes and framework and practices that were in place during the financial year ended 31 December 2017 ("FY2017"), in compliance with and with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 (the "Code"). Taking into consideration the need to balance enterprise and accountability, and the unique characteristics of the industry and maturity of each company, the Company notes that Corporate Governance Committee's recommendation that a one-size-fits-all, prescriptive approach may not be suitable for all listed companies. The Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable. Where the Company has therefore not complied fully with the guidelines of the Code, explanations and alternative corporate governance practices adopted by the Company in lieu of the recommendations have been provided in the sections in respect of the relevant guidelines.

THE CODE

The Code is divided into four main sections:

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

(A) BOARD MATTERS

PRINCIPLE 1: BOARD'S CONDUCT OF ITS AFFAIRS

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

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

- to set and guide the corporate strategy and directions of the Group, approve the broad policies, strategies and financial objectives of the Group;
- to establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;
- to review and monitor the performance of management;
- to identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;
- to provide guidance on values, ethics, standards and obligations to shareholders and other stakeholders to the Company;
- to consider sustainability issues such as environmental and social factors, as part of strategic formulation;
- to ensure effective management leadership of the highest quality and integrity;
- to approve annual budgets, major funding proposals, investment and divestment proposals; and
- to provide overall insight in the proper conduct of the Group's business.

CORPORATE **GOVERNANCE REPORT**

Matters that require board approval include:

- annual budgets of the Group;
- mergers and acquisitions;
- material acquisitions and disposals of assets;
- corporate or financial restructuring;
- major investments and divestments;
- issuance of new shares;
- proposal and declaration of dividends;
- major corporate policies on key areas of operations; and
- the release of the Group's quarterly and full-year results.

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

The schedules of all the Board and Committee meetings as well as the Annual General Meeting for the next calendar year are planned in advance. The Board conducts at least four meetings a year and where necessary, additional board meetings are held to review, discuss and address significant issues or transactions. The Company's Constitution allows a board meeting to be conducted by way of a telephone conference or by means of similar communication equipment, which facilitates the participation of Directors in Board and Board Committee meetings. The Board may also make decisions via circulating board resolutions. The independent directors also meet on a needs-basis without the presence of the management to discuss matters such as the Group's financial performance, management leadership and management performance.

CORPORATE GOVERNANCE REPORT

In FY2017, the Board held four meetings. The attendance of the Directors at meetings of the Board and Board Committees during FY2017 is as follows:

	BOARD		AUDIT AND RISK COMMITTEE		NOMINATING COMMITTEE		REMUNERATION COMMITTEE	
	No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr Cheung Wai Suen(1)	4	4	4	4^	1	1^	1	–
Ms Wang Heng(2)	4	4	4	4^	1	1^	1	–
Mr Teh Wing Kwan(3)	4	4	4	4^	1	1^	1	–
Mr Oh Eng Bin(4)	4	–	4	–	1	–	1	–
Mr Zhai Guiwu(5)	4	–	4	–	1	–	1	–
Mr Duan Yang, Julien(6)	4	2	4	2	1	–	1	–
Mr Lim Jun Xiong, Steven(7)	4	4	4	4	1	1	1	1
Mr Fong Heng Boo(7)	4	4	4	4	1	1	1	1
Mr Tao Yeoh Chi(7)	4	4	4	4	1	1	1	1
Mdm Cheung Kam Wa Emma(7)	4	4	4	4^	1	1^	1	–
Mr Yang Jian(7)	4	4	4	4^	1	1^	1	1
Mr Teo Cheng Kwee(8)	4	1	4	1^	1	1	1	1

Notes:

^ By invitation

(1) On 28 February 2018, Mr Cheung Wai Suen was appointed as the Chairman of the Board.

(2) On 24 March 2017, Ms Wang Heng was appointed as a member of the Nominating Committee. On 15 December 2017, Ms Wang Heng was appointed as Chief Executive Officer.

(3) On 24 March 2017, Mr Teh Wing Kwan was appointed as a member of the Nominating Committee. On 15 December 2017, he was re-designated as a Non-Independent Non-Executive Director of the Company.

(4) On 18 December 2017, Mr Oh Eng Bin was appointed to the Board as an Independent Non-Executive Director, the Chairman of the Remuneration Committee, a member of the Audit and Risk Committee and a member of the Nominating Committee. On 28 February 2018, he was appointed as Lead Independent Director.

(5) On 18 December 2017, Mr Zhai Guiwu was appointed to the Board as an Independent Non-Executive Director, the Chairman of the Nominating Committee, a member of the Audit and Risk Committee and a member of the Remuneration Committee.

(6) On 24 March 2017, Mr Duan Yang, Julien was appointed to the Board as an Independent Non-Executive Director, a member of the Audit and Risk Committee and a member of the Remuneration Committee. On 18 December 2017, he was appointed as the Chairman of the Audit and Risk Committee and a member of the Nominating Committee.

(7) Mr Lim Jun Xiong, Steven, Mr Fong Heng Boo, Mr Tao Yeoh Chi, Mdm Cheung Kam Wa, Emma and Mr Yang Jian have ceased to be Directors of the Company on 15 December 2017.

(8) Mr Teo Cheng Kwee retired at the AGM held on 26 April 2017.

When new Directors are appointed to the Board, they are provided with a formal letter setting out the Director's duties and responsibilities, and are required to undergo an orientation programme. The orientation programme for a new Director is intended to provide background information on the Group and industry-specific knowledge, and includes briefings by the Group Chief Executive Officer ("Group CEO") or Chief Executive Officer ("CEO") (as the case may be) on the Group's investment strategies, growth initiatives, business policies and governance practices; arrangements for on-site visits to the various overseas places of operations are made to familiarise a new Director with the Group operations.

CORPORATE GOVERNANCE REPORT

Continuous and ongoing training programmes are also encouraged and made available to the Directors and are funded by the Company including participation at courses, seminars and talks on directors' duties and responsibilities and new or updates to laws, regulations and commercial risks which are relevant to the Group. To keep pace with regulatory changes, the Director's own initiatives are supplemented from time to time with information, updates and sponsored seminars conducted by external professionals, including any changes in legislation and financial reporting standards, government policies and regulations and guidelines from SGX-ST that affect the Group and/or the Directors in discharging their duties. The Directors are informed of developments relevant to the Group, including changes in laws, regulations and risks that may impact the Group.

To keep the Directors abreast of developments in the Group's complex industries as well as the Group's operations in China, site visits and interactions with the management team in the Group's subsidiaries in China are arranged accordingly. Directors are routinely briefed via detailed presentations on the development and progress of the Group's key operations.

During FY2017, the Board was briefed on the global sustainability issues and developments, changes and developments in financial reporting standards by the external auditors, policies changes in countries where the Group operates and information technology (including cyber-security), etc. Information on conference, seminars and programmes organised by external parties received from time to time are made available to the Directors for their participation.

The Group CEO or CEO (as the case may be) also updates the Board at each meeting on strategic direction and developments pertaining to the Group's investments. The Directors may also, at any time, visit the Group's operations and facilities to gain a better understanding of the Group's business. If any specific or local regulatory change has a material impact on the Group, the management will brief the Directors at Board meetings.

PRINCIPLE 2: BOARD COMPOSITION AND BALANCE

During FY2017, prior to 15 December 2017, the Board comprised 9 Directors (including Mr Duan Yang, Julien, who was appointed to the Board on 24 March 2017, and excluding Mr Teo Cheng Kwee, who retired at the AGM held on 26 April 2017), among whom 1 is a Non-Independent and Non-Executive Director, 4 are Independent Directors and 4 are Executive Directors.

During FY2017, subsequent to 18 December 2017, the Board comprised 6 Directors, among whom 1 is a Non-Independent and Non-Executive Director, 3 are Independent Directors and 2 are Executive Directors. On 28 February 2018, Mr Cheung Wai Suen was appointed as the Chairman of the Board and Mr Oh Eng Bin was appointed as Lead Independent Director.

The Board considers an Independent Director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgment of the Group's affairs with a view to the best interests of the Company. The Board is able to exercise objective judgment on corporate affairs independently and constructively challenge key decisions and strategies taking into consideration the long term interests of the Group and its shareholders, as Independent Directors, who includes the Chairman of the Board, comprised more than one-third of the Board during FY2017 (prior to 15 December 2017). Each of the Audit and Risk Committee, Nominating Committee and Remuneration Committee is also chaired by an Independent Director and comprises of a majority of Independent Directors.

Subsequent to the changes in the Board composition in December 2017, from 18 December 2017, Independent Directors form half of the Board. Each of the Audit and Risk Committee, Nominating Committee and Remuneration Committee is also chaired by an Independent Director and comprises of a majority of Independent Directors.

CORPORATE **GOVERNANCE REPORT**

The Board comprises the following members (the "FY2017(II) Board"):

Mr Cheung Wai Suen	–	Executive Director and Chairman of the Board
Ms Wang Heng	–	Executive Director and CEO
Mr Teh Wing Kwan	–	Non-Independent Non-Executive Director (retiring and will not stand for re-election in the upcoming AGM)
Mr Oh Eng Bin	–	Lead Independent Non-Executive Director (appointed on 18 December 2017)
Mr Duan Yang, Julien	–	Independent Non-Executive Director (appointed on 24 March 2017)
Mr Zhai Guiwu	–	Independent Non-Executive Director (appointed on 18 December 2017)

During FY2017, prior to 15 December 2017, the Board comprised of the following members (the "FY2017(I) Board"):

Mr Lim Jun Xiong, Steven	–	Chairman, Independent Non-Executive Director (ceased to be Director on 15 December 2017)
Mr Teh Wing Kwan	–	Group CEO and Managing Director (retiring and will not stand for re-election in the upcoming AGM)
Mdm Cheung Kam Wa, Emma	–	Executive Director and Chief Operating Officer (ceased to be Director on 15 December 2017)
Ms Wang Heng	–	Executive Director
Mr Cheung Wai Suen	–	Executive Director
Mr Fong Heng Boo	–	Independent Non-Executive Director (ceased to be Director on 15 December 2017)
Mr Tao Yeoh Chi	–	Independent Non-Executive Director (ceased to be Director on 15 December 2017)
Mr Teo Cheng Kwee	–	Non-Independent Non-Executive Director (retired at AGM held on 26 April 2017)
Mr Yang Jian	–	Non-Independent Non-Executive Director (ceased to be Director on 15 December 2017)
Mr Duan Yang, Julien	–	Independent Non-Executive Director (Appointed on 24 March 2017)

There is no alternate director on the Board.

The NC is responsible for and reviews the independence of each Director annually. The NC adopts the Code's definition of what constitutes an Independent Director in its review. Each Independent Director is also required to complete a Director's Independence Form annually to confirm his independence based on the guidelines as set out in the Code. The Company's current Independent Directors, namely Mr Duan Yang, Julien, Mr Oh Eng Bin and Mr Zhai Guiwu, and the Company's former Independent Directors in FY2017, namely, Mr Lim Jun Xiong, Steven, Mr Fong Heng Boo and Mr Tao Yeoh Chi have each confirmed that they do not have any relationship with the Company or shareholders, its related corporations or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interests of the Company. The Board, with the recommendation and concurrence of the NC, has reviewed and determined that the said Directors are independent.

There is no Independent Director who has served on the Board for more than nine years.

In the previous FY2017(I) Board, there is a clear separation of the roles of the Chairman (who is an Independent Director) and the Group CEO and Managing Director. This will provide a healthy professional relationship between the Board and Management to shape the strategic process. As the Independent Non-Executive Chairman was not the same person as the Group Chief Executive Officer, an immediate family member of the Group Chief Executive Officer or part of the management team, and he was an Independent Director, it was not a requirement for the Independent Directors to make up at least half of the Board pursuant to Guideline 2.2 of the Code, and the Company had not appointed an independent director to be the Lead Independent Director. In the FY2017(I) Board, Independent Directors made up at least one-third of the Board.

CORPORATE **GOVERNANCE REPORT**

In the current FY2017(II) Board, as the Chairman is an Executive Director, in accordance with Guideline 3.3 of the Code, Mr Oh Eng Bin was appointed as the Lead Independent Director. In accordance with Guideline 3.3 of the Code, Mr Oh Eng Bin, as Lead Independent Director, is available to shareholders should they have any concerns for which contact through the normal channels of the Chairman, CEO or the Group CFO has failed to resolve or is inappropriate. In the FY2017(II) Board, Independent Directors make up half of the Board.

The Board recognises that independent directors may over time develop significant insights in the Group's business and operations, and can continue to provide noteworthy and valuable contribution objectively to the Board as a whole. The independence of the independent directors must be based on the substance of their professionalism, integrity, and objectivity, and not merely based on form; such as the number of years which they have served on the Board.

All independent directors are non-executive directors, who also aid in the development of strategic proposals and oversee the effective implementation by management to achieve set objectives.

For this to happen, independent directors are well informed of the Group's business and are knowledgeable about the industry the Group operates in. To ensure that the independent directors are well supported by accurate, complete and timely information, they have unrestricted access to management, and have sufficient time and resources to discharge their oversight functions effectively. The independent directors also receive board briefings on prospective deals and potential developments at an early stage before formal board approval is sought, and in circulation on the relevant information on latest market development and trends, and key business initiatives in relation to the Group or the industries in which it operates.

The Non-Executive Directors, led by the Lead Independent Director meet on a need-be basis without the presence of the management to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development and the remuneration of the Executive Directors. The Lead Independent Director will provide feedback to the Executive Chairman after such meetings, where appropriate.

The NC periodically reviews the existing attributes and competencies of the Board in order to determine the desired expertise or experience required to strengthen or supplement the Board. This assists the NC in identifying and nominating suitable candidates for appointment to the Board. The Board comprises business leaders and professionals with the relevant industry and financial background.

The NC also reviews the re-nomination of directors who retire by rotation, taking into consideration the director's integrity, independence mindedness, contribution and performance (such as attendance, participation, preparedness and candour) and any other factors as may be determined by the NC.

All directors, except the Managing Director, submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to Regulation 89 of the Company's Constitution, one-third of the Board are to retire from office by rotation and be subject to re-election at the Company's Annual General Meeting ("AGM"). In addition, Regulation 88 of the Company's Article of Association provides that a newly appointed director must retire and submit himself for re-election at the next AGM following his appointment. Thereafter, he is subject to be re-elected at least once every three years.

The NC makes recommendations to the Board on training and professional development programs for the Board, where necessary.

CORPORATE GOVERNANCE REPORT

Whilst the Board has no formal policy with regard to diversity in identifying director nominees, the Board now has one female director and its members have diverse competencies in areas of business (including the business of the Group), finance, audit, law and human resources. Where the need arises to identify suitable director nominees, the NC and the Board will consider diversity in gender, in addition to skills, experience, and knowledge, as a factor. The Board, with the concurrence of the NC, is of the view that the board size of 9 Directors in FY2017 was appropriate after taking into consideration the nature and scope of the Group's operations for the effective conduct of the Group's affairs. The current Board is also of the view that the current board size of 6 Directors is sufficient, taking into account that the availability and the involvement of the current board, with the size of 6 Directors, is sufficient for the nature and scope of the Group's operations for the effective conduct of the Group's affairs. The Board and the NC believe that the Board and its Board Committees have a good balance and diversity of Directors who have extensive business, financial, accounting, legal, human resource and management experience. Details of the Directors' academic and professional qualifications are set out in the "Board of Directors and Key Executives" section of this Annual Report.

In accordance with Regulation 89 of the Constitution of the Company, Ms Wang Heng and Mr Teh Wing Kwan will retire by rotation at the forthcoming AGM. Ms Wang Heng has consented to offer herself for re-election at the forthcoming AGM. Mr Teh Wing Kwan will be retiring and will not stand for re-election in the forthcoming AGM.

In addition, in accordance with Regulation 88 of the Constitution of the Company, Mr Oh Eng Bin and Mr Zhai Guiwu shall and have each consented to offer himself for re-election at the forthcoming AGM.

If Ms Wang Heng, Mr Oh Eng Bin and Mr Zhai Guiwu are re-elected at the forthcoming AGM, the Board shall comprise 5 Directors, including 3 Independent Directors and 2 Executive Directors. The NC will continually assess the existing attributes, competencies and needs of the Board and will recommend the appointment of appropriate persons as Directors as may be suitable for the Board, if necessary.

The Board is also supported by the other Board Committees. The composition of the Board Committees in FY2017 was as follows:

Board Composition and Committees

FY2017(I) Board

Board Member	Audit and Risk Committee	Nominating Committee	Remuneration Committee
Mr Lim Jun Xiong, Steven *(Chairman and Independent Non-Executive Director)*	M	C	M
Mr Fong Heng Boo *(Independent Non-Executive Director)*	C	M	M
Mr Tao Yeoh Chi *(Independent Non-Executive Director)*	M	M	C
Mr Duan Yang, Julien *(Independent Non-Executive Director)*	M	–	M
Mr Yang Jian *(Non-Independent Non-Executive Director)*	–	–	M
Mr Teh Wing Kwan *(Group CEO and Managing Director)*	–	M	–
Mdm Cheung Kam Wa, Emma *(Executive Director and Chief Operating Officer)*	–	–	–
Ms Wang Heng *(Executive Director)*	–	M	–
Mr Cheung Wai Suen *(Executive Director)*	–	–	–

CORPORATE **GOVERNANCE REPORT**

FY2017(II) Board

Board Member	Audit and Risk Committee	Nominating Committee	Remuneration Committee
Mr Cheung Wai Suen *(Executive Chairman)*	–	–	–
Ms Wang Heng *(Executive Director and CEO)*	–	M	–
Mr Teh Wing Kwan[1] *(Non-Independent Non-Executive Director)*	–	M	–
Mr Oh Eng Bin *(Lead Independent Non-Executive Director)*	M	M	C
Mr Duan Yang, Julien *(Independent Non-Executive Director)*	C	M	M
Mr Zhai Guiwu *(Independent Non-Executive Director)*	M	C	M

Notes:

C: Chairman

M: Member

(1) Mr Teh Wing Kwan will be retiring by rotation at the forthcoming AGM pursuant to Regulation 89, and has decided not to stand for re-election.

In FY2017, each of the Audit and Risk Committee, Nominating Committee and Remuneration Committee was chaired by Independent Directors, and the Audit and Risk Committee and the Remuneration Committee comprised entirely of Non-Executive Directors. Membership in the different Board Committees is carefully managed to ensure that there is equitable distribution of responsibilities among the Board members. This is to maximise the effectiveness of the Board and to foster active participation and contribution from the Board Committee members. Diversity of experience, knowledge, competencies and appropriate skills of the composition of Board Committees are also considered. The Group's Independent Directors hold regular discussions without the presence of management. The Group's Independent Directors actively review the performance of management in meeting agreed goals and objectives and constructively challenge and help the Group develop its strategic goals and proposals.

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In FY2017 (under the FY2017(I) Board), there is a clear separation of the roles and responsibilities between the Chairman and the Group CEO of the Company. The Chairman, who is an Independent Non-Executive Director is responsible for the functioning of the Board and is free to act independently in the best interests of the Group and shareholders. He plays a key role in promoting high standards of corporate governance, scheduling meetings that enable the Board to perform its duties, establishing the agenda for the Board meetings in consultation with the Group CEO and ensuring that the Board reviews and approves the Group's key strategies and policies. The Group CEO sets, develops and executes corporate strategies; and lead execution of such corporate and operational decisions. The Chairman ensures that the members of the Board work together with the management and have the capability and authority to engage management in constructive views on various matters, including strategic issues and business planning processes. The Board is able to exercise its power objectively and independently from management. No individual or small group of individuals dominates the Board's decision making.

CORPORATE GOVERNANCE REPORT

In the FY2017(I) Board, as the Chairman is an Independent Non-Executive Director who is not an immediate family member of the Group CEO, the Company was not required to, and accordingly has not appointed a Lead Independent Director.

In FY2017 (under the FY2017(II) Board), the Board is of the view that it is in the best interests of the Group to appoint Mr Cheung Wai Suen as the Executive Chairman of the Board, taking into consideration his deep industry experience, which puts him in the best position to provide guidance and leadership to the Board on the strategic direction of Group. With both the Executive Chairman and CEO as executive directors and co-founders of Ranken (a major subsidiary of the Group), they will play a key role in developing the business of the Group and provide the Group with strong leadership and vision. All major proposals and decisions made by the Executive Chairman and CEO are discussed and reviewed by the Lead Independent Director and the Board. The RC consists of all independent directors; the Board believes that there are sufficient strong and independent elements and adequate safeguards in place against an any uneven concentration of power and authority in a single individual.

Under the FY2017(II) Board, as the Chairman is an Executive Director, in accordance with Guideline 3.3 of the Code, Mr Oh Eng Bin was appointed as the Lead Independent Director. In accordance with Guideline 3.3 of the Code, Mr Oh Eng Bin, as Lead Independent Director, is available to shareholders should they have any concerns for which contact through the normal channels of the Executive Chairman, CEO or the Group CFO has failed to resolve or is inappropriate.

PRINCIPLES 4 AND 5: NOMINATING COMMITTEE

The NC, whose terms of reference are approved by the Board, comprises the following 5 Directors as at the date of this annual report:

Mr Zhai Guiwu	–	Chairman, Independent Non-Executive Director
Mr Duan Yang, Julien	–	Independent Non-Executive Director
Mr Oh Eng Bin	–	Lead Independent Non-Executive Director
Ms Wang Heng	–	CEO and Executive Director
Mr Teh Wing Kwan	–	Non-Independent Non-Executive Director

The key roles of the NC are:

- to review and make recommendations to the Board on all appointments and re-appointment of members of the Board;
- to review the board succession plans for Directors, in particular, the Executive Chairman and for the CEO;
- to review the training and professional development programs for the Board;
- to evaluate and assess the effectiveness of the Board as a whole, and the contribution by each director to the effectiveness of the Board; and
- to determine the independence of directors in accordance with Guideline 2.3 of the Code.

The NC meets no fewer than once each financial year.

The NC evaluated the Board's performance as a whole, each Board Committee, as well as each individual Director in FY2017 based on a formal board evaluation process and performance objectives. Each individual Director was also asked to assess the performance of the Board, Board Committees and his or her fellow Directors. The assessment parameters include amongst others, Board and Board Committee cohesion, robustness, sufficiency and quality of discussion and deliberation, regularity of meetings, performance against specific targets, Directors' independence and quality and timeliness of board papers. Key performance indicators used to assess individual Directors include chairmanship/membership of Board Committees, attendance record at the meetings of the Board and the relevant committees, intensity of participation at meetings, contributions to quality of discussions, helping to gain access to new businesses and/or new markets and any special contributions. The Board also considers the Company's financial

CORPORATE
GOVERNANCE REPORT

performance as an assessment parameter for both the Board and management. That being said, the NC is of the view that such financial criteria are more relevant for the Board's evaluation of the performance of management, as the Board's role is more in formulating, rather than executing, strategies and policies. The performance measurements ensure that the mix of skills and experience of the Directors continue to meet the needs of the Group.

The NC is of the view that the Board, the Board Committees and each individual Director's performances were satisfactory in FY2017. No external facilitator was used in the evaluation process.

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

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

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

Name	Other directorship with public listed companies	Position	Listed on	Past directorship with other public listed companies (held in the last 5 years)	Position	Listed on
Mr Teh Wing Kwan	– China Vanadium Titano-Magnetite Mining Company Limited – Koda Ltd (Advisor to the Board – a non-board member)	CM	HKEX	– Singapore eDevelopment Limited (previously known as CCM Group Limited) – Asian American Medical Group Ltd (previously known as Asian Centre for Liver Diseases and Transplantation Ltd) – Heng Fai Enterprises Limited	NENID NENID NENID	SGX ASX HKEX
Mr Oh Eng Bin	– SHS Holdings Ltd – Weiye Holdings Limited – KPM Holdings Limited	ID ID ID	SGX SGX and HKEX HKEX	Nil		

Notes:

ID: Independent director

CM: Chairman

NENID: Non-executive and non-independent director

CORPORATE GOVERNANCE REPORT

Ms Wang Heng, Mr Cheung Wai Suen, Mr Duan Yang, Julien and Mr Zhai Guiwu do not hold directorships with other public listed companies and also did not hold such directorships in the past 5 years.

Details of the Directors' academic and professional qualifications, date of first appointment and other relevant information are set out in the "Board of Directors and Key Executives" section of this Annual Report. The shareholdings of the individual directors of the Company are set out in the "Directors' Report" section of this Annual Report.

In accordance with the Company's Constitution, one-third of the Directors are required to retire from office at each annual general meeting of the Company. Ms Wang Heng and Mr Teh Wing Kwan will be retiring by rotation at the forthcoming AGM pursuant to Regulation 89. Ms Wang Heng has consented to offer herself for re-election. Mr Teh Wing Kwan will be retiring and will not stand for re-election in the forthcoming AGM. In addition, Regulation 88 of the Constitution of the Company provides that a newly appointed director must retire and submit himself for re-election at the next AGM following his appointment. Thereafter, he is subject to be re-elected at least once every three years. In accordance with Regulation 88 of the Constitution of the Company, Mr Oh Eng Bin and Mr Zhai Guiwu, have each consented to offer himself for re-election at the forthcoming AGM.

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

The Company's current policy stipulates that if a Director is an Executive Director or a key management personnel, he/she should not hold more than six listed company board representation concurrently, as the Board is of the view that more than six concurrent board representations will interfere with the Executive Director or key management personnel's ability to devote sufficient time and attention to the affairs of the Company. During FY2017, no Director held more than six board seats in other listed companies concurrently.

The NC takes into account the results of the assessment of the effectiveness of each individual Director and the respective Directors' actual conduct on the Board in making the determination, and is satisfied that all the Directors have been able to and have adequately and sufficiently devoted time and attention and carried out their duties in FY2017, notwithstanding their multiple board representations in other listed companies. As at the date of this report, none of the current Directors holds more than three directorships in other listed companies concurrently.

PRINCIPLE 6: ACCESS TO INFORMATION

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

The role of the Company Secretary is clearly defined which includes, *inter alia*, advising the Board on all matters regarding the proper functioning of the Board, compliance with the Company's Constitution and applicable regulations, requirements of the Companies Act, Cap. 50 ("Companies Act"), the Securities and Futures Act and the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual. She assists the Board in implementing and strengthening corporate governance policies and procedures. Under the direction of the Chairman, the Company Secretary ensures good information flow to and within the Board and its committees and between the Management and Non-Executive Directors.

CORPORATE GOVERNANCE REPORT

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

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

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

(B) REMUNERATION MATTERS

PRINCIPLES 7 AND 8: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The RC, whose terms of reference are approved by the Board, comprises the following 3 Non-Executive Directors as at the date of this annual report:

Mr Oh Eng Bin	–	Chairman, Lead Independent Non-Executive Director
Mr Zhai Guiwu	–	Independent Non-Executive Director
Mr Duan Yang, Julien	–	Independent Non-Executive Director

The RC's main functions are:

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

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

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

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

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

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

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

CORPORATE **GOVERNANCE REPORT**

No Director is involved in deciding his own remuneration.

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

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

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

The RC also administers the Sapphire Shares Award Scheme adopted by the Company in April 2008 (the "2008 Scheme"). The 2008 Scheme is based on the principle of strengthening the Company's competitiveness in attracting and retaining superior local and foreign talent. The 2008 Scheme allows the Company to target specific performance objectives and to provide an incentive for participants to achieve these targets. The purpose of the 2008 Scheme is to improve the Company's flexibility and effectiveness in rewarding, retaining and motivating its employees (including Directors) and to improve their performance.

Persons eligible to participate in the 2008 Scheme are as follows:

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

(ii) Executive Directors; and

(iii) Non-Executive Directors.

Other information relating to the 2008 Scheme is set out below:

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

Pursuant to the 2008 Scheme, an aggregate of 274,573 fully-paid shares constituting approximately 0.084% of the then-existing total number of issued shares of the Company (excluding treasury shares and subsidiary holdings), were awarded and issued in FY2017 as partial satisfaction of Directors' fees for the year ended 31 December 2016. The value of the Share Awards was determined based on the market price of the shares of the Company as at the date of the grant. Share Awards was immediately vested upon issuance. Directors and group employees including key management personnel are encouraged to hold them until they leave.

Non-Executive Directors are encouraged to purchase shares in the Company and to hold them until they leave the Board. The RC is of the view that this will further align the interests of the Non-Executive Directors with the interests of Shareholders. The 2008 Scheme will expire on 25 April 2018. The Company intends to seek Shareholders' approval to adopt a new Sapphire Shares Award Scheme 2018 (the "2018 Scheme"), in replacement of the existing 2008 Scheme.

The RC will seek independent professional advice in discharging its functions, if necessary. No external consultants were engaged in FY2017.

PRINCIPLE 9: DISCLOSURE OF REMUNERATION

In FY2017, the total numbers of Award Shares granted to the Directors of the Company were as follows:

Number of Award Shares granted to the Directors on 12 May 2017:

Former Directors	**Number of Award Shares granted**
Lim Jun Xiong, Steven(1)	78,787
Fong Heng Boo(1)	65,606
Tao Yeoh Chi(1)	58,787
Yang Jian(1)	31,515
Teo Cheng Kwee(2)	36,060
Foo Tee Heng(3)	3,818
Total	**274,573**

Notes:

(1) Mr Lim Jun Xiong, Steven, Mr Fong Heng Boo, Mr Tao Yeoh Chi and Mr Yang Jian have ceased to be Directors of the Company on 15 December 2017.

(2) Mr Teo Cheng Kwee has retired from the Board of Directors at the AGM held on 26 April 2017.

(3) Mr Foo has retired from the Board of Directors at the AGM held on 27 April 2016.

CORPORATE GOVERNANCE REPORT

Since the commencement of the 2008 Scheme, no share awards have been granted to controlling shareholders of the Company or associates of the Company and no employees have received 5% or more of the total share awards available under the 2008 Scheme.

The remuneration for the Directors and key executives in FY2017 received in all forms is as follows:

Name	Remuneration Band $	Salary %	Bonus %	Other Benefits %	Directors' Fees[(1)] %	Total %
Present and Past Directors						
Mr Teh Wing Kwan[(2)]	1,200,000 to 1,399,999	57	0	43	0*	100
Mdm Cheung Kam Wa, Emma[(3)]	200,000 to 399,999	72	6	22	0	100
Ms Wang Heng	0 to 199,999	73	16	11	0	100
Mr Cheung Wai Suen	0 to 199,999	76	12	12	0	100
Mr Lim Jun Xiong, Steven[(4)]	70,000 to 79,999	0	0	0	100	100
Mr Fong Heng Boo[(4)]	60,000 to 69,999	0	0	0	100	100
Mr Tao Yeoh Chi[(4)]	50,000 to 59,999	0	0	0	100	100
Mr Yang Jian[(4)]	20,000 to 29,999	0	0	0	100	100
Mr Duan Yang, Julien[(5)]	20,000 to 29,999	0	0	0	100	100
Mr Oh Eng Bin[(6)]	0 to 9,999	0	0	0	100	100
Mr Zhai Guiwu[(6)]	0 to 9,999	0	0	0	100	100
Mr Teo Cheng Kwee[(7)]	0 to 9,999	0	0	0	100	100
Key Executive[(7)]						
Mr Ng Hoi-Gee Kit	200,000 to 399,999	84	7	9	0	100

* Less than 0.1%

Notes:

(1) These fees comprise Board and Board Committee fees for FY2017, which are subject to approval by shareholders at the upcoming AGM.

(2) Mr Teh Wing Kwan's remuneration also included other contractual amounts and compensation payable to him under his service agreement with the Company as Group CEO and Managing Director, and a pro-rated director's fee for the period as non-executive director of the Company. (Mr Teh was re-designated as Non-Independent Non-Executive Director on 15 December 2017).

(3) Mdm Cheung Kam Wa, Emma ceased to be a Director of the Company on 15 December 2017. She continues to be the Chief Operating Officer of the Company.

(4) Mr Lim Jun Xiong, Steven, Mr Fong Heng Boo, Mr Tao Yeoh Chi and Mr Yang Jian have ceased to be Directors of the Company on 15 December 2017.

(5) On 24 March 2017, Mr Duan Yang, Julien was appointed to the Board as an Independent Non-Executive Director, a member of the Audit and Risk Committee and a member of the Remuneration Committee. On 18 December 2017, Mr Duan Yang, Julien was appointed as the Chairman of the Audit and Risk Committee and a member of the Nominating Committee.

(6) On 18 December 2017, Mr Oh Eng Bin and Mr Zhai Guiwu were appointed as Independent Non-Executive Director and directors' fees are pro-rated for the period as non-executive director of the Company.

(7) Mr Teo Cheng Kwee retired on 26 April 2017.

(8) The Company only had one key executive (who is not also a Director), Mr Ng Hoi-Gee Kit, for the full duration of FY2017. On 15 December 2017, Mdm Cheung Kam Wa, Emma ceased to be Director of the Company and she continues to be the Chief Operating Officer of the Company. Her remuneration for FY2017 has been disclosed.

CORPORATE
GOVERNANCE REPORT

The Company has disclosed the remuneration of its Executive Directors and key management personnel in bands of $200,000, and the remuneration of its Non-Executive Directors in bands of $10,000. While the Company notes the need for corporate transparency in the remuneration of its Directors and Key Executives, the Company notes that the disclosure of details in excess of the above may be detrimental to its business interests, given the highly competitive industry conditions, where poaching has become commonplace in a liberalised environment. In particular, the Group has carried out a major restructuring exercise and corporate transformation over the last few years where its investment of 100% equity stake in Ranken Infrastructure Limited and its subsidiaries ("Ranken") contributed its first full-year results to the Group in FY2016. During the corporate restructuring exercise, there were redundancies and new executive appointments as part of its streamlining process and part of the Group's strategic plans. Further to the Group disposal of an 81% stake of its mining services business, Sapphire Corporation Limited, is now and will continue to be an investment management and holding company – with its main operations currently in Singapore and the People's Republic of China – and sees human capital as its key competitive advantage in a continual phase of the implementation of its overall business development strategies and remains in the ongoing process of assembling a strong and stable core of its Management and Directors. Meanwhile, the Company believes that the disclosure of the remuneration received by Directors and Key Executives in a narrower band of $200,000 allows shareholders to have a better understanding of the remuneration packages of its Directors and Key Executives while preserving the business interests of the Group.

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

The overall wage policy for an executive or directors is linked to the performance of the Group and the track record of the individual and the potential for contribution of that individual to the Group, and is determined by the Board and the RC, and include financial and non-financial indicators. Further, the fees for Non-Executive Directors are based on a common base component plus additional fees for serving as a member or chairperson of any Board Committee or assisting the Company in any matter requested by the Board or Management for the purpose of the corporate development of the Group, such as sourcing for and recommending contacts who may be of use, relevance or assistance to the Group. The Board will respond to any queries raised at AGMs pertaining to such policies. All incentives and bonuses paid are linked to individual performance of the individual and overall performance of the Group.

There were no employees of the Group who are immediate family members of a Director or the Group CEO or CEO (as the case may be) in FY2017.

(C) PRINCIPLES 10 TO 13: ACCOUNTABILITY AND AUDIT

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

CORPORATE GOVERNANCE REPORT

AUDIT AND RISK COMMITTEE

The ARC comprises the following 3 Independent Non-Executive Directors as at the date of this annual report:

Mr Duan Yang, Julien	–	Chairman, Independent Non-Executive Director
Mr Oh Eng Bin	–	Lead Independent Non-Executive Director
Mr Zhai Guiwu	–	Independent Non-Executive Director

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

No former partner or Director of the Company's incumbent auditing firm or its member firms is a member of the ARC.

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

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

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

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

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

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The Company has a whistle blowing policy to encourage and provide a channel to employees to report in good faith and in confidence, their concerns about possible improprieties in financial reporting or other matters, such as suspected fraud, corruption, dishonest practices etc. Pursuant to such whistle-blowing procedures, employees are free to submit complaints confidentially or anonymously to the chairman of the ARC and in this regard a dedicated email address has been set up which is accessible only by the chairman of the ARC and/or a designated member of the ARC and/or the internal auditors. The procedures for submission of complaints have been explained to all employees of the Group. All complaints are to be treated as confidential and are to be brought to the attention of the ARC. All reports including unsigned reports, reports weak in details and verbal reports are considered. In the event that the report is about a director, that director shall not be involved in the review and any decisions with respect to that report. Assessment, investigation and evaluation of complaints are conducted by or at the direction of the ARC and the ARC, if it deems appropriate, may engage at the Company's expense independent advisors. Following investigation and evaluation of a complaint, the ARC will then decide on recommended disciplinary or remedial action, if any. The action so determined by the ARC to be appropriate shall then be brought to the Board for authorisation and to the appropriate members of senior management for implementation. The policy aims to encourage the reporting of such matters in good faith, with the confidence that any employees making such reports will be treated fairly and be protected from reprisals. Details of the whistle-blowing policy have been made available to all employees. There were no incidents of improprieties in financial reporting or other matters, such as suspected fraud, corruption, dishonest practices etc. reported to the ARC through the whistle blowing procedures in FY2017.

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

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

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

The ARC has appointed Yang Lee & Associates ("YLA") as the internal auditor of the Group to perform internal audit work under an approved internal audit plan. The partner-in-charge of the internal auditor Yang Lee & Associates, Lee Dah Khang, is also a certified Internal Auditor of the Institute of Internal Auditors. The internal auditors report directly to the Chairman of the ARC. The internal auditors submit a report on their findings to the ARC for review and approval yearly. The internal auditors have adopted the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The internal auditors have unrestricted access to the ARC and access to the Company's documents, records, properties and personnel, where relevant to their work. To ensure the adequacy of the internal audit functions, the Audit Committee has reviewed the internal auditors' qualifications, experience, activities, resources and standing in the Company, on a yearly basis. The ARC has reviewed the internal audit reports and based on the controls in place, is satisfied that the internal audit function of the Group is adequate and effective.

The Company confirms that it has complied with SGX Listing Rules 712 and 715 for FY2017.

CORPORATE GOVERNANCE REPORT

FINANCIAL REPORTING AND SIGNIFICANT FINANCIAL ISSUES

The role of the ARC in relation to financial reporting is to monitor the integrity of the quarterly and full year financial statements and that of any formal announcements relating to the Group's financial performance. The ARC has considered whether accounting standards are consistently applied across the Group and whether disclosures to the financial statements are clear and sufficient.

Following discussions with management and the external auditors, the ARC has determined that the following areas are the key risks of misstatement of the Group's financial statements. The table below indicates how these matters were discussed and addressed:

Matters considered	Action
Revenue recognition and recoverability of construction work in progress (Notes 11 and 22 to the financial statements)	The ARC reviewed the methodology and gained comfort in this area through discussion with management in relation to revenue recognition based on percentage of work completed with reference to surveyor's report and the status of the projects. The ARC also discussed with management to understand the cause of cost overruns and existence of disputes (if any), as well as the background and financial position of the customers for the purpose of recoverability assessment over construction work in progress. The ARC also obtained an understanding on the work performed by the external auditors. As a result of the above procedures, the ARC was satisfied with revenue recognition and recoverability of construction work in progress as recorded in the financial statements.
Impairment of goodwill (Note 5 to the financial statements)	The ARC reviewed the forecast and reasonableness of the key assumptions used including projected revenue growth, terminal growth rate and discount rate, used in the discounted cash flow computation to determine the recoverable amount for the cash-generating unit ("CGU"), through discussion with management. The ARC also obtained an understanding on the work performed by the external auditors. As a result of the above procedures, the ARC was satisfied that there is no impairment of goodwill.

NON-AUDIT FEES

The audit fees paid to the external auditors of the Company for FY2017 was approximately $283,000. (FY2016: $273,000).

There were no non-audit fees paid to the external auditors of the Company for FY2017 and FY2016.

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

RISK MANAGEMENT

The Board with the oversight of the ARC is responsible for the Group's risk management framework and policies. The Group has in place an enterprise risk management framework to identify, evaluate and monitor the Group's material and significant risks. The Group's material and significant risks are proactively identified and addressed through the implementation of effective internal controls. The Company has also defined and documented clear roles and responsibilities for the Board and Management in risk mitigation, monitoring and reporting.

CORPORATE GOVERNANCE REPORT

Arising from the risk assessments performed, the management of the Group prepares an enterprise risk management update no less than annually. The enterprise risk management update presents the risk assessment of the Group by key managers of the Group and is based on an evaluation of the likelihood and magnitude of the eventuation of certain risks the Group faces. The risks are subsequently ranked in accordance of priority and category, and the recommendations of the internal auditor and responses of and steps taken to address such risks by the management are presented to the ARC for consideration. The Board with the recommendation of the ARC has established risk tolerance levels to provide guidance to the management on key risk parameters set out in the risks registers of the Group, which also contain information on internal controls and measures in place to manage and mitigate such risks.

Additionally, in performing their audit of the financial statements, the external auditors perform tests over operating effectiveness of certain controls that they intend to rely on that are relevant to the Group's preparation of its financial statements. The external auditors also report any significant deficiencies in such internal controls to the Directors and the ARC.

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

The Group has identified certain key operational risks in relation to its investment in Infrastructure Business and other general risks. These risks have been disclosed in Pages 48 to 50.

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

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

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

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

KEY OPERATIONAL RISKS

Subsequent to the disposal of 81% of Mancala Holdings Pty Ltd ("Mancala") on 28 February 2017, the Group's Continuing Operations are now the Corporate Functions and Infrastructure Business. The Infrastructure Business is carried out by the Company's subsidiary, Ranken.

The Board is aware of the operational risks, which may adversely affect Ranken (the "Infrastructure Business") if any of these risk factors and uncertainties develops into actual events. It should also be noted that the following is not intended to be an exhaustive list of the risk factors to which the Group's Infrastructure Business is exposed. Whilst risk factors relating to Ranken's operations, the Infrastructure Business and conducting operations in China have been set out in the Shareholder's Circular dated 18 August 2015 in relation to the proposed acquisition of Ranken, the Management is of opinion that highlighting the following risk factors is important for the information of the Company's shareholders. The risks below have been evaluated by the Management to be of relevance to shareholders, further to the examination of the periodic risk reports prepared by the internal auditors of the Company:

Ranken (Infrastructure Business)

High reliance on the public sector demand and government incentives – Ranken's financial performance and position are 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 Ranken undertakes on significant projects. Any slowdown, delay or reduction in such investment initiatives may adversely affect the financial performance and financial position of Ranken.

Competitive industry – Ranken operates in a highly competitive industry and its current competitors include companies with significantly larger size of operations and substantially higher revenues base. Ranken operates in a unique industry where 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 or join a consortium to jointly bid for projects with its clients or may become a sub-contractor to its client. Ranken may not be able to secure large-scale projects on a continuous basis or to continuously secure such projects on favourable commercial terms, such that financial performance and position of Ranken may be adversely affected.

Cost-sensitive industry – Ranken's project durations are typically between two and three years. If for whatever reasons and business factors which are beyond the control of Ranken, Ranken's direct and operating costs increase, its operating efficiencies may fall, and its profit margins may be adversely affected. In the event that there are cancellations of major contracts or significant variation of terms for the contracts, which are not favourable to Ranken and require re-negotiations, the financial performance and position of Ranken may be adversely affected.

High turnaround time for trade receivables – Ranken's trade receivables turnaround time is high which may require additional working capital financing from time to time. However, such turnaround time for trade receivables is normal for its industry in China. 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; or if Ranken 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.

General

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

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

Major disruption of operations – Ranken's operations are exposed to various operational risks relating, but not limited, to equipment failure, accidents, industrial disputes and natural disasters. While Ranken has taken necessary and important measures to mitigate such operational risks, and, if practicable, insure against these risks, they cannot completely remove all such possible risks or in certain cases, insurance premium costs could be high in insuring the identified operational risks. 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 and position.

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

CORPORATE GOVERNANCE REPORT

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

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

Exchange control – The conversion of Chinese Renminbi ("RMB") to other currencies and vice-visa are subject to exchange control administered by the Ministry of Commerce, the National Development and Reform Commission, the State Administration of Foreign Exchange and the People's Bank of China (collectively the "PRC Regulators"). Any tightening of exchange control by the PRC Regulators to enhance enforcement of outbound investment and foreign exchange controls focusing on RMB outflows, may affect or delay routine offshore business operations, including dividends remittance as the application process for RMB conversion may be subject to more stringent scrutiny. Our main and principal subsidiary, Ranken, operates primarily in China. Whilst such controls have not adversely affected the daily business operations of Ranken for the time being, Ranken may experience delay in its application for conversion of RMB, if any and if there are further changes in such regulatory processes or criteria, it may result in further delay in receiving approval in relation to its future remittance of RMB offshore.

(D) PRINCIPLES 14 TO 16: SHAREHOLDER RIGHTS AND RESPONSIBILITIES

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

Price-sensitive announcements including quarterly and full year results are released through SGXNET and make available on the Company's website. A copy of the Annual Report and Notice of AGM will be sent to every shareholder. The Company also released announcements in relation to corporate development via SGXNET and the Group's website (www.sapphirecorp.com.sg) to keep shareholders updated on the developments and the Group.

Shareholders are entitled to attend the general meetings and are given the opportunity to participate effectively in and vote at the general meetings of the Company. Shareholders are informed of general meetings through reports/circulars/letters sent to all shareholders in addition to notices published in the newspapers, Company's announcements via SGXNet and the Company's website. General meetings are usually held at venues within the central business district which are easily accessible by the shareholders.

The Group engages WeR1 Group ("WeR1"), an Investor Relationship ("IR") consultant, dedicated to support the Board in connection with communication on corporate developments to the media and shareholders, including institutional and retail investors. During the year under review, the Group was diligent in disclosing its quarterly results to the financial community in Singapore where it is listed on SGX mainboard. Its senior management personally engaged with institutional or retails investors and analysists from securities houses. The CEO and/or Group CEO also communicated with the public via several media interviews. In addition to the AGM, through these IR engagements and as set out in the "Sustainability Report" section of this Annual Report, the Group seeks to understand the views of the shareholders and with other stakeholders, as the Group seeks to align its business interests with that of all stakeholders.

CORPORATE GOVERNANCE REPORT

The Company supports active shareholder participation at general meetings. At general meetings, shareholders are given the opportunity and encouraged to air their views and ask questions regarding the Group and its businesses. If shareholders are unable to attend the general meetings, the Company's Existing Constitution allow a shareholder of the Company who is not a relevant intermediary (as defined in the Companies Act) to appoint up to two proxies to speak, attend and vote in place of the shareholder. Further, a shareholder which is a relevant intermediary (as defined in the Companies Act) may appoint more than two proxies to speak, attend and vote at general meetings. The Company's Existing Constitution contains the appropriate regulations to allow for absentia voting by mail, facsimile or email. Separate resolutions on each distinct issue are proposed at general meetings for approval.

All directors, in particular the Chairpersons of the Executive, Audit and Risk, Remuneration and Nominating Committees are in attendance at the Company's AGM to address shareholders' questions relating to the work of these Committees. The external auditors are also present to assist the directors to address any queries raised by shareholders about the conduct of the audit and the preparation and content of the auditors' report. The Company has also complied with the provisions of the Listing Rules and has introduced poll voting at all general meetings. The voting results are validated by an independent scrutineer and announced on SGXNET on the same day as the general meeting. Minutes of general meetings which include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management, are prepared and will be made available to shareholders upon request.

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

(a) an Annual Report (with an "easy-to-read" "Operation and Financial Review" explaining the financial performance and position of the Group);

(b) quarterly financial results and other financial announcements as required;

(c) other announcements on important developments; and

(d) updates through the Group's website (www.sapphirecorp.com.sg).

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

To enable shareholders to contact the top management easily, with direct access to the CEO and Group CFO via email. The email address of the CEO and Group CFO can be found in the CEO's Review and Corporate Information sections of this Annual Report, respectively.

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

The Group does not have a concrete dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. The Board has proposed a final dividend of S$0.001 per ordinary share of the Company which will be subject to approval by the Company's shareholders at the forthcoming annual general meeting.

CORPORATE GOVERNANCE REPORT

DEALINGS IN SECURITIES

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

INTERESTED PERSON TRANSACTIONS

The Company has in place a policy in respect of any transactions with interested person and has established procedures for review and approval of the interested person transactions entered into by the Group. In FY2017, there were no interested person transactions (including transactions less than $100,000). The information required pursuant to Listing Rules 907 and 1207(17) is set out below:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000)
None	Nil	Nil

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

MATERIAL CONTRACTS

There were no material contracts involving the Group with the Group CEO, CEO, Directors, Controlling Shareholders nor their associates during FY2017.

CORPORATE GOVERNANCE REPORT

The following is a summary of disclosures made in response to the express disclosure requirements in the Corporate Governance Disclosure Guide issued by the Singapore Exchange on 29 January 2015:

SUMMARY OF DISCLOSURES

Guideline	Questions	Page reference to responses in the Annual Report
Guideline 1.5	What are the types of material transactions which require approval from the Board?	Page 30
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why. (b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up to date?	Page 31 and Page 32
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Page 33 and Page 34
Guideline 2.2	The independent directors should make up at least half of the Board where: (a) the Chairman of the Board (the "Chairman") and the chief executive officer (or equivalent) (the "CEO") is the same person; (b) the Chairman and the CEO are immediate family members; (c) the Chairman is part of the management team; or (d) the Chairman is not an independent director.	Page 33 and Page 34
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	None
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	None – Page 33
Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees? (b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate. (c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?	Page 34

CORPORATE GOVERNANCE REPORT

Guideline	Questions	Page reference to responses in the Annual Report
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number? (b) If a maximum number has not been determined, what are the reasons? (c) What are the specific considerations in deciding on the capacity of directors?	Page 39
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	Page 38
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year? (b) Has the Board met its performance objectives?	Page 37 and Page 38
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	Page 31, Page 32 and Page 39
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Page 43
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	Page 43
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	None – Page 44
Guideline 9.6	(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria. (b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes? (c) Were all of these performance conditions met? If not, what were the reasons?	Page 41

CORPORATE GOVERNANCE REPORT

Guideline	Questions	Page reference to responses in the Annual Report
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems. (b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	Page 47 to Page 48 Page 48
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year. (b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	Page 47 None
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	Page 46
Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? (c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	Page 50 and Page 51
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	Page 51 The Board has proposed a final dividend of S$0.001 per ordinary share of the Company which will be subject to approval by the Company's shareholders at the forthcoming annual general meeting.

DIRECTORS' **STATEMENT**

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2017.

In our opinion:

(a) the financial statements set out on pages 65 to 139 are drawn up so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

DIRECTORS

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

Mr Cheung Wai Suen	(Executive Chairman)
Ms Wang Heng	(Chief Executive Officer and Executive Director)
Mr Oh Eng Bin	(Lead Independent Director – Appointed on 18 December 2017)
Mr Duan Yang, Julien	(Appointed on 24 March 2017)
Mr Zhai Guiwu	(Appointed on 18 December 2017)
Mr Teh Wing Kwan	

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the "**Act**"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares in the Company (other than wholly-owned subsidiaries) are as follows:

	Direct		Deemed	
Name of director and corporation in which interests are held	**Holdings at beginning of the year**	**Holdings at end of the year**	**Holdings at beginning of the year**	**Holdings at end of the year**
Company				
Ordinary shares				
Wang Heng	–	–	91,171,293	91,171,293
Teh Wing Kwan	4,130,304	7,018,304	–	–

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, either at the beginning of the financial year or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2018.

Except as disclosed under the "Sapphire Shares Award Scheme 2008" section of this statement, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

SAPPHIRE SHARES AWARD SCHEME 2008

The Sapphire Shares Award Scheme 2008 (the "2008 Scheme") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 25 April 2008. The 2008 Scheme is administered by the Company's Remuneration Committee whose function is to assist the Board of Directors in reviewing remuneration and related matters.

The members of the Remuneration Committee during the year and at the date of this statement are:

Name	Appointment
Oh Eng Bin	Chairman of Remuneration Committee/Independent Non-Executive Director (Appointed on 18 December 2017)
Zhai Guiwu	Independent Non-Executive Director (Appointed on 18 December 2017)
Duan Yang, Julien	Independent Non-Executive Director (Appointed on 24 March 2017 in replacement of Mr Teo Cheng Kwee)
Tao Yeoh Chi	Chairman of Remuneration Committee/Independent Non-Executive Director (Ceased to be Director on 15 December 2017)
Lim Jun Xiong, Steven	Independent Non-Executive Director (Ceased to be Director on 15 December 2017)
Fong Heng Boo	Independent Non-Executive Director (Ceased to be Director on 15 December 2017)
Yang Jian	Non-Independent Non-Executive Director (Ceased to be Director on 15 December 2017)

The purpose of the 2008 Scheme is to improve the Company's flexibility and effectiveness in rewarding, retaining and motivating its employees (including Directors) and to improve their performance.

Persons eligible to participate in the 2008 Scheme are as follows:

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

(ii) Executive Directors; and

(iii) Non-Executive Directors.

Other information relating to the 2008 Scheme is set out below:

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

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

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

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

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

(vi) The participant who met the performance targets but had ceased to be employed by the Company will receive the shares as allowed by the 2008 Scheme.

The details of Award Shares awarded to the participants of the 2008 Scheme in accordance with the 2008 Scheme are as follows:

Participants	**Award Shares granted during the financial year**	**Aggregate number of shares awarded since commencement of the 2008 Scheme to 31 December 2017**
Former Executive Directors	–	1,160,000
Former Non-Executive Directors	274,573	1,310,463
Former Key Executives	–	733,333
Former Group Employees	–	410,666
Total Award Shares granted	274,573	3,614,462

The above number of shares are presented based on the equivalent number of shares after: (i) the consolidation of twenty (20) ordinary shares into one (1) ordinary share in the capital of the Company in 2011; and (ii) the consolidation of three (3) ordinary shares in to one (1) ordinary share in the capital of the Company on 9 March 2016.

Since the commencement of the 2008 Scheme, no shares have been granted to the controlling shareholders of the Company or their associates and no participant under the 2008 Scheme has received 5% or more of the total share awards available under the 2008 Scheme.

The 2008 Scheme will expire on 25 April 2018 and the Company proposes to seek Shareholders' approval to adopt a new Sapphire Shares Award Scheme.

During the financial year, there were:

(i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

DIRECTORS' STATEMENT

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

AUDIT AND RISK COMMITTEE

The members of the Audit and Risk Committee ("ARC") during the year and at the date of this statement are:

Name	Appointment
Duan Yang, Julien	Chairman of the ARC/Independent Non-Executive Director (Appointed as Director on 24 March 2017 and Chairman of ARC on 18 December 2017)
Oh Eng Bin	Independent Non-Executive Director (Appointed on 18 December 2017)
Zhai Guiwu	Independent Non-Executive Director (Appointed on 18 December 2017)
Fong Heng Boo	Chairman of the ARC/Independent Non-Executive Director (Ceased to be Director on 15 December 2017)
Lim Jun Xiong, Steven	Independent Non-Executive Director (Ceased to be Director on 15 December 2017)
Tao Yeoh Chi	Independent Non-Executive Director (Ceased to be Director on 15 December 2017)

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

The ARC has held four meetings since the last directors' statement. In performing its functions, the ARC met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The ARC also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The ARC has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The ARC also recommends

DIRECTORS' **STATEMENT**

the appointment of the external auditors and reviews the level of audit and non-audit fees.

The ARC is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company and subsidiaries, we have complied with Rules 712 and 715 of the SGX Listing Manual.

AUDITORS

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

On behalf of the Board of Directors

Wang Heng
Director

Cheung Wai Suen
Director

23 March 2018

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY SAPPHIRE CORPORATION LIMITED

Report on the financial statements.

Opinion

We have audited the financial statements of Sapphire Corporation Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 65 to 139.

In our opinion, the accompanying consolidated financial statements of the Group and the statements of financial position and changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition and recoverability of construction work in progress
(Refer to Notes 11 and 22 to the financial statements)

Risk:

The Group's revenue from continuing operations is derived from construction contracts and related services and recognised using the percentage of completion method.

The contracts are usually long term in nature and may involve significant variations to the original contracts due to cost overruns and work variations which may require further negotiations and agreement with customers. As a result, the determination of the percentage of work completed for revenue recognition purposes as well as the assessment of recoverability of construction work in progress involve significant judgement.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY SAPPHIRE CORPORATION LIMITED

How the matter was addressed in our audit:

In assessing the reasonableness of the revenue recognised, we checked the revenue computations to the contractual terms of the construction contracts. We also compared the percentage of completion computed by the Group to quantity surveyors' reports, where available, and followed up on discrepancies, if any, to assess the reasonableness of the revenue recognised.

We reviewed the recoverability of construction work in progress by considering the payment history and the payment arrangements with customers. We also held discussions with management to understand the projects status, cause of any cost overruns and existence of disputes, as well as the background and financial position of the customers.

Our findings:

We found the revenue recognised to be supported by surveyor reports and contracts.

Based on our tests, we also found management's assessment of the recoverability of construction work in progress to be reasonable and the disclosures to be appropriate.

Impairment of goodwill
(Refer to Note 5 to the financial statements)

Risk:

The Group has goodwill of RMB42 million which arose from the acquisition of its subsidiary, Ranken Infrastructure Limited ("Ranken").

As part of the annual impairment assessment, the Group used the discounted cash flow technique to determine the recoverable amount for the allocated cash-generating unit ("CGU"). Key assumptions and valuation inputs included projected revenue growth, terminal growth rate and discount rate. The determination of valuation approach and the key assumptions and inputs to be used is subject to significant judgement and estimation uncertainties.

How the matter was addressed in our audit:

We assessed the appropriateness of the valuation methodology by comparing to methods generally used in similar valuations. We assessed the reasonableness of the key assumptions by comparing them to the CGU's own historical performance and externally derived data, where available. We also performed a sensitivity analysis to determine whether any reasonably possible change in estimates would result in an impairment of the goodwill. We also considered the adequacy of the related disclosures in the financial statements, in describing the inherent estimation uncertainties.

Our findings:

We found the valuation method to be in line with generally accepted practices and the key assumptions to be within an acceptable range of possibilities. We also found the disclosures to be appropriate and adequate.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY SAPPHIRE CORPORATION LIMITED

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Lee Jee Cheng Philip.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
23 March 2018

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group 2017 RMB'000	Group 2016 RMB'000 Restated*	Group 2015 RMB'000 Restated*	Company 2017 RMB'000	Company 2016 RMB'000 Restated*	Company 2015 RMB'000 Restated*
Assets							
Property, plant and equipment	4	**138,328**	99,649	212,833	**138**	334	509
Intangible assets and goodwill	5	**71,134**	71,815	74,189	**–**	–	–
Investment properties	6	**57,094**	59,504	61,813	**–**	–	–
Subsidiaries	7	**–**	–	–	**375,420**	368,930	412,713
Other investments	8	**12,630**	100	394	**12,476**	–	1
Other receivables	13	**21,310**	–	–	**21,310**	–	23,721
Deferred tax assets	9	**15,550**	18,108	10,224	**–**	–	–
Total non-current assets		**316,046**	249,176	359,453	**409,344**	369,264	436,944
Other investments	8	**4,529**	–	–	**4,529**	–	–
Inventories	10	**32,603**	9,423	15,812	**–**	–	–
Construction work in progress	11	**573,022**	398,876	251,989	**–**	–	–
Trade receivables	12	**709,883**	653,539	572,422	**–**	–	–
Other receivables	13	**203,234**	105,397	135,702	**16,892**	50,243	5,077
Assets held for sale	14	**–**	198,973	37,426	**–**	62,615	–
Cash and cash equivalents	15	**125,748**	145,167	161,137	**2,076**	3,064	26,600
Total current assets		**1,649,019**	1,511,375	1,174,488	**23,497**	115,922	31,677
Total assets		**1,965,065**	1,760,551	1,533,941	**432,841**	485,186	468,621
Equity							
Share capital	16	**413,839**	413,393	1,324,336	**413,839**	413,393	1,324,336
Reserves	17	**81,021**	50,022	(909,643)	**2,364**	8,106	(923,283)
Equity attributable to owners of the Company		**494,860**	463,415	414,693	**416,203**	421,499	401,053
Non-controlling interests	18	**9,708**	8,471	7,091	**–**	–	–
Total equity		**504,568**	471,886	421,784	**416,203**	421,499	401,053
Liabilities							
Other payables	21	**–**	19,620	39,751	**–**	–	–
Financial liabilities	19	**120,145**	14,419	27,229	**–**	–	48
Deferred tax liabilities	9	**6,852**	7,028	8,342	**–**	–	–
Total non-current liabilities		**126,997**	41,067	75,322	**–**	–	48
Trade payables	20	**650,445**	526,341	341,570	**–**	–	–
Other payables	21	**466,120**	357,105	327,070	**16,638**	63,637	67,474
Progress billings in excess of construction work in progress	11	**52,516**	82,754	38,658	**–**	–	–
Financial liabilities	19	**144,201**	159,619	307,078	**–**	50	46
Current tax liabilities		**20,218**	23,418	22,459	**–**	–	–
Liabilities held for sale	14	**–**	98,361	–	**–**	–	–
Total current liabilities		**1,333,500**	1,247,598	1,036,835	**16,638**	63,687	67,520
Total liabilities		**1,460,497**	1,288,665	1,112,157	**16,638**	63,687	67,568
Total equity and liabilities		**1,965,065**	1,760,551	1,533,941	**432,841**	485,186	468,621

* See Note 2.3.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RMB'000	Group 2016 RMB'000 Restated*
Continuing operations			
Revenue	22	**1,305,095**	1,078,209
Cost of sales		**(1,155,165)**	(947,073)
Gross profit		**149,930**	131,136
Other income	23	**22,035**	23,856
Selling and distribution costs		**(8,795)**	(4,299)
Administrative expenses		**(56,783)**	(59,252)
Other expenses		**(15,400)**	(7,958)
Profit from operating activities		**90,987**	83,483
Finance costs	24	**(25,673)**	(12,004)
Profit before tax		**65,314**	71,479
Tax expense	25	**(20,529)**	(14,779)
Profit from continuing operations		**44,785**	56,700
Discontinued operations			
Profit/(loss) from discontinued operations, net of tax	26	**891**	(8,486)
Profit for the year	27	**45,676**	48,214
Profit attributable to:			
Owners of the Company		**44,439**	46,834
Non-controlling interests		**1,237**	1,380
Profit for the year		**45,676**	48,214
Earnings per share	28		
Basic (cents)		**13.63**	14.38
Diluted (cents)		**13.63**	14.38
Earnings per share – continuing operations	28		
Basic (cents)		**13.36**	16.98
Diluted (cents)		**13.36**	16.98

* See Note 2.3.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2017

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
		Restated*
Profit for the year	**45,676**	48,214
Other comprehensive income		
Items that are or may be reclassified subsequently to profit and loss:		
Foreign currency translation differences	**(769)**	1,651
Realisation of reserve upon disposal of subsidiaries	**(11,155)**	–
Net change in fair value of available-for-sale financial assets	**(1,516)**	–
Other comprehensive (loss)/income for the year, net of tax	**(13,440)**	1,651
Total comprehensive income for the year	**32,236**	49,865
Total comprehensive income attributable to:		
Owners of the Company	**30,999**	48,485
Non-controlling interests	**1,237**	1,380
Total comprehensive income for the year	**32,236**	49,865

* See Note 2.3.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

		Attributable to owners of the Company								
	Note	Share capital RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Other reserves RMB'000	Translation reserve RMB'000	Accumulated (losses)/ profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Group										
At 1 January 2016 (Restated*)		1,324,336	(7,585)	2,075	(6,777)	(6,282)	(891,074)	414,693	7,091	421,784
Total comprehensive income for the year										
Profit for the year		–	–	–	–	–	46,834	46,834	1,380	48,214
Other comprehensive income										
Foreign currency translation differences		–	–	–	–	1,651	–	1,651	–	1,651
Total other comprehensive income		–	–	–	–	1,651	–	1,651	–	1,651
Total comprehensive income for the year		–	–	–	–	1,651	46,834	48,485	1,380	49,865
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Issue of shares during the year	16	237	–	–	–	–	–	237	–	237
Capital reduction	16	(911,180)	–	–	–	–	911,180	–	–	–
Total contributions by and distributions to owners		(910,943)	–	–	–	–	911,180	237	–	237
At 31 December 2016 (Restated*)		413,393	(7,585)	2,075	(6,777)	(4,631)	66,940	463,415	8,471	471,886

* See Note 2.3.

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

YEAR ENDED 31 DECEMBER 2017

	Note	Attributable to owners of the Company									
		Share capital RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Fair value reserve RMB'000	Other reserves RMB'000	Translation reserve RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Group											
At 1 January 2017 (Restated*)		413,393	(7,585)	2,075	–	(6,777)	(4,631)	66,940	463,415	8,471	471,886
Total comprehensive income for the year											
Profit for the year		–	–	–	–	–	–	44,439	44,439	1,237	45,676
Other comprehensive income											
Foreign currency translation differences		–	–	–	–	–	(769)	–	(769)	–	(769)
Realisation of reserve upon disposal of subsidiaries		–	–	(2,075)	–	–	(11,155)	2,075	(11,155)	–	(11,155)
Net change in fair value of available-for-sale financial assets		–	–	–	(1,516)	–	–	–	(1,516)	–	(1,516)
Total other comprehensive (loss)/income		–	–	(2,075)	(1,516)	–	(11,924)	2,075	(13,440)	–	(13,440)
Total comprehensive (loss)/income for the year		–	–	(2,075)	(1,516)	–	(11,924)	46,514	30,999	1,237	32,236
Transactions with owners, recognised directly in equity											
Contributions by and distributions to owner											
Issue of shares during the year	16	446	–	–	–	–	–	–	446	–	446
Total contributions by and distributions to owners		446	–	–	–	–	–	–	446	–	446
At 31 December 2017		413,839	(7,585)	–	(1,516)	(6,777)	(16,555)	113,454	494,860	9,708	504,568

* See Note 2.3.

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

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

	Note	Share capital RMB'000	Capital reserve RMB'000	Other reserves RMB'000	Translation reserves RMB'000	Accumulated (losses)/ profits RMB'000	Total equity RMB'000
Company							
At 1 January 2016 (Restated*)		1,324,336	(8,294)	(6,777)	(9,194)	(899,018)	401,053
Total comprehensive income							
Profit for the year		–	–	–	–	1,918	1,918
Other comprehensive income							
Foreign currency translation differences		–	–	–	18,291	–	18,291
Total other comprehensive income		–	–	–	18,291	–	18,291
Total comprehensive income for the year		–	–	–	18,291	1,918	20,209
Transactions with owners, recognised directly in equity							
Issue of shares during the year	16	237	–	–	–	–	237
Capital reduction	16	(911,180)	–	–	–	911,180	–
Total contributions by and distributions to owners		(910,943)	–	–	–	911,180	237
At 31 December 2016 (Restated*)		413,393	(8,294)	(6,777)	9,097	14,080	421,499

* See Note 2.3.

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

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

	Note	Share capital RMB'000	Capital reserve RMB'000	Other reserves RMB'000	Fair value reserve RMB'000	Translation reserves RMB'000	Accumulated profits/ (losses) RMB'000	Total equity RMB'000
Company								
At 1 January 2017 (Restated*)		**413,393**	**(8,294)**	**(6,777)**	**–**	**9,097**	**14,080**	**421,499**
Total comprehensive income								
Loss for the year		–	–	–	–	–	(11,682)	(11,682)
Other comprehensive income								
Foreign currency translation differences		–	–	–	–	7,456	–	7,456
Net change in fair value of available-for-sale financial assets		–	–	–	(1,516)	–	–	(1,516)
Total other comprehensive (loss)/income		–	–	–	(1,516)	7,456	–	5,940
Total comprehensive (loss)/ income for the year		–	–	–	(1,516)	7,456	(11,682)	(5,742)
Transactions with owners, recognised directly in equity								
Issue of shares during the year	16	446	–	–	–	–	–	446
Total contributions by and distributions to owners		446	–	–	–	–	–	446
At 31 December 2017		413,839	(8,294)	(6,777)	(1,516)	16,553	2,398	416,203

* See Note 2.3.

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

YEAR ENDED 31 DECEMBER 2017

	Note	2017 RMB'000	2016 RMB'000 Restated*
Cash flows from operating activities			
Profit before tax		**65,314**	71,479
Adjustments for:			
Allowance for impairment losses on doubtful receivables		**3,223**	–
Amortisation of intangible assets		**681**	681
Depreciation of property, plant and equipment		**45,572**	53,334
Depreciation of investment properties		**2,410**	2,309
Discount on long-term receivables		**2,227**	–
Change in fair value of financial asset designated as fair value through profit or loss		**2,855**	–
Gain on disposal of subsidiaries		**(12,862)**	–
Interest income		**(378)**	(691)
Interest expense		**25,673**	12,004
Loss on disposal of property, plant and equipment		**499**	1,525
Share awards scheme		**446**	237
Unwinding of discount on retention monies		**(3,286)**	(3,522)
Operating profit before working capital changes		**132,374**	137,356
Changes in:			
Inventories		**(23,180)**	(2,935)
Construction work in progress, net		**(204,384)**	(102,791)
Trade and other payables		**266,507**	286,994
Trade and other receivables		**(142,017)**	(107,251)
Release of fixed deposits pledged, net		**2,631**	6,947
Cash flows generated from operations		**31,931**	218,320
Tax paid		**(21,334)**	(17,044)
Net cash generated from operating activities		**10,597**	201,276
Net cash (used in)/generated from operating activities from discontinued operations	26	**(5,057)**	26,972
		5,540	228,248
Cash flows from investing activities			
Acquisition of other investments		**(54)**	(100)
Acquisition of property, plant and equipment		**(78,210)**	(55,915)
Interest received		**378**	691
Proceeds from sale of property, plant and equipment		**1,703**	216
Refund of deposit to a potential acquirer of the Disposal Group		**(6,076)**	–
Net cash used in investing activities		**(82,259)**	(55,108)
Net cash generated from/(used in) investing activities from discontinued operations	26	**13,101**	(359)
		(69,158)	(55,467)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2017

	Note	2017 RMB'000	2016 RMB'000 Restated*
Cash flows from financing activities			
Interest paid		**(23,144)**	(12,004)
Repayment to a previous shareholder of Ranken's subsidiary		**(19,180)**	(4,930)
Proceeds from refinancing of finance lease liabilities		**70,000**	–
Proceeds from bank loans		**155,000**	126,000
Proceeds from bond issued		**35,000**	15,000
Payment of finance lease liabilities		**(28,985)**	(27,537)
Payment of bank loans		**(146,000)**	(206,000)
Repayment of bond issued		**–**	(35,000)
Payment of transactions costs related to financial liabilities		**(8,075)**	–
Net cash generated from/(used in) financing activities		**34,616**	(144,471)
Net cash used in financing activities from discontinued operations	26	**(2,250)**	(16,790)
		32,366	(161,261)
Net (decrease)/increase in cash and cash equivalents		**(31,252)**	11,520
Cash and cash equivalents at 1 January		**134,517**	139,355
Cash and cash equivalents classified as held for sale at beginning of the year		**17,435**	–
Effect of exchange rate fluctuations on cash held		**(2,971)**	1,077
Cash and cash equivalents classified as held for sale	14	**–**	(17,435)
Cash and cash equivalents at 31 December	15	**117,729**	134,517

* See Note 2.3.

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

NOTES TO THE
FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 23 March 2018.

1. DOMICILE AND ACTIVITIES

Sapphire Corporation Limited (the "Company") is a company incorporated in the Republic of Singapore. The address of the Company's registered office is 1 Robinson Road #17-00, AIA Tower, Singapore 048542.

The financial statements of the Group as at and for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The principal activities of the Company are those of investment management, provision of management services and holding company. The principal activities of the subsidiaries are set out in Note 7.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

The functional currency of the Company is in Singapore dollars.

Change in presentation currency

The Company changed its presentation currency from the Singapore dollar to the Chinese Renminbi ("RMB") as at 1 January 2017 as the Company considers RMB to be the most appropriate presentation currency for the following reasons:

(a) The disposal of Mining Services Business (Note 14) whose transactions are mainly denominated in Australian dollars has been completed on 28 February 2017;

(b) The Group's main operations are now mainly conducted in the Infrastructure Business which transactions are mainly denominated in RMB; and

(c) The Group's main business is expected to continue to be in the Infrastructure Business, for which the revenue, costs, expenses, profits, assets and liabilities will continue to be mainly denominated in RMB (however the Singapore dollar remains the functional currency of the Company).

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONT'D)

2.3 Functional and presentation currency (Cont'd)

Change in presentation currency (Cont'd)

In accordance with FRS 21 *The Effects of Changes in Foreign Exchange Rates*, the results and financial position of entities within the Group whose functional currencies are not denominated in RMB have been translated from its functional currency into the presentation currency (RMB), where their assets and liabilities are translated at the closing rate, and income and expenses are translated at the exchange rates at the dates of the transactions (or at the average rate for the period when it is a reasonable approximation).

In accordance with FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the comparatives have been restated and presented in RMB using similar method.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are as follows:

- Impairment of goodwill

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

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

- Revenue recognition

  The Group recognises contract revenue in proportion to the stage of completion of the contract where it is probable that contract costs are recoverable. The stage of completion is measured by reference to the survey of work performed.

  Significant judgement is required in determining the stage of completion, the estimated total contracted revenue, as well as the recoverability of contract costs and foreseeable losses relating to the contracts. Total contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. Total cost includes actual costs incurred and future costs to completion which takes into consideration potential manpower and resources needed to complete the project. In making the judgement, the Group relies on experiences and inputs from both project managers and external customers.

2. BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements (Cont'd)

- Valuation of loans and receivables and construction work in progress

  The Group maintains allowance for doubtful account at a level considered adequate to provide for potential uncollectible receivables and construction work in progress. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to the length of the Group's relationship with customers, their payment behaviour and known market factors. The Group reviews the age and status of receivables, as well as evaluates project status, cause of any cost overruns and existence of disputes to identify accounts for which a loss allowance is required. The amount and timing of recorded expenses for any period would differ if the Group made different judgement or utilised different estimates.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 32.

NOTES TO THE
FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONT'D)

2.5 Change in accounting policies

On 1 January 2017, the Group adopted new and amended FRS and interpretations to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required in accordance with the transitional provisions in the respective FRS and INT FRS.

Except as disclosed below in relation to Disclosure Initiative (Amendments to FRS 7), the adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

Disclosure Initiative (Amendments to FRS 7)

From 1 January 2017, as a result of the amendments to FRS 7, the Group has provided additional disclosure in relation to the change in liabilities arising from financing activities for the year ended 31 December 2017. Comparative information has not been presented (see Note 19).

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

3.1 Basis of consolidation

Business combinations

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

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (Cont'd)

Business combinations (Cont'd)

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

Loss of control

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

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Subsidiaries in the separate financial statements

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in profit or loss, except for the differences which are recognised in other comprehensive income arising on the translation of available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss).

Foreign operations

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

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the translation reserve in equity.

3.3 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (Cont'd)

Non-derivative financial assets (Cont'd)

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

Loans and receivables

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, pledged deposits are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (Cont'd)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

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

Non-derivative financial liabilities

Financial liabilities for contingent consideration payable in a business combination are recognised at date of acquisition. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

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

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise finance lease liabilities, bank loans, bond, bank overdrafts, and trade and other payables.

Share capital

Ordinary shares

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

3.4 Property, plant and equipment

Recognition and measurement

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Property, plant and equipment (Cont'd)

Recognition and measurement (Cont'd)

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

In 2016, depreciation for certain machines were recognised as an expense in profit or loss using the units of production method which was based on the expected mileage of these machines. During the financial year, the Group conducted an operational efficiency review of its machines, which resulted in changes in the estimate of expected usage of these machines. To more appropriately reflect the expected pattern of consumption of future economic benefits, management changed the depreciation method for these machines from the units of production method to the straight line method over a 10-year useful life. The 10-year useful life is estimated based on the general life span of machines and in line with the industry. The carrying amount of these machines as at 31 December 2017 was RMB26,096,000 (2016: RMB30,030,000). In accordance with FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, this constitutes a change in accounting estimates and hence, the change was applied prospectively from 1 January 2017. The effect of the change is a reduction in depreciation expense and increase in net profit before taxation of approximately RMB12,625,000 for the financial year ended 31 December 2017.

NOTES TO THE **FINANCIAL STATEMENTS**

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Property, plant and equipment (Cont'd)

Depreciation (Cont'd)

For the remaining assets, depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Building	–	30 years
Plant and machinery	–	2 to 20 years
Furniture, fittings and office equipment	–	2 to 5 years
Motor vehicles	–	2 to 10 years
Renovation	–	5 years
Construction site facilities	–	1 to 5 years

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

No depreciation is provided on assets under construction.

3.5 Intangible assets and goodwill

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets and is measured at cost less accumulated impairment losses. For the measurement of goodwill at initial recognition, see Note 3.1.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Intangible assets and goodwill (Cont'd)

Other intangible assets (Cont'd)

Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

Land use rights	–	50 years
Customer list	–	5 years
Order backlog	–	2 years

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

3.6 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties. The cost of self-constructed investment properties includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment properties to a working condition for their intended use and capitalised borrowing costs.

Any gains or losses on disposal of investment properties (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) are recognised in profit or loss.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each item of investment properties. The estimated useful lives of investment properties are 30 years. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.7 Leased assets

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

Other leases are operating leases and are not recognised in the Group's statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

3.9 Construction work in progress

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (Note 3.13) less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work in progress is presented in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings and recognised losses. If progress billings and recognised losses exceed costs incurred plus recognised profits, then the difference is presented as progress billings in excess of contracts work in progress in the statement of financial position.

3.10 Impairment

Non-derivative financial assets

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

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

NOTES TO THE
FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Impairment (Cont'd)

Non-derivative financial assets (Cont'd)

Loans and receivables

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

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Available-for-sale financial assets

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

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Impairment (Cont'd)

Non-financial assets (Cont'd)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.11 Non-current assets and liabilities held for sale

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

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Share-based payment transactions

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

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

3.13 Revenue

Mining services

Revenue from mining services contract is recognised when the related services are rendered.

Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity (Note 3.9).

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction 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.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus representing amounts due from customers is shown as construction contracts in progress. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus representing amounts due to customers is shown as progress billings in excess of construction work in progress. Amounts received before the related work is performed are shown as advance payments from customer.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Revenue (Cont'd)

Rendering of services

Revenue from providing construction design, consulting and supervision services is recognised in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work performed.

Equipment leasing

Revenue from equipment leasing is recognised on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Sale of goods

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

Interest income

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Rental income

Rental income from operating leases of investment properties are recognised in other income on a straight-line basis over the term of the lease.

3.14 Government grant

Government grants are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

3.15 Finance costs

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Lease payments

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

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

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

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the assets.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

3.17 Tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Tax (Cont'd)

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

3.18 Discontinued operations

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.20 Segment reporting

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

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

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

3.21 Financial guarantee contracts

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

4. PROPERTY, PLANT AND EQUIPMENT

	Building RMB'000	Plant and machinery RMB'000	Furniture, fittings and office equipment RMB'000	Motor vehicles RMB'000	Renovation RMB'000	Construction site facilities RMB'000	Construction in progress RMB'000	Total RMB'000
Group								
Cost								
At 1 January 2016	11,315	206,174	2,885	6,598	854	15,460	10,773	254,059
Additions	–	16,713	942	2,101	–	35,168	4,172	59,096
Disposals/write-off	–	(23,385)	(111)	(2,357)	–	–	(2,260)	(28,113)
Transfer	–	1,044	–	–	–	156	(1,200)	–
Effect of movements in exchange rates	–	6,950	54	124	39	–	557	7,724
Reclassification to assets held for sale (Note 14)	–	(117,447)	(504)	(855)	–	–	(10,429)	(129,235)
At 31 December 2016	11,315	90,049	3,266	5,611	893	50,784	1,613	163,531
Additions	–	24,567	2,234	2,234	–	47,545	9,866	86,446
Disposals/write-off	–	(2,699)	(436)	(915)	–	–	–	(4,050)
Transfer	–	(2,582)	–	193	–	2,389	–	–
Effect of movements in exchange rates	–	–	11	7	18	–	–	36
At 31 December 2017	**11,315**	**109,335**	**5,075**	**7,130**	**911**	**100,718**	**11,479**	**245,963**
Accumulated depreciation								
At 1 January 2016	(134)	(31,508)	(899)	(2,426)	(529)	(5,730)	–	(41,226)
Depreciation	(395)	(44,643)	(943)	(1,675)	(166)	(18,212)	–	(66,034)
Disposals/write-off	–	6,553	75	1,595	–	–	–	8,223
Effect of movements in exchange rates	–	(1,749)	(41)	(87)	(24)	–	–	(1,901)
Reclassification to assets held for sale (Note 14)	–	36,209	356	491	–	–	–	37,056
At 31 December 2016	(529)	(35,138)	(1,452)	(2,102)	(719)	(23,942)	–	(63,882)
Depreciation	(293)	(12,978)	(1,182)	(1,348)	(169)	(29,602)	–	(45,572)
Disposals/write-off	–	806	409	633	–	–	–	1,848
Transfer	–	744	–	(12)	–	(732)	–	–
Effect of movements in exchange rates	–	–	(9)	(10)	(10)	–	–	(29)
At 31 December 2017	**(822)**	**(46,566)**	**(2,234)**	**(2,839)**	**(898)**	**(54,276)**	**–**	**(107,635)**
Carrying amounts								
At 1 January 2016	11,181	174,666	1,986	4,172	325	9,730	10,773	212,833
At 31 December 2016	10,786	54,911	1,814	3,509	174	26,842	1,613	99,649
At 31 December 2017	**10,493**	**62,769**	**2,841**	**4,291**	**13**	**46,442**	**11,479**	**138,328**

NOTES TO THE FINANCIAL STATEMENTS

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

	Furniture, fittings and office equipment RMB'000	Motor vehicles RMB'000	Renovation RMB'000	Total RMB'000
Company				
Cost				
At 1 January 2016	632	556	854	2,042
Additions	9	–	–	9
Disposals/write-off	(65)	–	–	(65)
Effect of movements in exchange rates	29	25	39	93
At 31 December 2016	605	581	893	2,079
Disposals/write-off	(116)	–	–	(116)
Effect of movements in exchange rates	9	10	18	37
At 31 December 2017	**498**	**591**	**911**	**2,000**
Accumulated depreciation				
At 1 January 2016	(448)	(556)	(529)	(1,533)
Depreciation	(41)	–	(166)	(207)
Disposals/write-off	65	–	–	65
Effect of movements in exchange rates	(21)	(25)	(24)	(70)
At 31 December 2016	(445)	(581)	(719)	(1,745)
Depreciation	(33)	–	(169)	(202)
Disposals/write-off	116	–	–	116
Effect of movements in exchange rates	(11)	(10)	(10)	(31)
At 31 December 2017	**(373)**	**(591)**	**(898)**	**(1,862)**
Carrying amounts				
At 1 January 2016	184	–	325	509
At 31 December 2016	160	–	174	334
At 31 December 2017	**125**	**–**	**13**	**138**

At 31 December 2017, the Group's plant and machinery with carrying amount of RMB34,290,000 (2016: RMB30,137,000) were acquired under finance leases (Note 19).

At 31 December 2017, a building and certain machineries of the Group with carrying amount of RMB10,493,000 (2016: RMB10,786,000) and RMB402,000 (2016: RMB461,000) respectively are pledged as securities to secure bank loans (Note 19).

During the year, depreciation of RMB43,482,000 (2016: RMB63,718,000) and RMB2,090,000 (2016: RMB2,316,000) were charged to cost of goods sold and other operating expenses, respectively, in the consolidated profit or loss.

5. INTANGIBLE ASSETS AND GOODWILL

	Land use rights RMB'000	Customer list RMB'000	Order backlog RMB'000	Goodwill RMB'000	Total RMB'000
Group					
Cost					
At 1 January 2016	30,250	3,148	2,014	47,530	82,942
Written off	–	–	(2,014)	(5,329)	(7,343)
Effect of movements in exchange rates	–	182	–	216	398
Reclassification to assets held for sale (Note 14)	–	(3,330)	–	–	(3,330)
At 31 December 2016 and 2017	**30,250**	**–**	**–**	**42,417**	**72,667**
Accumulated amortisation and impairment loss					
At 1 January 2016	(171)	(1,455)	(2,014)	(5,113)	(8,753)
Amortisation	(681)	(758)	–	–	(1,439)
Written off	–	–	2,014	5,329	7,343
Effect of movements in exchange rates	–	(95)	–	(216)	(311)
Reclassification to assets held for sale (Note 14)	–	2,308	–	–	2,308
At 31 December 2016	(852)	–	–	–	(852)
Amortisation	(681)	–	–	–	(681)
At 31 December 2017	**(1,533)**	**–**	**–**	**–**	**(1,533)**
Carrying amounts					
At 1 January 2016	30,079	1,693	–	42,417	74,189
At 31 December 2016	29,398	–	–	42,417	71,815
At 31 December 2017	**28,717**	**–**	**–**	**42,417**	**71,134**

At 31 December 2017, the Group's land use rights with carrying amount of RMB28,717,000 (2016: RMB29,398,000) are pledged to a bank for banking facilities (Note 19).

The amortisation of land use rights and customer list is included in other operating expenses.

Impairment testing for CGUs containing goodwill

For the purposes of impairment testing, goodwill has been allocated to the Group's CGUs as follows:

	Group 2017 RMB'000	Group 2016 RMB'000
Infrastructure	**42,417**	42,417

NOTES TO THE
FINANCIAL STATEMENTS

5. INTANGIBLE ASSETS AND GOODWILL (CONT'D)

Infrastructure

The infrastructure business is primarily involved in the design, civil engineering and construction for land transport infrastructure, major tunnelling works, underground structures, expressways, road and bridges for township development and urbanisation projects.

The recoverable amount of this CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU.

Key assumptions used in the estimation of value in use were as follows:

	2017	2016
Period of cash flow projections	**2018 – 2022**	2017 – 2021
Pre-tax discount rate	**17%**	17%
Terminal value growth rate	**4%**	4%

The cash flow projections were based on financial forecasts prepared by the management and included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make. The discount rate applied to the cashflow projections was estimated using an appropriate required rate of return on invested capital.

6. INVESTMENT PROPERTIES

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
Cost		
At 1 January and 31 December	**62,763**	62,763
Accumulated depreciation		
At 1 January	**(3,259)**	(950)
Depreciation	**(2,410)**	(2,309)
At 31 December	**(5,669)**	(3,259)
Carrying amount		
At 31 December	**57,094**	59,504
Fair value		
At 31 December	**62,763**	62,763

Investment properties comprise a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period from 3 to 5 years, with annual rents indexed to consumer prices. No contingent rents are charged. See Note 29 for further information.

6. INVESTMENT PROPERTIES (CONT'D)

Security

At 31 December 2017, investment properties of the Group with carrying amounts of RMB57,094,000 (2016: RMB59,504,000) are pledged as security to secure bank loans and bond (Note 19).

Major properties held for investment

Location	**Description**	**Existing use**	**Tenure of land**	**Remaining term of lease**
Ranken Building No. 189 Wukexi Second Road Wuhou District, Chengdu City Sichuan Province, The People's Republic of China	Certain units within a 9-storey office building	Commercial	Leasehold	43 years
Floor 19 Sichuan International Building Shun Cheng Street, Qing Yang District, Chengdu	1 storey of 27-storey office building	Commercial	Leasehold	32 years

During the year, RMB3,350,000 (2016: RMB3,502,000) was recognised as rental income in profit or loss by the Group. Depreciation expenses included in other operating expenses amounted to RMB2,410,000 (2016: RMB2,309,000).

7. SUBSIDIARIES

	Company	
	2017 **RMB'000**	**2016** **RMB'000**
Equity investments at cost		
At 1 January	**569,974**	604,984
Disposal	**(201,044)**	–
Reclassification to assets held for sale (Note 14)	**–**	(62,615)
Effect of movements in exchange rates	**6,490**	27,605
At 31 December	**375,420**	569,974
Less: Impairment losses		
At 1 January	**(201,044)**	(192,271)
Disposal	**201,044**	–
Effect of movements in exchange rates	**–**	(8,773)
31 December	**–**	(201,044)
Net	**375,420**	368,930

NOTES TO THE FINANCIAL STATEMENTS

7. SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Principal place of business/ Country of incorporation	Effective equity interest held by the Group	
			2017 %	2016 %
Ranken Infrastructure Limited[1] and its subsidiaries:	Investment holding	Hong Kong	**100**	100
– Chengdu Kai Qi Rui Business Management Co., Ltd. and its subsidiaries[1]	Enterprise management, engineering information and technology consultation	China	**98**	98
– Ranken Railway Construction Group Co., Ltd. and its subsidiaries[1]	Engineering, procurement and construction (EPC) for railway, highway, municipal, industrial and civil construction and airports and water conservancy projects and investment holding	China	**97.6**	97.6
– Sichuan Xinlong Construction Co., Ltd[1]	EPC for railway, highway, municipal, industrial and civil construction and airports and water conservancy projects	China	**97.6**	97.6
– Sichuan Longjian Construction Consultancy Co., Ltd.[1]	Construction consulting, projects management consulting, construction cost consulting, construction design, supervision and bidding agency	China	**97.6**	97.6
– Sichuan Jinlong Labor Service Co., Ltd.[1]	Labor service subcontracting for construction industry; domestic labor dispatching service	China	**87.9**	87.9
– Chengdu Jialong Property Service Co., Ltd[1]	Property management and consulting services	China	**97.1**	97.1
– PT Tekgen Indonesia[2] [3]	Construction of electrical networks and other telecommunication channels	Indonesia	**97.6**	97.6
– Chengdu Ranken Railway Construction Group Co., Ltd. Saudi Arabia Branch[2] [3]	Engineering, procurement and construction (EPC) for railway, highway, municipal, industrial and civil construction and water conservancy projects	Saudi Arabia	**97.6**	97.6
– Sichuan Yilong Equipment Co., Ltd[1]	Equipment maintenance and leasing	China	**97.6**	97.6

7. SUBSIDIARIES (CONT'D)

Name of subsidiaries	Principal activities	Principal place of business/ Country of incorporation	Effective equity interest held by the Group 2017 %	2016 %
Sapphire Construction & Development Pte. Ltd.[(4)] and its subsidiary:	Dormant	Singapore	–	100
– Tudor Jaya Sdn. Bhd.[(5)]	Dormant	Malaysia	–	100
Sapphire Mineral Resources Pte. Ltd.[(5)]	Dormant	Singapore	–	100

Notes on auditors:

(1) Audited by other member firms of KPMG International.

(2) Audited by other auditors. These subsidiaries are not significant as defined under Listing Rule 718 of the Singapore Exchange Listing Manual. For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

Notes on shareholdings:

(3) In the process of being struck off.

(4) The entity was divested at a sales consideration of $1 as part of the Group's efforts to streamline its corporate structure, following the exit of its non-core business.

(5) These entities were struck off in 2017.

Arising from the divestment and striking of entities in Notes (4) and (5) above, the Group recorded a gain on disposal of subsidiaries of RMB12,862,000 for the realisation of foreign currency translation reserve. The entities had zero net assets at the date of disposal.

8. OTHER INVESTMENTS

	Group 2017 RMB'000	Group 2016 RMB'000	Company 2017 RMB'000	Company 2016 RMB'000
Non-current				
Available-for-sale financial assets				
Unquoted equity shares, at fair value	**12,476**	–	**12,476**	–
Unquoted equity shares, at cost	**154**	100	**–**	–
	12,630	100	**12,476**	–
Current				
Financial assets designated at fair value through profit or loss				
Quoted equity shares	**4,529**	–	**4,529**	–
	17,159	100	**17,005**	–

NOTES TO THE FINANCIAL STATEMENTS

8. OTHER INVESTMENTS (CONT'D)

The fair value of certain unquoted equity shares cannot be measured reliably as there is no active market to appraise the value of these unquoted equity shares. Accordingly, these unquoted equity shares are carried at cost less accumulated impairment losses.

Some equity securities have been designated at fair value through profit or loss because they are managed on a fair value basis and their performance is actively managed.

The Group's and Company's exposures to credit and market risks, and fair value measurement are disclosed in Note 32.

9. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2017	**2016**	**2017**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Group				
Property, plant and equipment	**9,635**	11,090	**(28)**	(29)
Investment properties	**–**	–	**(731)**	(760)
Intangible assets	**–**	–	**(6,093)**	(6,239)
Trade receivables	**5,165**	5,804	**–**	–
Others	**750**	1,214	**–**	–
	15,550	18,108	**(6,852)**	(7,028)

Movement in temporary differences during the year

	Balance as at 1 January 2016 RMB'000	Recognised in profit or loss RMB'000	Exchange differences RMB'000	Reclassification to assets/ liabilities held for sale (Note 14) RMB'000	Balance as at 31 December 2016 RMB'000	Recognised in profit or loss RMB'000	Balance as at 31 December 2017 RMB'000
Group							
Deferred tax assets							
Property, plant and equipment	6,271	4,819	–	–	11,090	(1,455)	**9,635**
Intangible assets	2,479	2,691	182	(5,352)	–	–	**–**
Trade receivables	724	5,080	–	–	5,804	(639)	**5,165**
Others	750	464	–	–	1,214	(464)	**750**
	10,224	13,054	182	(5,352)	18,108	(2,558)	**15,550**
Deferred tax liabilities							
Property, plant and equipment	(661)	22	(36)	646	(29)	1	**(28)**
Investment properties	(790)	30	–	–	(760)	29	**(731)**
Intangible assets	(6,891)	372	(27)	307	(6,239)	146	**(6,093)**
	(8,342)	424	(63)	953	(7,028)	176	**(6,852)**

NOTES TO THE FINANCIAL STATEMENTS

10. INVENTORIES

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
Raw materials and consumables	**32,603**	9,423
Inventories recognised in cost of sales:		
– Continuing operations	**275,162**	188,034
– Discontinued operations	**–**	871

As at 31 December 2016, inventories of RMB10,590,000 relating to raw materials and consumables were reclassified to assets held for sale (Note 14).

11. CONSTRUCTION WORK IN PROGRESS

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
Cost incurred plus attributable profit	**4,562,108**	3,481,434
Progress billings	**(4,041,602)**	(3,165,312)
	520,506	316,122
Comprising:		
Construction work in progress	**573,022**	398,876
Progress billings in excess of construction work in progress	**(52,516)**	(82,754)
	520,506	316,122

12. TRADE RECEIVABLES

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
Trade receivables	**713,106**	653,539
Impairment loss	**(3,223)**	–
	709,883	653,539

At 31 December 2017, trade receivables of the Group included retention monies of RMB240,172,000 (2016: RMB202,110,000) related to construction work in progress.

The retention monies of RMB103,655,000 (2016: RMB131,431,000) are expected to be recovered after twelve months from the end of the current financial year.

At 31 December 2016, trade receivables of RMB10,353,000 (net of impairment loss of RMB1,326,000 were reclassified to assets held for sale) (Note 14).

The Group's and the Company's exposures to credit and currency risks and impairment losses, are disclosed in Note 32.

NOTES TO THE FINANCIAL STATEMENTS

13. OTHER RECEIVABLES

	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Non-current				
Other receivable due from third party	**21,310**	–	**21,310**	–
Current				
Amounts due from subsidiaries	**–**	–	**16,337**	49,247
Other receivables due from third parties	**108,650**	48,472	**228**	54
Deposits	**28,007**	34,050	**236**	298
Prepayments	**66,577**	22,379	**91**	148
Club memberships, at cost	**–**	496	**–**	496
	203,234	105,397	**16,892**	50,243
	224,544	105,397	**38,202**	50,243

As at 31 December 2016, other current receivables of RMB17,908,000 were reclassified to assets held for sale (Note 14). Included in other receivables classified as held for sale are RMB16,828,000 receivable from third parties, deposits of RMB211,000 and prepayments of RMB869,000.

As at 31 December 2016, the amounts due from subsidiaries included an amount of RMB32,886,000 due from Mancala Holdings Pty Ltd ("MHPL") (Note 14), which was unsecured, interest free and repayable on demand.

On 28 February 2017, MHPL ceased to be a subsidiary of the Company following the Group's disposal of the Mining Services Business (Note 14) and hence, the amount due from MHPL amounting to RMB21,310,000 as at 31 December 2017 was classified as other receivables from a third party and is not expected to be repaid within the next 12 months. The amount has been reclassified as non-current and stated at fair value using a risk-adjusted prime lending rate at date of reclassification and carried at amortised cost thereafter.

Amounts due from subsidiaries are interest-free, unsecured and repayable on demand.

The Group's and the Company's exposure to credit and currency risks and impairment losses, are disclosed in Note 32.

14. ASSETS AND LIABILITIES HELD FOR SALE

	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Assets held for sale	**–**	198,973	**–**	62,615
Liabilities held for sale	**–**	(98,361)	**–**	–
	–	100,612	**–**	62,615

NOTES TO THE FINANCIAL STATEMENTS

14. ASSETS AND LIABILITIES HELD FOR SALE (CONT'D)

2016

The Group's mining services business comprised investments in its 100% owned subsidiaries, namely Mancala Holdings Limited and Mancala Holdings Pty Ltd and its subsidiaries (collectively the "Mining Services Business"). On 30 December 2016, the Company entered into conditional sale and purchase agreements with China Vanadium Titano-Magnetite Mining Company Limited ("CVT") and Toe Teow Heng to sell 49% and 32% equity interest, respectively, in the Mining Services Business for an aggregate consideration of HK$63,200,000, of which HK$28,200,000 was to be satisfied in cash and HK$35,000,000 by allotment of new ordinary shares in the share capital of CVT. In view of the Board's intent and commitment to sell the Mining Services Business within the next 12 months, the assets and liabilities related to the Mining Services Business were classified as assets and liabilities held for sale in the balance sheet as at 31 December 2016. The sale was completed on 28 February 2017. Refer to Note 26 for the effects of disposal.

Assets and liabilities of disposal group held for sale

At 31 December 2016, the disposal group comprised the following assets and liabilities:

	Note	Group 2016 RMB'000	Company 2016 RMB'000
Property, plant and equipment	4	92,600	–
Intangible assets	5	1,022	–
Subsidiaries	7	–	62,615
Deferred tax assets	9	5,352	–
Inventories	10	10,590	–
Trade receivables	12	10,353	–
Other receivables	13	17,908	–
Plant and equipment held for sale		43,713	–
Cash and cash equivalents	15	17,435	–
Assets held for sale		198,973	62,615
Deferred tax liabilities	9	953	–
Trade payables	20	25,394	–
Other payables	21	81,428	–
Financial liabilities	19	17,913	–
Current tax liabilities		5,559	–
		131,247#	–
Net Assets		67,726	62,615
# Liabilities of the Mining Services Business		131,247	–
Less: Amount owing to the Company		(32,886)	–
Liabilities held for sale		98,361	–

As at 31 December 2016, included in the above assets held for sale were plant and equipment with carrying amount of RMB36,993,000 that were acquired under finance lease.

NOTES TO THE FINANCIAL STATEMENTS

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Cash and bank balances	**117,729**	134,517	**2,076**	3,064
Fixed deposits	**8,019**	10,650	**–**	–
Cash and cash equivalents in the statements of financial position	**125,748**	145,167	**2,076**	3,064
Fixed deposits pledged	**(8,019)**	(10,650)		
Cash and cash equivalents in the statement of cash flows	**117,729**	134,517		

Fixed deposits amounting to RMBNil (2016: RMB10,000,000) and RMB8,019,000 (2016: RMB650,000) were pledged to banks for notes payable (trade) and banking facilities, respectively at the end of the reporting period.

The weighted average effective interest rates per annum relating to cash and cash equivalents at the reporting date for the Group and the Company were 0.30% (2016: 0.42%) and 0.01% (2016: 0.26%) respectively. Interest rates are repriced within one year.

At 31 December 2016, assets held for sale (Note 14) included cash and bank balances of RMB17,435,000.

16. SHARE CAPITAL

	2017		2016	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
Issued and fully paid ordinary shares, with no par value:				
At 1 January	**325,797**	**413,393**	976,845	1,324,336
Share consolidation[1]	**–**	**–**	(651,234)	–
Capital reduction[2]	**–**	**–**	–	(911,180)
Issued under the Sapphire Shares Award Scheme[3]	**275**	**446**	186	237
At 31 December	**326,072**	**413,839**	325,797	413,393

All shares rank equally with regard to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

NOTES TO THE FINANCIAL STATEMENTS

16. SHARE CAPITAL (CONT'D)

Notes:

1. On 9 March 2016, the Company consolidated its issued shares by consolidating every three (3) ordinary shares into one (1) consolidated ordinary share.

2. On 16 June 2016, the Company completed a capital reduction exercise by a reduction of the share capital of the Company from RMB1,324,336,000 (equivalent to $277,067,000) to RMB413,156,000 (equivalent to $87,884,000) via the cancellation of the Company's share capital that has been lost or is unrepresented by available assets and thereafter applying an amount equal to RMB911,180,000 (equivalent to $189,183,000), being the credit arising from the cancellation of the share capital of the Company, towards writing off the accumulated losses.

Issue of ordinary shares

3. On 12 May 2017, the Company issued 274,573 ordinary shares to certain Directors under the Sapphire Shares Award Scheme at RMB1.62 (equivalent to $0.330) per share in partial settlement of directors' fees of RMB446,000 (equivalent to $91,000) for the year ended 31 December 2016.

   On 16 June 2016, the Company issued 185,585 ordinary shares to certain Directors under the Sapphire Shares Award Scheme at RMB1.28 (equivalent to $0.265) per share in partial settlement of directors' fees of RMB237,000 (equivalent to $49,000) for the year ended 31 December 2015.

Capital management

The Board's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity excluding non-controlling interests. The Board also reviews and monitors the level of dividends to ordinary shareholders.

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

The capital structure of the Group consists of debts, which includes non-current borrowings disclosed in Note 19, issued capital, reserves and retained earnings. The Group's current borrowings are largely for working capital needs and hence not considered as the Group's capital.

The Group is not subjected to externally imposed capital requirements during the financial years ended 31 December 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS

17. RESERVES

The reserves of the Group and the Company comprise the following balances:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Capital reserve	**(7,585)**	(7,585)	**(8,294)**	(8,294)
Fair value reserve	**(1,516)**	–	**(1,516)**	–
Merger reserve	**–**	2,075	**–**	–
Other reserves	**(6,777)**	(6,777)	**(6,777)**	(6,777)
Translation reserve	**(16,555)**	(4,631)	**16,553**	9,097
Accumulated profits	**113,454**	66,940	**2,398**	14,080
	81,021	50,022	**2,364**	8,106

Capital reserve comprises: (i) the equity component of convertible bonds and convertible bank loan of the Group and the Company; and (ii) the difference between the issue share price and fair value of new shares issued for the acquisition of a subsidiary.

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

Merger reserve represents the difference between the nominal value of shares issued by the Company in exchange for the nominal value of shares acquired in respect of the acquisition of a subsidiary, Sapphire Construction & Development Pte Ltd ("SCD"), accounted for under the pooling of interest method. In 2017, the Company divested 100% of its stake in SCD, resulting in the realisation of the merger reserve.

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

The translation reserve comprises foreign exchange differences arising from the translation of the financial statements in currencies other than the Group's presentation currency.

The capital reserve, fair value reserve, merger reserve, other reserves and translation reserve are not available for distribution as dividends.

18. NON-CONTROLLING INTERESTS

Non-controlling interests ("NCI") relates to minority shareholders' stake in various subsidiaries under Ranken Infrastructure Limited (Note 7). The following table summarises financial information relating to Ranken Infrastructure Limited and its subsidiaries, modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

18. NON-CONTROLLING INTERESTS (CONT'D)

	2017 RMB'000	2016 RMB'000
Attributable to NCI:		
Profit for the year represents total comprehensive income	**1,237**	1,380
Non-current assets	**239,851**	206,537
Current assets	**1,647,463**	1,345,352
Non-current liabilities	**(126,998)**	(14,419)
Current liabilities	**(1,334,966)**	(1,165,430)
Net assets	**425,350**	372,040
Net assets attributable to NCI	**9,708**	8,471
Cash flows generated from operating activities	**5,167**	205,580
Cash flows used in investing activities	**(75,941)**	(55,206)
Cash flows generated from/(used in) financing activities	**55,007**	(123,998)
Net (decrease)/increase in cash and cash equivalents	**(15,767)**	26,376

19. FINANCIAL LIABILITIES

	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Non-current liabilities				
Secured bank loans	**46,928**	–	**–**	–
Secured bond	**34,008**	14,419	**–**	–
Finance lease liabilities	**39,209**	–	**–**	–
	120,145	14,419	**–**	–
Current liabilities				
Secured bank loans	**106,000**	146,000	**–**	–
Secured bond	**14,814**	–	**–**	–
Finance lease liabilities	**23,387**	13,619	**–**	50
	144,201	159,619	**–**	50
	264,346	174,038	**–**	50

As at 31 December 2016, finance lease liabilities of RMB17,913,000 were reclassified to liabilities held for sale (Note 14).

Information about the Group's and the Company's exposure to interest rate, currency and liquidity risk are disclosed in Note 32.

NOTES TO THE
FINANCIAL STATEMENTS

19. FINANCIAL LIABILITIES (CONT'D)

Terms and debt repayment schedule

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

	Currency	Nominal interest rate	Year of maturity	2017 Face value RMB'000	2017 Carrying amount RMB'000	2016 Face value RMB'000	2016 Carrying amount RMB'000
Group							
Secured bank loan(1)	RMB	4.35%	2017	**–**	**–**	30,000	30,000
Secured bank loan(1)	RMB	145% of BLR*	2017	**–**	**–**	10,000	10,000
Secured bank loan(1)	RMB	145% of BLR*	2017	**–**	**–**	20,000	20,000
Secured bank loan(1)	RMB	115% of BLR*	2017	**–**	**–**	30,000	30,000
Secured bank loan(1)	RMB	115% of BLR*	2017	**–**	**–**	6,000	6,000
Secured bank loan(1)	RMB	5.22%	2017	**–**	**–**	15,000	15,000
Secured bank loan(1)	RMB	6.09%	2017	**–**	**–**	15,000	15,000
Secured bank loan(1)	RMB	BLR*	2017	**–**	**–**	20,000	20,000
Secured bank loan(1)	RMB	135% of LIBOR#	2018	**10,000**	**10,000**	–	–
Secured bank loan(1)	RMB	135% of LIBOR#	2018	**20,000**	**20,000**	–	–
Secured bank loan(1)	RMB	115% of BLR*	2018	**36,000**	**36,000**	–	–
Secured bank loan(1)	RMB	115% of BLR*	2018	**15,000**	**15,000**	–	–
Secured bank loan(1)	RMB	0.45%+LPR^	2019	**30,000**	**28,668**	–	–
Secured bank loan(1)	RMB	0.45%+LPR^	2019	**19,000**	**18,260**	–	–
Secured bank loan(1)	RMB	145% of BLR*	2018	**8,340**	**8,340**	–	–
Secured bank loan(1)	RMB	145% of BLR*	2018	**6,660**	**6,660**	–	–
Secured bank loan(1)	RMB	130% of BLR*	2018	**10,000**	**10,000**	–	–
Secured bond(2)	RMB	7.30%	2018	**15,000**	**14,802**	15,000	14,419
Secured bond(2)	RMB	7.30%	2019	**35,000**	**34,020**	–	–
Finance lease liabilities	RMB	120% of BLR*	2017	**–**	**–**	13,748	13,569
Finance lease liabilities	RMB	120% of BLR*	2020	**30,584**	**27,588**	–	–
Finance lease liabilities	RMB	120% of BLR*	2020	**32,383**	**29,194**	–	–
Finance lease liabilities	RMB	115% of BLR*	2020	**6,738**	**5,814**	–	–
Finance lease liabilities	SGD	5.13%	2017	**–**	**–**	52	50
				274,705	**264,346**	174,800	174,038
Company							
Finance lease liabilities	SGD	5.13%	2017	**–**	**–**	52	50

^ LPR: China's Loan Prime Rate
* BLR: China's Base Lending Rate
# LIBOR: London Interbank Offered Rate

Notes:

1. These bank loans are secured by personal guarantees by previous beneficial owners of subsidiary, Ranken Infrastructure Limited and building, machineries, investment properties, land use rights with total carrying amount of RMB94,977,000 (2016: RMB98,272,000) (Notes 4, 5 and 6), and deposits pledged of RMB8,019,000 (2016: RMB650,000) (note 15).

2. The bond was secured by investment properties with carrying amount of RMB1,729,000 (2016: RMB1,877,000) (Note 6), joint guarantee provided by a financial institution and directors of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL LIABILITIES (CONT'D)

Terms and debt repayment schedule (Cont'd)

The following are the contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements:

		Cash flows		
	Carrying amount RMB'000	**Contractual cash flows RMB'000**	**Within 1 year RMB'000**	**Within 1 to 5 years RMB'000**
Group				
2017				
Non-derivative financial liabilities				
Secured bank loans	**152,928**	**(159,867)**	**(111,345)**	**(48,522)**
Secured bond	**48,822**	**(50,465)**	**(16,445)**	**(34,020)**
Finance lease liabilities	**62,596**	**(69,705)**	**(27,883)**	**(41,822)**
Trade and other payables	**1,116,565**	**(1,116,565)**	**(1,116,565)**	**–**
	1,380,911	**(1,396,602)**	**(1,272,238)**	**(124,364)**
2016				
Non-derivative financial liabilities				
Secured bank loans	146,000	(149,821)	(149,821)	–
Secured bond	14,419	(16,643)	(1,095)	(15,548)
Finance lease liabilities	13,619	(13,800)	(13,800)	–
Trade and other payables	903,066	(903,066)	(883,446)	(19,620)
	1,077,104	(1,083,330)	(1,048,162)	(35,168)
Company				
2017				
Non-derivative financial liabilities				
Trade and other payables	**16,638**	**(16,638)**	**(16,638)**	**–**
2016				
Non-derivative financial liabilities				
Trade and other payables	63,637	(63,637)	(63,637)	–
Finance lease liabilities	50	(52)	(52)	–
	63,687	(63,689)	(63,689)	–

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL LIABILITIES (CONT'D)

Finance lease liabilities

The obligations under finance leases are for the purchase of plant and equipment. Finance lease liabilities that are payable are as follows:

	Future minimum lease payments RMB'000	Interest RMB'000	Present value of minimum lease payments RMB'000
Group			
2017			
Within one year	**27,883**	**(4,497)**	**23,386**
More than one year	**41,822**	**(2,612)**	**39,210**
	69,705	**(7,109)**	**62,596**
2016			
Within one year	13,800	(181)	13,619
Company			
2016			
Within one year	52	(2)	50

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Bank loans RMB'000	Bond payables RMB'000	Finance leases RMB'000	Amount due to a previous shareholder of Ranken's subsidiary (Note 21) RMB'000	Total RMB'000
Balance as at 1 January 2017	**146,000**	**14,419**	**13,619**	**26,100**	**200,138**
Proceeds	**155,000**	**35,000**	**70,000**	**–**	**260,000**
Repayment	**(146,000)**	**–**	**(28,985)**	**(19,180)**	**(194,165)**
Interest paid	**(16,592)**	**(2,311)**	**(4,241)**	**–**	**(23,144)**
Payment of transaction costs relating to financial liabilities	**(2,072)**	**(1,851)**	**(4,152)**	**–**	**(8,075)**
Total changes from financing cash flows	**(9,664)**	**30,838**	**32,622**	**(19,180)**	**34,616**
Other changes					
New finance leases	**–**	**–**	**8,236**	**–**	**8,236**
Interest expense recognised for the year	**16,592**	**4,840**	**4,241**	**–**	**25,673**
Unwinding of interest expense	**–**	**1,254**	**3,878**	**–**	**5,132**
Accrued interest payable	**–**	**(2,529)**	**–**	**–**	**(2,529)**
Total other changes	**16,592**	**3,565**	**16,355**	**–**	**36,512**
Balance as at 31 December 2017	**152,928**	**48,822**	**62,596**	**6,920**	**271,266**

20. TRADE PAYABLES

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
Trade payables	**606,516**	481,462
Notes payable	**–**	10,000
Retention monies	**43,929**	34,879
	650,445	526,341

Notes payable as at 31 December 2016 are non-interest bearing and matured in the current financial year.

Retention monies are payable to sub-contractors after the expiry of defects notification period.

As at 31 December 2016, trade payables of RMB25,394,000 were reclassified to liabilities held for sale (Note 14).

The Group's and the Company's exposures to currency risk and liquidity risk related to trade payables are disclosed in notes 32 and 19, respectively.

21. OTHER PAYABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Non-current				
Other payables	**–**	19,620	**–**	–
Current				
Employees benefits	**24,817**	19,141	**4,923**	3,535
Amount due to subsidiaries (non-trade)	**–**	–	**–**	741
Advance payments from customers	**295,921**	174,112	**–**	–
Deferred income	**1,547**	1,668	**–**	–
Deposit received	**–**	19,001	**–**	19,001
Other payables	**143,835**	143,183	**11,715**	40,360
	466,120	357,105	**16,638**	63,637
	466,120	376,725	**16,638**	63,637

Included in current other payables is the consideration of RMB7,595,000 (2016: RMB36,378,000) payable for the acquisition of the subsidiary, Mancala Holdings Pty Ltd in 2014.

An interest-free loan payable to previous beneficial owners and holding companies of subsidiary, Ranken Infrastructure Limited amounting to RMB6,920,000 (2016: RMB6,480,000) and RMB Nil (2016: RMB19,620,000) were classified under current and non-current other payables respectively.

Deferred income represents government grants received by the Group which are conditional on the Group's research and development activities.

NOTES TO THE FINANCIAL STATEMENTS

21. OTHER PAYABLES (CONT'D)

As at 31 December 2016, other payables of RMB81,428,000 were reclassified to liabilities held for sale (Note 14). Included in other payables classified as held for sale were RMB37,674,000 payables to third parties, RMB6,848,000 accrued operating expenses, RMB4,020,000 payables to previous shareholders of Mancala Holdings Pty Ltd and RMB32,886,000 amount owing by Mancala Holdings Pty Ltd to the Company.

The Group's and the Company's exposures to currency risk and liquidity risk related to other payables are disclosed in Notes 32 and 19, respectively.

22. REVENUE

	Group			
	Discontinued operations		Continuing operations	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Mining services	**8,675**	125,558	**–**	–
Infrastructure:				
– Construction contracts	**–**	–	**1,167,913**	1,015,055
– Rendering of services	**–**	–	**68,111**	58,137
– Equipment leasing	**–**	–	**19,133**	5,017
– Interest income	**–**	–	**22,627**	–
– Sale of goods	**–**	–	**27,311**	–
	8,675	125,558	**1,305,095**	1,078,209

23. OTHER INCOME

	Group			
	Discontinued operations		Continuing operations	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Project related:				
Consultancy fees	**–**	–	**–**	4,011
Unwinding of discount on retention monies	**–**	–	**3,286**	3,522
Other operating income:				
Interest income from banks	**2**	245	**378**	691
Gain on disposal of other investment	**–**	87	**–**	–
Gain on disposal of plant and equipment held for sale	**–**	298	**–**	–
Gain on changes in fair value of contingent consideration	**–**	–	**–**	5,269
Gain on disposal of property, plant and equipment	**17**	–	**–**	–
Gain on disposal of subsidiaries, net	**–**	–	**12,862**	–
Exchange gain, net	**588**	723	**–**	1,327
Rental income	**–**	–	**3,350**	3,502
Government grant	**–**	–	**1,299**	2,252
Others	**–**	119	**860**	3,282
	607	1,472	**22,035**	23,856

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCE COSTS

	Group			
	Discontinued operations		Continuing operations	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Interest expense:				
– finance lease	**210**	1,672	**4,241**	1,479
– secured bonds	**–**	–	**4,840**	3,256
– banks	**544**	1,060	**16,592**	7,269
	754	2,732	**25,673**	12,004

25. TAX EXPENSE

	Group					
	Discontinued operations		Continuing operations		Total	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Current tax expense						
Current year	**–**	–	**18,147**	25,389	**18,147**	25,389
Withholding tax expense	**–**	2,679	**–**	–	**–**	2,679
	–	2,679	**18,147**	25,389	**18,147**	28,068
Deferred tax (income)/ expense						
Origination and reversal of temporary differences	**–**	(2,868)	**2,382**	(10,610)	**2,382**	(13,478)
	–	(189)	**20,529**	14,779	**20,529**	14,590

	Note	2017 RMB'000	2016 RMB'000
Reconciliation of effective tax rate			
Continuing operations		**65,314**	71,479
Discontinued operations	26	**891**	(8,675)
Profit before tax		**66,205**	62,804
Tax using the Singapore tax rate of 17% (2016: 17%)		**11,255**	10,677
Effect of tax rates in foreign jurisdictions		**5,223**	4,164
Non-deductible tax expenses		**5,443**	4,900
Tax exempt income		**(3,589)**	(5,822)
Tax incentives		**–**	(2,621)
Deferred tax asset not recognised		**2,197**	613
Withholding tax expense		**–**	2,679
		20,529	14,590

NOTES TO THE FINANCIAL STATEMENTS

25. TAX EXPENSE (CONT'D)

Income tax recognised in other comprehensive income

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

Unrecognised deferred tax assets

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Tax losses	**271,857**	258,934	**271,618**	257,860

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

26. DISCONTINUED OPERATIONS

The results of the discontinued operations and the financial effects of the completion of the disposal of 81% stake in the Mining Services Business (Note 14) are as follows:

		Group	
	Note	**2017**	**2016**
		RMB'000	**RMB'000**
Results of discontinued operations			
Revenue	22	**8,675**	125,558
Cost of sales		**(7,139)**	(93,597)
Gross profit		**1,536**	31,961
Other income	23	**607**	1,472
Administrative expenses		**(4,609)**	(33,962)
Other expenses		**(12)**	(5,414)
Loss from operating activities		**(2,478)**	(5,943)
Finance costs	24	**(754)**	(2,732)
Loss before income tax		**(3,232)**	(8,675)
Tax	25	**–**	189
Loss from discontinued operations, net of tax	27	**(3,232)**	(8,486)
Gain on disposal of discontinued operations		**4,123**	–
Profit/(loss) from discontinued operations, net of tax		**891**	(8,486)
Earnings per share – discontinued operations	28		
Basic (cents)		**0.27**	(2.60)
Diluted (cents)		**0.27**	(2.60)

NOTES TO THE FINANCIAL STATEMENTS

26. DISCONTINUED OPERATIONS (CONT'D)

The profit from discontinued operations of RMB891,000 (2016: loss of RMB8,486,000) is attributable entirely to owners of the Company.

	2017 RMB'000	2016 RMB'000
Cash flows from discontinued operations		
Net cash (used in)/generated from operating activities	**(5,057)**	26,972
Net cash generated from/(used in) investing activities	**13,101**	(359)
Net cash used in financing activities	**(2,250)**	(16,790)
Net cash inflow for the year	**5,794**	9,823

The effect on cash flows arising from the disposal is set out below:

	Group 2017 RMB'000
Property, plant and equipment	**70,509**
Intangible assets	**1,075**
Deferred tax assets	**5,627**
Inventories	**10,896**
Trade receivables	**6,984**
Other receivables	**14,908**
Non-current assets held for sale	**67,887**
Cash and cash equivalents	**8,541**
Deferred tax liabilities	**(1,002)**
Trade payables	**(24,381)**
Other payables	**(64,798)**
Financial liabilities	**(31,940)**
Current tax liabilities	**(296)**
Net assets at the date of disposal	**64,010**
Gain on disposal, net[2]	**4,123**
Add:	
Loss on partial settlement of consideration payable	**3,346**
Expenses incurred for disposal transaction	**612**
Realisation of foreign currency translation reserve	**1,708**
	73,799
Recognition of 19% stake in Mancala as available- for-sale financial assets	**(14,022)**
Sales consideration	**59,777**
Sales consideration receivable in shares of CVT[1]	**(34,810)**
Less: Deposit received	**(2,832)**
Sales consideration received in cash	**22,135**
Less: Cash and cash equivalents disposed of	**(8,541)**
Net cash inflow from disposal of discontinued operations (included in net cash flows from investing activities from discontinued operations)	**13,594**

NOTES TO THE FINANCIAL STATEMENTS

26. DISCONTINUED OPERATIONS (CONT'D)

(1) The Group received 95,890,410 new ordinary shares in the share capital of China Vanadium Titano-Magnetite Mining Company Limited ("CVT shares") pursuant to the Sale and Purchase Agreement ("SPA") with CVT. The CVT shares were valued at RMB34,810,000 based on its market price on completion date.

The Company subsequently transferred 75,525,506 shares in CVT to the vendors for the partial settlement of amounts payable to vendors of Mancala Holdings Pty Ltd. Arising from which, the Company recognised a loss on partial settlement of amounts payable to the vendors of Mancala of RMB3,346,000 during the period.

(2) The details of the gain on disposal of the discontinued operations are as follows:

	2017
	RMB'000
Gain on disposal of Mancala	**8,081**
Expenses incurred for disposal transaction	**(612)**
Loss on partial settlement of consideration payable	**(3,346)**
Net gain from disposal of Mancala	**4,123**

27. PROFIT FOR THE YEAR

The following items have been included in arriving at profit for the year:

	Group			
	Discontinued operations		**Continuing operations**	
	2017	**2016**	**2017**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Allowance for impairment losses on doubtful receivables	**–**	1,326	**3,223**	–
Amortisation of intangible assets	**–**	758	**681**	681
Audit fees paid and payable to:				
– auditors of the Company	**–**	–	**669**	737
– other auditors	**–**	356	**716**	578
Non-audit fees paid and payable to:				
– other auditors	**–**	–	**167**	120
Depreciation of property, plant and equipment	**–**	12,700	**45,572**	53,334
Depreciation of investment properties	**–**	–	**2,410**	2,309
Directors' remuneration and fees	**–**	–	**9,336**	7,935
Discount on long-term other receivable due from third party	**–**	–	**2,227**	–
Exchange (gain)/loss, net	**(588)**	(723)	**325**	(1,327)
(Gain)/loss on disposal of property, plant and equipment, net	**(17)**	2,036	**499**	1,525
Change in fair value of financial asset designated at fair value through profit or loss	**–**	–	**2,855**	–
Gain on disposal of other investment	**–**	(87)	**–**	–
Gain on disposal of non-current assets held for sale	**–**	(298)	**–**	–
Gain on disposal/struck off of subsidiaries, net	**(4,123)**	–	**(12,862)**	–
Operating lease expenses	**322**	1,758	**96,312**	49,580
Staff costs	**5,785**	51,614	**95,912**	96,824
Contributions to defined contribution plans included in staff costs	**432**	3,249	**12,305**	20,987

28. EARNINGS PER SHARE

The calculation of basic earnings per share ("EPS") for the year ended 31 December 2017 was based on the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding of 325,968,000 (2016: 325,710,000), calculated as follows:

Profit attributable to ordinary shareholders

	2017			2016		
	Continuing operations RMB'000	Discontinued operation RMB'000	Total RMB'000	Continuing operations RMB'000	Discontinued operation RMB'000	Total RMB'000
Group						
Profit/(loss) attributable to ordinary shareholders	**43,548**	**891**	**44,439**	55,320	(8,486)	46,834

Weighted-average number of ordinary shares

	Group 2017 '000	Group 2016 '000
Issued ordinary shares at 1 January	**325,797**	976,845
Effect of shares issued under the Sapphire Shares Award Scheme	**171**	98
Effect of share consolidation[(1)]	**–**	(651,233)
Weighted-average number of ordinary shares during the year	**325,968**	325,710

(1) On 9 March 2016, the Company consolidated its issued shares by consolidating every three (3) ordinary shares into one (1) consolidated ordinary share (Note 16). The earnings per share for 2016 have been presented after adjusting the number of weighted average number of shares in issue for the effects of the share consolidation.

In 2016 and 2017, the diluted earnings per share are the same as basic earnings per share as the Group does not have any dilutive equity instruments.

29. COMMITMENTS

Operating lease expense commitments (as lessee)

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

	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Within 1 year	**11,723**	9,615	**931**	932
Between 1 and 5 years	**4,753**	2,035	**–**	915
	16,476	11,650	**931**	1,847

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

NOTES TO THE FINANCIAL STATEMENTS

29. COMMITMENTS (CONT'D)

Operating lease income commitments (as lessor)

The Group leases out its investment properties (Note 6). The future minimum lease payments receivable under non-cancellable operating lease rentals are as follows:

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
Less than one year	**3,352**	1,956
Between one and five years	**4,256**	2,600
	7,608	4,556

30. CONTINGENT LIABILITIES

The Group does not have any contingent liabilities as at 31 December 2017 and 31 December 2016.

31. RELATED PARTIES

Transactions with key management personnel

Key management personnel compensation

Key management personnel compensation comprised:

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
Short-term employee benefits	**10,151**	8,984
Post-employment benefits	**418**	294
	10,569	9,278

The Company has on 12 May 2017 (2016: 16 June 2016) granted to certain Directors an aggregate of 274,573 share (2016: 185,585 share) awards under the Sapphire Shares Award Scheme as partial payment of Directors' fees for the year ended 31 December 2017.

32. FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

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

The Audit and Risk Committee oversees how management monitors compliance with the Group risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The function of the Audit and Risk Committee is set out in the Corporate Governance Report.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents and trade and other receivables.

The carrying amounts of financial assets in the statements of financial position represent the Group's and the Company's maximum exposures to credit risk, before taking into account any collateral held. The Group and the Company do not hold any collateral in respect of their financial assets.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (Cont'd)

Trade and other receivables

Risk management policy

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which the customers operate, as these factors may have an influence on credit risk.

For 2017, the Group has a concentration of credit risk primarily from one debtor (2016: one debtor) representing approximately 20% (2016: 31%) of trade and other receivables of the Group.

Exposure to credit risk

The maximum exposure to credit risk for trade and other receivables (excluding prepayments and club memberships) at the reporting date by geographic region was as follows:

	Group Carrying amount		Company Carrying amount	
	2017 RMB'000	**2016 RMB'000**	**2017 RMB'000**	**2016 RMB'000**
Singapore	**277**	353	**277**	353
China	**830,152**	735,708	**16,337**	16,258
Sri Lanka	**16,111**	–	**–**	–
Australia	**21,310**	–	**21,310**	32,887
Others	**–**	–	**187**	101
	867,850	736,061	**38,111**	49,599

Impairment losses

The ageing of trade and other receivables at the reporting date was:

	Gross 2017 RMB'000	**Impairment losses 2017 RMB'000**	**Net 2017 RMB'000**	**Gross 2016 RMB'000**	**Impairment losses 2016 RMB'000**	**Net 2016 RMB'000**
Group						
Not past due*	**863,694**	**(3,223)**	**860,471**	712,855	–	712,855
Past due 0 – 30 days	**–**	**–**	**–**	–	–	–
Past due 31 – 120 days	**2,407**	**–**	**2,407**	13,946	–	13,946
Past due 121 – 365 days	**–**	**–**	**–**	–	–	–
More than one year	**4,972**	**–**	**4,972**	9,260	–	9,260
	871,073	**(3,223)**	**867,850**	736,061	–	736,061

* Includes retention monies of RMB240,172,000 (2016: RMB202,110,000) related to construction work in progress that is withheld until the end of the warranty period.

NOTES TO THE **FINANCIAL STATEMENTS**

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (Cont'd)

Impairment losses (Cont'd)

	Gross 2017 RMB'000	Impairment losses 2017 RMB'000	Net 2017 RMB'000	Gross 2016 RMB'000	Impairment losses 2016 RMB'000	Net 2016 RMB'000
Company						
Not past due	**37,927**	**–**	**37,927**	46,966	–	46,966
Past due 0 – 30 days	**2**	**–**	**2**	–	–	–
Past due 31 – 120 days	**45**	**–**	**45**	85	–	85
Past due 121 – 365 days	**137**	**–**	**137**	854	–	854
More than one year	**–**	**–**	**–**	1,694	–	1,694
	38,111	**–**	**38,111**	49,599	–	49,599

The movements in allowance for impairment in respect of trade and other receivables (excluding prepayments and club memberships) during the year was as follows:

	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
At 1 January	**–**	360	**–**	10,552
Impairment losses recognised	**3,223**	1,326	**–**	–
Impairment losses utilised	**–**	(360)	**–**	(10,552)
	3,223	1,326	**–**	–
Less: reclassification to assets held for sale	**–**	(1,326)	**–**	–
At 31 December	**3,223**	–	**–**	–

In 2016, the impairment loss for the Group is related to a customer that has indicated that they are not expecting to be able to pay their outstanding balances, mainly due to financial difficulties. In 2017, the impairment loss for the Group is related to advances to a subcontractor, whose services have been terminated and amount deemed not recoverable.

Based on the Group's monitoring of customer credit risk, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk

Risk management policy

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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

Analysis of contractual cash flows of financial liabilities is set out in Note 19.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

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

Exposure to interest rate risk

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments, as reported to the management, was as follows:

	Group Carrying amount		Company Carrying amount	
	2017 RMB'000	**2016 RMB'000**	**2017 RMB'000**	**2016 RMB'000**
Fixed rate instruments				
Secured bond	**48,822**	14,419	**–**	–
Finance lease liabilities	**–**	50	**–**	50
Secured bank loans	**–**	60,000	**–**	–
	48,822	74,469	**–**	50
Variable rate instruments				
Finance lease liabilities	**62,596**	13,569	**–**	–
Secured bank loans	**152,928**	86,000	**–**	–
	215,524	99,569	**–**	–

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (Cont'd)

Interest rate risk (Cont'd)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	100 bp increase RMB'000	**100 bp decrease RMB'000**
Group		
31 December 2017		
Variable rate instruments	**(2,155)**	**2,155**
31 December 2016		
Variable rate instruments	(996)	996

Currency risk

Risk management policy

The Group is exposed to currency risk on sales, purchases, receipts, payments and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions are primarily denominated are the Australian dollar ("AUD"), Hong Kong dollar ("HKD") and Sri Lankan Rupee ("LKR").

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (Cont'd)

Currency risk (Cont'd)

Exposure to currency risk

The summary of quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows:

	AUD RMB'000	HKD RMB'000	LKR RMB'000
Group			
2017			
Trade and other receivables	**21,310**	**–**	**16,534**
Cash and cash equivalents	**–**	**2,071**	**2,886**
Trade and other payables	**(7,595)**	**–**	**(35,047)**
Net exposure	**13,715**	**2,071**	**(15,627)**
2016			
Cash and cash equivalents	–	2,869	–
Trade and other payables	(36,378)	(19,001)	–
Net exposure	(36,378)	(16,132)	–
Company			
2017			
Other receivables	**21,310**	**–**	**–**
Cash and cash equivalents	**–**	**2,071**	**–**
Trade and other payables	**(7,595)**	**–**	**–**
Net exposure	**13,715**	**2,071**	**–**
2016			
Other receivables	32,886	–	–
Cash and cash equivalents	–	2,869	–
Trade and other payables	(36,378)	(19,001)	–
Net exposure	(3,492)	(16,132)	–

Sensitivity analysis – currency risk

A 10% strengthening of the RMB against the following currencies at 31 December would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (Cont'd)

Currency risk (Cont'd)

Sensitivity analysis – currency risk (Cont'd)

	Group Profit or loss RMB'000	Company Profit or loss RMB'000
31 December 2017		
AUD	**(1,372)**	**(1,372)**
HKD	**(207)**	**(207)**
LKR	**1,563**	**–**
31 December 2016		
AUD	3,638	349
HKD	1,613	1,613

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

Other market price risk

Risk management policy

Equity price risk arises from available-for-sale equity securities held for investments at fair value through profit or loss. The management of the Group monitors the equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board.

The primary goal of the Group's investment strategy is to maximise investment returns. In accordance with this strategy, certain investments are designated at fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis.

Sensitivity analysis – Equity price risk

The Group's and Company's available-for-sale equity securities held for investments at fair value through profit or loss relate to investment in an equity instrument that is listed on the Hong Kong Stock Exchange.

A 5% increase in the share price of the equity instrument as at 31 December would have increased profit of the Group and the Company by RMB226,000. An equal change in opposite direction would have decreased profit of the Group and the Company by RMB226,000. This analysis assumes that all other variables, in particular exchange rates, remain constant.

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (Cont'd)

Fair value hierarchy

The tables below analyse fair value measurements for financial assets and financial liabilities, by the levels in the fair value hierarchy based on the inputs to valuation techniques. The different levels are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 RMB'000	Level 2 RMB'000	Total RMB'000
Group			
31 December 2017			
Available-for-sale equity securities	–	12,476	12,476
Financial asset designated as fair value through profit or loss	4,529	–	4,529
Company			
31 December 2017			
Available-for-sale equity securities	–	12,476	12,476
Financial asset designated as fair value through profit or loss	4,529	–	4,529

Valuation techniques

The following table shows the valuation techniques used in measuring Level 2 fair values.

Type	Valuation technique
Equity securities	*Market comparison:* The fair value is estimated considering recent transaction prices for identical securities in markets that are not active.

Transfers between Level 1 and 2

For 2016 and 2017, there were no transfers of financial instruments between Levels 1, 2 and 3.

Financial assets and financial liabilities whose carrying amounts are measured on an amortised basis approximate their fair value due to their short-term nature and immaterial effects of discounting.

NOTES TO THE FINANCIAL STATEMENTS

33. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

	Designated at fair value RMB'000	Available-for-sale RMB'000	Loans and receivables RMB'000	Other financial liabilities within scope of FRS 39 RMB'000	Other financial liabilities outside scope of FRS 39 RMB'000	Total carrying amount RMB'000
Group						
2017						
Assets						
Other investments	**4,529**	**12,630**	**–**	**–**	**–**	**17,159**
Cash and cash equivalents	**–**	**–**	**125,748**	**–**	**–**	**125,748**
Trade and other receivables(1)	**–**	**–**	**867,850**	**–**	**–**	**867,850**
	4,529	**12,630**	**993,598**	**–**	**–**	**1,010,757**
Liabilities						
Trade and other payables	**–**	**–**	**–**	**1,116,565**	**–**	**1,116,565**
Secured bank loans	**–**	**–**	**–**	**152,928**	**–**	**152,928**
Secured bond	**–**	**–**	**–**	**48,822**	**–**	**48,822**
Finance lease liabilities	**–**	**–**	**–**	**–**	**62,596**	**62,596**
	–	**–**	**–**	**1,318,315**	**62,596**	**1,380,911**
2016						
Assets						
Other investments	–	100	–	–	–	100
Cash and cash equivalents	–	–	145,167	–	–	145,167
Trade and other receivables(1)	–	–	736,061	–	–	736,061
	–	100	881,228	–	–	881,328
Liabilities						
Trade and other payables	–	–	–	903,066	–	903,066
Secured bank loans	–	–	–	146,000	–	146,000
Secured bond	–	–	–	14,419	–	14,419
Finance lease liabilities	–	–	–	–	13,619	13,619
	–	–	–	1,063,485	13,619	1,077,104

(1) Excludes prepayments and club memberships

NOTES TO THE
FINANCIAL STATEMENTS

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

	Designated at fair value RMB'000	Available-for-sale RMB'000	Loans and receivables RMB'000	Other financial liabilities within scope of FRS 39 RMB'000	Other financial liabilities outside scope of FRS 39 RMB'000	Total carrying amount RMB'000
Company						
2017						
Assets						
Other investments	**4,529**	**12,476**	**–**	**–**	**–**	**17,005**
Cash and cash equivalents	**–**	**–**	**2,076**	**–**	**–**	**2,076**
Trade and other receivables[1]	**–**	**–**	**38,111**	**–**	**–**	**38,111**
	4,529	**12,476**	**40,187**	**–**	**–**	**57,192**
Liabilities						
Trade and other payables	**–**	**–**	**–**	**16,638**	**–**	**16,638**
	–	**–**	**–**	**16,638**	**–**	**16,638**
2016						
Assets						
Cash and cash equivalents	–	–	3,064	–	–	3,064
Trade and other receivables[1]	–	–	49,599	–	–	49,599
	–	–	52,663	–	–	52,663
Liabilities						
Trade and other payables	–	–	–	63,637	–	63,637
Finance lease liabilities	–	–	–	–	50	50
	–	–	–	63,637	50	63,687

(1) Excludes prepayments and club memberships

34. SEGMENT REPORTING

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

- Infrastructure – Includes design, civil engineering and construction for land transport infrastructure, major tunnelling works, underground structures, expressways, road and bridges for township development and urbanisation projects.

- Mining services – Includes contract mining, equipment hire, vertical boring and shaft contractor. This segment was disposed on 28 February 2017 (Notes 14 and 26).

NOTES TO THE FINANCIAL STATEMENTS

34. SEGMENT REPORTING (CONT'D)

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

	Continuing operations Infrastructure RMB'000	Discontinued operations Mining services RMB'000	Total RMB'000
Revenue and expenses			
2017			
External revenues	**1,305,095**	**8,675**	**1,313,770**
Interest income	**366**	**2**	**368**
Unwinding of discount on retention monies	**3,286**	**–**	**3,286**
Interest expenses	**(25,570)**	**(754)**	**(26,324)**
Depreciation and amortisation	**(48,461)**	**–**	**(48,461)**
Reportable segment profit before tax	**70,392**	**891**	**71,283**
Reportable segment assets	**1,881,565**	**–**	**1,881,565**
Capital expenditure	**(86,446)**	**–**	**(86,446)**
Reportable segment liabilities	**(1,460,113)**	**–**	**(1,460,113)**
2016			
External revenues	1,078,209	125,558	1,203,767
Interest income	618	245	863
Unwinding of discount on retention monies	3,522	–	3,522
Interest expenses	(12,000)	(2,732)	(14,732)
Depreciation and amortisation	(56,117)	(13,458)	(69,575)
Reportable segment profit/(loss) before tax	69,098	(8,675)	60,423
Reportable segment assets	1,515,252	198,973	1,714,225
Capital expenditure	(55,906)	(3,181)	(59,087)
Reportable segment liabilities	(1,143,682)	(131,247)	(1,274,929)

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

	2017 RMB'000	2016 RMB'000
Revenue		
Total revenue for reportable segments	**1,313,770**	1,203,767
Profit or loss		
Total profit before tax for reportable segments	**71,283**	60,423
Unallocated amounts:		
– Other income	**13,045**	13,142
– Other expense	**(18,123)**	(10,761)
– Tax expense	**(20,529)**	(14,590)
Consolidated profit for the year	**45,676**	48,214

34. SEGMENT REPORTING (CONT'D)

	2017 RMB'000	2016 RMB'000
Assets		
Total assets for reportable segments	**1,881,565**	1,714,225
Elimination of inter-segment assets	**–**	(500)
Other unallocated amounts	**83,500**	46,826
Consolidated total assets	**1,965,065**	1,760,551
Liabilities		
Total liabilities for reportable segments	**(1,460,113)**	(1,274,929)
Elimination of inter-segment liabilities	**16,254**	49,246
Other unallocated amounts	**(16,638)**	(62,982)
Consolidated total liabilities	**(1,460,497)**	(1,288,665)

	Reportable segment total RMB'000	Unallocated amounts RMB'000	Consolidated total RMB'000
Other material items 2017			
Interest income	**368**	**12**	**380**
Unwinding of discount on retention monies	**3,286**	**–**	**3,286**
Interest expenses	**(26,324)**	**(103)**	**(26,427)**
Depreciation and amortisation	**(48,461)**	**(202)**	**(48,663)**
Capital expenditure	**(86,446)**	**–**	**(86,446)**
Other material items 2016			
Interest income	863	73	936
Unwinding of discount on retention monies	3,522	–	3,522
Interest expenses	(14,732)	(4)	(14,736)
Depreciation and amortisation	(69,575)	(207)	(69,782)
Capital expenditure	(59,087)	(9)	(59,096)

Geographical segments

Geographical segments are analysed by the following principal geographical areas: Singapore, China, Bangladesh, India, Sri Lanka, Australia and Vietnam.

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

NOTES TO THE FINANCIAL STATEMENTS

34. SEGMENT REPORTING (CONT'D)

Geographical segments (Cont'd)

Geographical information

	Revenue		Non-current assets[1]	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Continuing operations				
Singapore	**–**	–	**33,924**	334
China	**1,237,211**	1,072,600	**265,673**	230,734
Bangladesh	**3,932**	5,270	**–**	–
India	**214**	339	**–**	–
Sri Lanka	**63,738**	–	**899**	–
	1,305,095	1,078,209	**300,496**	231,068
Discontinued operations				
Australia	**8,675**	73,111	**–**	–
Vietnam	**–**	52,447	**–**	–
	8,675	125,558	**–**	–
Total	**1,313,770**	1,203,767	**300,496**	231,068

(1) Excludes deferred tax assets

Major customers

Revenue from two (2) customers of the Infrastructure segment (2016: two (2) customers of the Infrastructure segment) represents approximately 23% (2016: 40%) of the Group's total revenue.

35. DIVIDENDS

The directors have proposed a tax-exempt (one-tier) final dividend of 0.1 Singapore cents per ordinary share totalling approximately $0.3 million (equivalent to RMB1.6 million) to be paid to shareholders in respect of the financial year ended 31 December 2017. This dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

36. COMPARATIVE INFORMATION

Change in presentation currency

Comparative figures have been restated in RMB as a result of the change in presentation currency from Singapore dollars to RMB as stated in Note 2.3.

NOTES TO THE FINANCIAL STATEMENTS

37. FULL CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") AND ADOPTION OF NEW STANDARDS

Applicable to 2018 financial statements

In December 2017, the Accounting Standards Council ("ASC") issued the Singapore Financial Reporting Standards (International) ("SFRS(I)"). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I). As a result, this will be the last set of financial statements prepared under the current FRS.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*.

In addition to the adoption of the new framework, the Group will also concurrently apply the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016;
- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The Group does not expect the application of the above standards and interpretations to have a significant impact on the financial statements, except for SFRS(I) 1, SFRS(I) 15 and SFRS(I) 9.

Summary of quantitative impact

The Group is currently finalising the transition adjustments. The following reconciliations provide an estimate of the expected impact on initial application of SFRS(I) 1, SFRS(I) 15 and SFRS(I) 9 on the Group's and the Company's financial position as at 31 December 2017 and 1 January 2018 and the Group's profit or loss and other comprehensive income for the year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

37. FULL CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") AND ADOPTION OF NEW STANDARDS (CONT'D)

Consolidated statement of financial position

	31 December 2017				1 January 2018	
	Current framework RMB'000	SFRS(I) 1 RMB'000	SFRS(I) 15 RMB'000	SFRS(I) framework RMB'000	SFRS(I) 9 RMB'000	SFRS(I) framework RMB'000
Assets						
Deferred tax assets	**15,550**	–	(1,756)	**13,794**	275	**14,069**
Others	**300,496**	–	–	**300,496**	–	**300,496**
Total non-current assets	**316,046**	–	(1,756)	**314,290**	275	**314,565**
Trade receivables	**709,883**	–	7,023	**716,906**	(1,100)	**715,806**
Others	**939,136**	–	–	**939,136**	–	**939,136**
Total current assets	**1,649,019**	–	7,023	**1,656,042**	(1,100)	**1,654,942**
Total assets	**1,965,065**	–	5,267	**1,970,332**	(825)	**1,969,507**
Equity						
Paid-in capital	**413,839**	–	–	**413,839**	–	**413,839**
Reserves	**(32,433)**	16,367	–	**(16,066)**	–	**(16,066)**
Retained earnings	**113,454**	(16,367)	5,144	**102,231**	(806)	**101,425**
Non-controlling interests	**9,708**	–	123	**9,831**	(19)	**9,812**
Total equity	**504,568**	–	5,267	**509,835**	(825)	**509,010**
Liabilities						
Total non-current liabilities	**126,997**	–	–	**126,997**	–	**126,997**
Total current liabilities	**1,333,500**	–	–	**1,333,500**	–	**1,333,500**
Total liabilities	**1,460,497**	–	–	**1,460,497**	–	**1,460,497**
Total equity and liabilities	**1,965,065**	–	5,267	**1,970,332**	(825)	**1,969,507**

NOTES TO THE FINANCIAL STATEMENTS

37. FULL CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") AND ADOPTION OF NEW STANDARDS (CONT'D)

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 December 2017			
	Current framework RMB'000	**SFRS(I) 1 RMB'000**	**SFRS(I) 15 RMB'000**	**SFRS(I) framework RMB'000**
Continuing Operations				
Revenue	**1,305,095**	–	3,624	**1,308,719**
Cost of sales	**(1,155,165)**	–	–	**(1,155,165)**
Gross profit	**149,930**	–	3,624	**153,554**
Other income	**22,035**	(12,862)	(3,286)	**5,887**
Selling and distribution expenses	**(8,795)**	–	–	**(8,795)**
Administrative expenses	**(56,783)**	–	–	**(56,783)**
Other expenses	**(15,400)**	–	–	**(15,400)**
Profits from continuing activities	**90,987**	(12,862)	338	**78,463**
Finance costs	**(25,673)**	–	–	**(25,673)**
Profits before tax	**65,314**	(12,862)	338	**52,790**
Tax expense	**(20,529)**	–	(84)	**(20,613)**
Profit from continuing operations	**44,785**	(12,862)	254	**32,177**
Discontinued operations				
Profit from discontinued operations, net of tax	**891**	1,126	–	**2,017**
Profit for the year	**45,676**	(11,736)	254	**34,194**
Profit attributable to:				
Owners of the Company	**44,439**	(11,736)	248	**32,951**
Non-controlling interests	**1,237**	–	6	**1,243**
Profit for the year	**45,676**	(11,736)	254	**34,194**
Total comprehensive income attributable to:				
Owners of the Company	**30,999**	–	248	**31,247**
Non-controlling interests	**1,237**	–	6	**1,243**
Total comprehensive income for the year	**32,236**	–	254	**32,490**

SFRS(I) 1

When the Group adopts SFRS(I) in 2018, the Group will apply SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. Except as described below, the Group does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements.

37. FULL CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") AND ADOPTION OF NEW STANDARDS (CONT'D)

SFRS(I) 1 (Cont'd)

Foreign currency translation reserve ("FCTR")

The Group plans to elect the optional exemption in SFRS(I) 1 to reset its cumulative FCTR arising from the translation of the financial statements in currencies other than the Group's presentation currency to nil at the date of transition, and reclassify the cumulative FCTR of RMB4,631,000 as at 1 January 2017 determined in accordance with FRS at that date to retained earnings. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

The expected impact upon the adoption of SFRS(I) 1 is described below.

Consolidated statement of financial position as at 31 December 2017

	Group Adjustments RMB'000
Decrease in negative reserves	16,367
Decrease in retained earnings	(16,367)

Consolidated statement of profit or loss for the year ended 31 December 2017

	Group Adjustments RMB'000
Decrease in other income	(12,862)
Increase in profit from discontinued operations, net of tax	1,126
Decrease in profit after tax for the year	(11,736)

SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group plans to adopt SFRS(I) 15 in its financial statements for the year ending 31 December 2018, using the retrospective approach. As a result, the Group will apply all of the requirements of SFRS(I) 15 retrospectively, except as described below, and the comparative period presented in the 2018 financial statements will be restated.

The Group plans to use the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as completed contracts at the beginning of the earliest period presented, are not restated.

NOTES TO THE FINANCIAL STATEMENTS

37. FULL CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") AND ADOPTION OF NEW STANDARDS (CONT'D)

SFRS(I) 15 (Cont'd)

SFRS(I) 15 states that an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

Construction contracts – The Group currently recognises contract revenue in proportion to the stage of completion of the contract, to the extent that it is probable and can be measured reliably. The stage of completion is measured by reference to the survey of work performed. Contract revenue is adjusted for the effects of the time value of money as all retention monies are considered to be financing components of the contract. Under SFRS(I) 15, revenue is recognised over time as each performance obligation is satisfied. The progress towards complete satisfaction of each performance obligation is measured using appropriate methods, including the output method, which is similar to the Group's current approach.

Under SFRS(I) 15, the Group also needs to consider all relevant facts and circumstances, including the time difference between the delivery of goods and services and payments, the difference between the promised consideration and selling price of the goods and services and the rationale for these differences, when assessing if retention monies are financing components of the contract. Arising from the adoption of SFRS(I) 15, the retention monies are no longer considered to be significant financing components as the payments terms are deemed to provide the customers with protection from the Group failing to adequately complete some or all of its obligations under the contract.

The expected impact upon the adoption of SFRS(I) 15 is described below.

Consolidated statement of financial position as at 31 December 2017

	Group Adjustments RMB'000
Increase in trade and other receivables	7,023
Decrease in deferred tax assets	(1,756)
Increase in retained earnings	5,144
Increase in non-controlling interests	123

Consolidated statement of profit or loss for the year ended 31 December 2017

	Group Adjustments RMB'000
Increase in revenue	3,624
Decrease in other income	(3,286)
Increase in tax expense	(84)
Increase in profit after tax for the year	254

37. FULL CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") AND ADOPTION OF NEW STANDARDS (CONT'D)

SFRS(I) 9

SFRS(I) 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 will generally be applied by the Group retrospectively, except as described below.

- The Group plans to take advantage of the exemption in SFRS(I) 1 allowing it not to restate comparative information in the 2018 SFRS(I) financial statements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 January 2018.
- The following assessments have to be made on the basis of facts and circumstances that existed at 1 January 2018.

  – The determination of the business model within which a financial asset is held.
  – The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.
  – The designation of an investment in equity instruments that is not held for trading as at fair value through other comprehensive income ("FVOCI").
  – The designation and revocation of previous designations of certain financial assets and financial liabilities measured at fair value through profit or loss ("FVTPL").

The expected impact on adoption of SFRS(I) 9 are described below. The information below reflects the Group's expectation of the implications arising from changes in the accounting treatment, however, the actual tax effect may change when the transition adjustments are finalised.

Classification and measurement: financial assets

For financial assets currently held at fair value, the Group expects to continue measuring most of these assets amounting to RMB17,005,000 at fair value under SFRS(I) 9. Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under SFRS(I) 9. The Group plans to elect to present in OCI the changes in fair value of its AFS equity securities that are held by the Group and the Company because these investments are not held for trading. For equity securities that have been designated at FVTPL, the Group expects to continue measuring these assets at FVTPL. The Group does not expect the classification and measurement of financial assets to have a significant impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

37. FULL CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") AND ADOPTION OF NEW STANDARDS (CONT'D)

SFRS(I) 9 (Cont'd)

Impairment

SFRS(I) 9 replaces the current with a forward-looking expected credit loss ("ECL") model. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and certain loan commitments and financial guarantee contracts.

Under SFRS(I) 9, loss allowances of the Group will be measured on either of the following bases:

– 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; or
– lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group plans to apply the simplified approach and record lifetime ECL on all trade receivables arising from the application of SFRS(I) 9. The Group expects an increase in impairment for trade receivables of RMB1,100,000 and an increase in deferred tax assets of RMB275,000 as at 1 January 2018.

The Group is currently finalising the testing of its expected credit loss model and the quantum of the final transition adjustments may be different upon finalisation.

Applicable to financial statements for the year 2019 and thereafter

The following new SFRS(I)s, amendments to and interpretations of SFRS(I)s are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28).

The Group is still in the process of assessing the impact of the new SFRS(I)s, amendments to and interpretations of SFRS(I)s on the financial statements. The Group's preliminary assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group, is as described below.

37. FULL CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") AND ADOPTION OF NEW STANDARDS (CONT'D)

SFRS(I) 16 Leases

SFRS(I) 16 replaces existing lease accounting guidance. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if SFRS(I) 15 is also applied. SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Group plans to adopt the standard when it becomes effective in 2019 and expects to apply the standard using the modified retrospective approach. The Group also expects the ROU assets recognised at date of initial application to be equal to their lease liabilities.

The Group is likely to elect the practical expedient not to reassess whether a contract contains a lease at the date of initial application, 1 January 2019. Accordingly, existing lease contracts that are still effective on 1 January 2019 continue to be accounted for as lease contracts under SFRS(I) 16. The Group has performed a preliminary assessment of the impact on its financial statements based on its existing operating lease arrangements (refer to Note 29).

Until 2018, the approximate financial impact of the standard is unknown due to factors that impact calculation of lease liabilities such as discount rate, expected term of leases including renewal options and exemptions for short-term leases. The Group will continue to assess its portfolio of leases to calculate the impending impact of transition to the new standard.

The Group as lessee

The Group expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. The operating lease commitments on an undiscounted basis, amount to approximately 0.84% of the consolidated total assets and 1.13% of consolidated total liabilities. Under the new standard, remaining lease payments of the operating leases will be recognised at their present value discounted using appropriate discount rate. In addition, the nature of expenses related to those leases will now change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of ROU assets and interest expense on lease liabilities.

The Group as lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively. However, SFRS(I) 16 requires more extensive disclosures to be provided by a lessor.

SHAREHOLDINGS **STATISTICS**

AS AT 12 MARCH 2018

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 12 MARCH 2018

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	971	11.99	36,749	0.01
100 – 1,000	1,915	23.65	892,225	0.27
1,001 – 10,000	3,846	47.50	15,310,550	4.70
10,001 – 1,000,000	1,340	16.55	64,827,983	19.88
1,000,001 AND ABOVE	25	0.31	245,004,408	75.14
TOTAL	**8,097**	**100.00**	**326,071,915**	**100.00**

TWENTY LARGEST SHAREHOLDERS AS AT 12 MARCH 2018

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	OCBC SECURITIES PRIVATE LTD	95,968,836	29.43
2	UOB KAY HIAN PTE LTD	67,098,967	20.58
3	CITIBANK NOMINEES SINGAPORE PTE LTD	13,451,423	4.13
4	NIPPON PAINT (SINGAPORE) COMPANY PRIVATE LIMITED	8,632,111	2.65
5	TEH WING KWAN	7,018,304	2.15
6	SICHUAN SHUNTONG MINE INDUSTRY GROUP LTD	6,051,388	1.86
7	PHILLIP SECURITIES PTE LTD	6,003,721	1.84
8	DBS NOMINEES PTE LTD	5,522,716	1.69
9	RAFFLES NOMINEES (PTE) LTD	5,059,222	1.55
10	MAYBANK KIM ENG SECURITIES PTE LTD	3,962,238	1.22
11	LOKE GIM TAY	3,788,066	1.16
12	UNITED OVERSEAS BANK NOMINEES PTE LTD	3,469,714	1.06
13	OCBC NOMINEES SINGAPORE PTE LTD	2,190,357	0.67
14	ZHANG ZHIHU	1,958,333	0.60
15	CGS-CIMB SECURITIES (S) PTE LTD	1,903,163	0.58
16	DBSN SERVICES PTE LTD	1,866,666	0.57
17	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,786,098	0.55
18	NIPPON PAINT (H.K.) COMPANY LIMITED	1,486,700	0.46
19	CHUA CHENG ANN	1,474,000	0.45
20	CHEONG WEE HUP	1,083,333	0.33
	TOTAL	**239,775,356**	**73.53**

SHAREHOLDINGS STATISTICS

AS AT 12 MARCH 2018

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	**%**	**Number of Shares**	**%**	**Number of Shares**	**%**
Best Feast Limited	91,171,293	27.96	–	–	91,171,293	27.96
Cheng Du Wu Xing Ke Trading Limited(1)	–	–	91,171,293	27.96	91,171,293	27.96
Ms Wang Heng(2)	–	–	91,171,293	27.96	91,171,293	27.96
Ou Rui Limited	56,523,667	17.33	–	–	56,523,667	17.33
Mr Li Xiaobo(3)	–	–	56,523,667	17.33	56,523,667	17.33

Notes:

(1) Cheng Du Wu Xing Ke Trading Limited is deemed to be interested in the Shares held by Best Feast Limited by virtue of Section 7 of the Companies Act (Cap. 50) of Singapore (the "Act").

(2) Based on her indirect interests (through Chengdu Zhong Qian Zhi Heng Management Limited) and direct interests in Cheng Du Wu Xing Ke Trading Limited, Ms Wang Heng is deemed interested in the Shares held by Best Feast Limited, a wholly-owned subsidiary of Cheng Du Wu Xing Ke Trading Limited by virtue of Section 7 of the Act.

(3) Mr Li Xiaobo holds 100% of the issued and paid up share capital of Ou Rui Limited and is deemed to be interested in the Shares held by Ou Rui Limited by virtue of Section 7 of the Act.

Shareholdings Held in Hand of Public

Based on information available to the Company as at 12 March 2018 approximately 53% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

The Company did not hold any treasury shares as at 12 March 2018.

The Company does not have any subsidiary holdings as at 12 March 2018.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty Second Annual General Meeting of **SAPPHIRE CORPORATION LIMITED** (the "Company") will be held at 55 Market Street, #03-01, Singapore 048941 on Thursday, 26 April 2018 at 11.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the year ended 31 December 2017 together with the Reports of the Auditors thereon. **(Resolution 1)**

2. To declare a tax-exempt (one-tier) final dividend of Singapore 0.1 cents per share for the year ended 31 December 2017. **(Resolution 2)**

3. To approve the payment of Directors' fees of:

   (a) S$260,915 for the year ended 31 December 2017 (2016: S$256,820) to be paid in cash. **(Resolution 3)**

   (b) up to S$200,000 for the year ending 31 December 2018 to be paid in cash and/or shares.
   [See Explanatory Note (i)] **(Resolution 4)**

4. (a) To re-elect Ms Wang Heng who retires pursuant to Regulation 89 of the Company's Constitution and who, being eligible, offer herself for re-election.
   [See Explanatory Note (ii)] **(Resolution 5)**

   (b) To note the retirement of Mr Teh Wing Kwan, retiring pursuant to Regulation 89 of the Company's Constitution and who has decided not to stand for re-election.

   (c) To re-elect Mr Oh Eng Bin who retires pursuant to Regulation 88 of the Company's Constitution and who, being eligible, offer himself for re-election.
   [See Explanatory Note (iii)] **(Resolution 6)**

   (d) To re-elect Mr Zhai Guiwu who retires pursuant to Regulation 88 of the Company's Constitution and who, being eligible, offer himself for re-election.
   [See Explanatory Note (iv)] **(Resolution 7)**

5. To re-appoint KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 8)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

NOTICE OF
ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as a Special Resolution, with or without any modifications:

7. Proposed Amendment of the Constitution of the Company

"(A) That the Constitution of the Company be hereby amended by:

a. making the following amendment to Regulation 96(C):

"96. (C) An alternate Director shall ~~(except when absent from Singapore)~~ be entitled to receive notices of meetings of the Directors and shall be entitled to attend and vote as a Director at any such meeting at which his principal is not personally present and generally at such meeting to perform all functions of his principal as a Director, and for the purposes of the proceedings at such meeting the provisions of these Regulations shall apply as if he (instead of his principal) were a Director. If his principal is for the time being absent from Singapore or temporarily unable to act through ill health or disability, his signature to any resolution in writing of the Directors shall be as effective as the signature of his principal. To such extent as the Directors may from time to time determine in relation to any committees of the Directors, the foregoing provisions of this paragraph shall also apply mutatis mutandis to any meeting of any such committee of which his principal is a member. An alternate Director shall not (save as aforesaid) have any power to act as a Director nor shall he be deemed to be a Director for any other purposes of these Regulations."

b. making the following amendment to Regulation 97:

"97. Subject to the provisions of these Regulations, the Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. At any time, any Director may, and the Secretary on the requisition of a Director shall, summon a meeting of Directors. ~~It shall not be necessary to give notice of a meeting of Directors to any Director for the time being absent from Singapore.~~ Any Director may waive notice of any meeting and any such waiver may be retroactive. Directors may participate in a meeting of the Directors by means of a conference telephone, video conferencing, audio visual, or other similar communications equipment by means of which all persons participating in the meeting can hear each other, without a Director being in the physical presence of another Director or Directors, and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting. A Director participating in a meeting in the manner aforesaid may also be taken into account in ascertaining the presence of a quorum at the meeting. Such a meeting shall be deemed to take place where the largest group of Directors physically present for the purpose of the meeting is assembled or, if there is no such group, where the Chairman of the meeting is physically present. The minutes of the proceedings at such meeting by telephone or other means of communication shall be sufficient evidence of such proceedings and of the observance of all necessary formalities if certified as the correct minutes by the chairman of the meeting."

c. making the following amendment to Regulation 98:

"98. The quorum necessary for the transaction of the business of the Directors may be fixed from time to time by the Directors and unless so fixed at any other number, shall be ~~two~~ **three** (except where the Company has **less than three Directors, then the quorum so fixed shall be two (in the case that the Company has only two directors), and one (in the case that the Company has only one director).** ~~only one Director~~). A meeting of the Directors at which a quorum is present shall be competent to exercise all powers and discretions for the time being exercisable by the Directors."

NOTICE OF
ANNUAL GENERAL MEETING

(B) That the Directors of the Company and/or any of them be and is/are hereby authorised to complete and do all such acts and things, and to approve, modify, ratify and execute such documents, acts and things as they may consider necessary, desirable or expedient to give effect to this Resolution."

[See Explanatory Note (v)] **(Resolution 9)**

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

8. Authority to allot and issue shares in the capital of the Company – Share Issue Mandate

"That, pursuant to Section 161 of the Companies Act, Chapter 50 (the "Act") and Rule 806 of the Listing Manual (the "Listing Manual") of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:

(A) (i) allot and issue shares in the capital of the Company (the "Shares") (whether by way of rights, bonus or otherwise); and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require the Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company shall in their absolute discretion deem fit; and

(B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and convertible securities to be issued pursuant to this Resolution shall not exceed fifty percent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to the shareholders of the Company shall not exceed twenty percent (20%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as at the time of passing of this Resolution);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares and convertible securities that may be issued under sub-paragraph (1) above on a pro-rata basis, the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new Shares arising from the conversion or exercise of convertible securities;

(b) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual of the SGX-ST; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares.

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST as amended from time to time (unless such compliance has been waived by the SGX-ST) and the Constitution; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting is required by law to be held, whichever is the earlier."

[See Explanatory Note (vi)] **(Resolution 10)**

9. The proposed adoption of the Sapphire Shares Award Scheme 2018

"That:

(A) a share plan to be known as the Sapphire Shares Award Scheme 2018 (the "Scheme"), the rules of which have been submitted to the meeting and, for the purpose of identification, under which awards ("Awards") of fully paid-up ordinary shares in the capital of the Company (the "Shares") will be granted, free of payment, to selected employees of the Group including the Group Executive Directors and Non-Executive Directors, details of which are set out in the Appendix to the Annual Report 2017 dated 4 April 2018, be and is hereby approved.

(B) the Directors of the Company be and are hereby authorised:

a. to establish and administer the Scheme;

b. to modify and/or alter Scheme from time to time, provided that such modification and/or alteration is effected in accordance with the provisions of the Scheme and to do all such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give full effect to the Scheme; and

c. subject to the same being allowed by law, to apply any shares purchased under any share buyback mandate towards the satisfaction of Awards granted under the Scheme.

(C) in accordance with the provisions of the Scheme and pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, the Directors of the Company be and are hereby authorised to grant Awards in accordance with the provisions of the Scheme and to allot and issue from time to time such number of fully paid-up Shares as may be required to be allotted and issued pursuant to the vesting of Awards under the Scheme, provided that the aggregate number of Shares available under the Scheme, when added to all Shares, options or awards granted under any other share option scheme, share award scheme or share incentive scheme of the Company then in force, shall not exceed 15% of the total issued share capital (excluding treasury shares and subsidiary holdings) of the Company from time to time."

[See Explanatory Note (vii)] **(Resolution 11)**

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

By Order of the Board

Gwendolyn Gn Jong Yuh
Company Secretary
Singapore, 4 April 2018

NOTICE OF
ANNUAL GENERAL MEETING

NOTES:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Act, a member is entitled to appoint not more than two (2) proxies to attend, speak and vote at the meeting where a member appoints more than one (1) proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.

2. A member who is a Relevant Intermediary (as defined in Section 181(1c) of the Act, is entitled to appoint more than two (2) proxies to attend, speak and vote at the AGM. A proxy need not be a member of the Company.

3. 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.

4. 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.

5. If no name is inserted in the space for the name of your proxy on the form of proxy, the Chairman of the Annual General Meeting will act as your proxy.

6. The form of proxy or other instruments of appointment shall not be treated as valid unless deposited at the Share Registrar's office at **80 Robinson Road, #11-02, Singapore 068898** not less than **72 hours** before the time appointed for holding the meeting and at any adjournment thereof.

7. For depositors holding their shares through The Central Depository (Pte) Limited in Singapore, the depositor proxy form, duly completed, must be deposited by the depositor(s) at the Share Registrar's office at **80 Robinson Road, #11-02, Singapore 068898** not less than **72 hours** before the commencement of the Annual General Meeting.

PERSONAL DATA PRIVACY

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

Explanatory Notes:–

(i) The Ordinary Resolution 4 proposed in item 3 above, if passed, will empower the Directors to pay the Directors' fees of up to S$200,000 for the year ending 31 December 2018 to be paid in cash and/or shares. Any payment of any portion of the Directors' fees in shares will be in the form of share awards under the proposed Sapphire Shares Award Scheme 2018, subject to the passing of the Ordinary Resolution 11 proposed in item 9 above.

(ii) Further to the re-election of Ms Wang Heng pursuant to Ordinary Resolution 5, she will continue to serve as a member of the Nominating Committee.

(iii) Further to the re-election of Mr Oh Eng Bin pursuant to Ordinary Resolution 6, he will continue to serve as Lead Independent Director, Chairman of the Remuneration Committee, a member of the Audit and Risk Committee and a member of the Nominating Committee of the Company and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST").

(iv) Further to the re-election of Mr Zhai Guiwu pursuant to Ordinary Resolution 7, he will continue to serve as a Chairman of the Nominating Committee, a member of the Audit and Risk Committee and a member of the Remuneration Committee of the Company and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

(v) The Special Resolution 9 proposed in item 7 above relates to the proposed amendment of the Company's Constitution. Please refer to the Appendix accompanying the Annual Report for further details.

(vi) The Ordinary Resolution 10 proposed in item 8 above, if passed, will empower the Directors of the Company to issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of Shares that may be issued, the total number of issued Shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution 10 is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

(vii) The Ordinary Resolution 11 proposed in item 9 above, relates to the proposed adoption of the Sapphire Shares Award Scheme 2018 (the "Scheme"). This resolution, if passed, will empower the Directors of the Company to adopt the Scheme, grant Awards pursuant to the Scheme and to allot and issue shares pursuant to the vesting of the Awards under the Scheme. Please refer to the Appendix accompanying the Annual Report for further details.

SAPPHIRE CORPORATION LIMITED
盛世企业有限公司
Company Registration No. 198502465W

IMPORTANT:

1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "Act"), Relevant Intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their CPF monies to buy shares in the Company ("CPF Investors"), this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies or the appointment of their Agent Banks as proxies for the Annual General Meeting.

PERSONAL DATA PROTECTION ACT CONSENT
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms and set out in the Notice of Annual General Meeting dated 4 April 2018.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ____ (name)

of ____ (address)

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

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing which, the Chairman of the meeting as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the 32nd Annual General Meeting ("AGM") of the Company to be held at 55 Market Street, #03-01, Singapore 048941 on Thursday, 26 April 2018 at 11.00 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	Resolutions relating to:	Number of Votes For*	Number of Votes Against*
1.	To receive and adopt the Directors' Statement and Audited Financial Statements, and Report of the Auditors thereon, for the financial year ended 31 December 2017 (as Ordinary Resolution)		
2.	To declare a tax-exempt (one-tier) final dividend of Singapore 0.1 cents per share for the year ended 31 December 2017 (as Ordinary Resolution)		
3.	To approve the payment of Directors' fees for the financial year ended 31 December 2017 (as Ordinary Resolution)		
4.	To approve the payment of Directors' fees for the financial year ending 31 December 2018 (as Ordinary Resolution)		
5.	To re-elect Ms Wang Heng as Director of the Company (as Ordinary Resolution)		
6.	To re-elect of Mr Oh Eng Bin as Director of the Company (as Ordinary Resolution)		
7.	To re-elect of Mr Zhai Guiwu as Director of the Company (as Ordinary Resolution)		
8.	To re-appoint KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration (as Ordinary Resolution)		
9.	To approve the amendment of the Constitution of the Company (as Special Resolution)		
10.	To authorise the Directors to allot and issue new shares (as Ordinary Resolution)		
11.	To approve the adoption of the Sapphire Shares Award Scheme 2018 (as Ordinary Resolution)		

* If you wish to exercise your entire votes "For" or "Against", please mark an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this __________ day of ____________________ 2018

Total Number of Shares Held

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

NOTES:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 (the "Act"), a member is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting ("AGM"). Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.

2. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

3. A proxy need not be a member of the Company.

4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he 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 the member.

5. The instrument appointing a proxy or proxies must be deposited at the Company's Share Registrar's office at **80 Robinson Road #11-02**, **Singapore 068898**, not less than **72 hours** before the time set for the AGM.

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

7. Where an instrument appointing a proxy 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 member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

9. Investors who have used their CPF monies ("CPF Investors") to buy shares in the Company may attend and cast their vote at the meeting in person. CPF Investors who are unable to attend the meeting but would like to vote, may inform CPF Approved Nominees to appoint the Chairman of the meeting to act as their proxy, in which case, the CPF Investor shall be precluded from attending the meeting.

GENERAL:

The Company shall be entitled to reject an instrument of proxy which 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 of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the AGM.

PERSONAL DATA PRIVACY:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM 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 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any AGM 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.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Mr Cheung Wai Suen (Executive Chairman)
Ms Wang Heng
(Chief Executive Officer and Executive Director)
Mr Oh Eng Bin (Lead Independent Director)
Mr Duan Yang, Julien
Mr Teh Wing Kwan
Mr Zhai Guiwu

AUDIT AND RISK COMMITTEE
Mr Duan Yang, Julien (Chairman)
Mr Oh Eng Bin
Mr Zhai Guiwu

NOMINATING COMMITTEE
Mr Zhai Guiwu (Chairman)
Mr Duan Yang, Julien
Mr Oh Eng Bin
Mr Teh Wing Kwan
Ms Wang Heng

REMUNERATION COMMITTEE
Mr Oh Eng Bin (Chairman)
Mr Duan Yang, Julien
Mr Zhai Guiwu

GROUP CHIEF FINANCIAL OFFICER
Mr Ng Hoi-Gee, Kit
Email: kitnghg@sapphirecorp.com.sg

COMPANY SECRETARY
Gn Jong Yuh Gwendolyn

REGISTERED OFFICE
1 Robinson Road #17-00
AIA Tower
Singapore 048542
Tel: 6535 1944
Fax: 6535 8577

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

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

PARTNER-IN-CHARGE
Lee Jee Cheng Philip
(Partner from Financial Year Ended 2013)

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

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Company Registration No. : 198502465W

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