SAPPHIRE
盛世企业

NEW HORIZONS AHEAD

ANNUAL REPORT 2020

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 Jackson Tay Eng Kiat
Professor Zhang Weiguo

AUDIT AND RISK COMMITTEE
Mr Jackson Tay Eng Kiat (Chairman)
Mr Oh Eng Bin
Professor Zhang Weiguo

NOMINATING COMMITTEE
Mr Oh Eng Bin (Chairman)
Ms Wang Heng
Mr Jackson Tay Eng Kiat
Professor Zhang Weiguo

REMUNERATION COMMITTEE
Professor Zhang Weiguo (Chairman)
Mr Oh Eng Bin
Mr Jackson Tay Eng Kiat

CHIEF FINANCIAL OFFICER
Mr Ng Hoi-Gee, Kit
Email: kitnghg@sapphirecorp.com.sg

COMPANY SECRETARY
Gn Jong Yuh Gwendolyn

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1 Robinson Road #17-00
AIA Tower
Singapore 048542
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SHARE REGISTRAR
Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte.Ltd.)
80 Robinson Road #02-00
Singapore 068898

PARTNER-IN-CHARGE
Mr Kong Chih Hsiang Raymond
(Partner from Financial Year Ended 2020)

CORPORATE PROFILE

Sapphire Corporation Limited (“Sapphire” or the “Group”) is an investment management and holding company with a business model aligned towards urbanisation trends. Sapphire is incorporated in Singapore and has been listed on the Mainboard of the Singapore Exchange since 1999.

The Group has two operating business unit, one in the business of property management and city redevelopment services and the other in the business of leasing of warehouse and equipment and supply of materials for urbanisation projects.

The Group also owns a 48.82% effective interest in Ranken Railway Construction Group Co., Ltd (“Ranken Railway”) and its subsidiaries who are principally engaged in the engineering, procurement and construction (“EPC”) business related to the land transport infrastructure and water conservancy and environmental projects in China.

Founded in 1998, Ranken Railway is incorporated in and based in Chengdu. It is a full-fledged EPC firm and holds full Triple-A qualifications and licences for design, supervision, construction and project consultation in the urban rail sector. Ranken Railway’s expertise includes civil engineering works for metro lines, urban rail transit, expressways, roads and bridges as well as water conservancy and environmental projects. Its track record includes major infrastructure projects in China and South Asia.

盛世股份有限公司(以下简称“盛世”或“盛世集团”)是一家投资管理和控股公司，其经营模式与目前中国城市化趋势保持一致。盛世在新加坡注册，于1999年在新加坡交易所主板上市。

本集团设有两个营运业务，一个提供物业管理和城市更新运营服务，另一个为城市化项目提供仓库及设备租赁及建筑材料供应业务。

本集团持有中国公司——中铁隆控股有限公司(“中铁隆”)48.82%的股权，中铁隆及其下属子公司从事与中国陆地交通基础设施和水利环保项目相关的工程、采购和建设(“EPC”)业务。

成立于1998年，中铁隆在成都注册，总部设在成都。中铁隆拥有城市轨道交通行业相关的设计、监理，建设和咨询的AAA资质和执照。中铁隆擅长地铁、城市轨道交通、高速公路、公路桥梁以及水利和环境工程方面的项目。它在中国和南亚的重大基础设施项目中都有着良好的业绩记录。

Supply of materials
for urbanisation projects

Warehouse at Dayi County, Chengdu City,
Sichuan Province, PRC.
(13,000 square meters)

Property management services to Ranken
Building at Wuhou District, Chengdu City,
Sichuan Province, PRC.

CORPORATE DEVELOPMENT

JANUARY 2020
- Increased investment in the share capital of Ranken Railway Construction Group Co., Ltd. (“Ranken Railway”) by way of capitalisation of dividends of RMB170,022,000 distributed by Ranken Railway.

JUNE 2020
- Proposed sale and material dilution of effective interest in Ranken Railway resulting in Ranken Railway ceasing to be a subsidiary of the Company (“Proposed sale and dilution of Ranken Railway”).

AUGUST 2020
- Injected additional RMB10 million in cash into the share capital of Chengdu Derun Jinlong Environmental Management Co., Ltd.

OCTOBER 2020
- EGM for the Proposed sale and dilution of Ranken Railway.
- Completion of the Proposed sale and dilution of Ranken Railway.

DECEMBER 2020
- Incorporated an effective 58.8% subsidiary, Chengdu Kaiwan Enterprise Management Consulting Co., Ltd. in the business of property management and consulting services.
- Ranken Railway and its consortium partners secured the second phase of the Public-Private-Partnership (“PPP”) project of the Xijiang River Basin Water Environment Comprehensive Improvement Project in Longquanyi District, Chengdu valued at RMB2.562 billion.
- FY2020 Full Year Results – Increase in profit by 6.2% to RMB28.0 million.

JANUARY 2019
- Awarded EPC Contract of RMB832 million related to a Public-Private-Partnership (“PPP”) project in Chengdu

APRIL 2019
- Ranken and partners successfully secured tender bid for a design contract of a Transit-Oriented Development (“TOD”) project in Chengdu; also awarded EPC contract of approximately RMB59 million in Urumqi

JUNE 2019
- Completion of a non-renounceable non-underwritten rights issue of 81,517,978 rights shares, raising net proceeds of approximately RMB50.7 million

AUGUST 2019
- Injected additional RMB12.5 million in cash into the share capital of Chengdu Derun Jinlong Environmental Management Co., Ltd.

OCTOBER 2019
- Appointment of new Independent Director, Mr Tay Eng Kiat Jackson

NOVEMBER 2019
- Strategic partnership with LWK + PARTNERS, a leading design architecture practice headquartered in Hong Kong with a network of 11 offices around the globe, to develop new design solutions and cross-share industry experience and knowledge in the TOD industry
- Ranken awarded a certification from the Science and Technology Bureau of Sichuan Province for its achievement in “Intelligent Project Management Cloud Platform for BIM Technology”

DECEMBER 2019
- Injected additional RMB8.75 million in cash into the share capital of Chengdu Derun Jinlong Environmental Management Co., Ltd.
- Ranken and Alibaba Cloud Computing entered into strategic collaboration to digitise and enhance Ranken’s project management capabilities
- Ranken accorded a business award from Chengdu Wuhou Business Association
- Beijing Subway Line 8, which was designed and constructed by Ranken Design Institute, was shortlisted as Construction Project of the Year by The Royal Institution of Chartered Surveyors
- FY2019 Full Year Results – Increase in profit by 61.1% to RMB26.4 million (announced in February 2020)

2020

2019

APRIL 2018
- Strategic collaboration with Haitong International Securities Group (Singapore) Co., Ltd
- Ranken awarded Chengdu Mayor Quality Nomination Prize (成都市市长质量提名奖)

NOVEMBER 2018
- Ranken and its consortium partners secured a water treatment and municipal environmental protection PPP project in Chengdu, Sichuan Province, China (the "Project")
- Ranken awarded Chengdu Top 100 Private Enterprises by People's Government of Chengdu City

DECEMBER 2018
- Invested RMB25 million for 25% shareholding in Chengdu Derun Jinlong Environmental Management Co., Ltd., a company incorporated for the Project
- Proposed a non-renounceable non-underwritten rights issue of up to 81,517,978 new ordinary shares at an issue price of S$0.128 for each Rights Share, on the basis of one (1) Rights Share for every four (4) existing ordinary shares
- Ranken certified as National Enterprise Technology Centre (国家企业技术中心)
- Ranken awarded 2018 Hua Xia Construction Science and Technology Award (2018年度华夏建设科学技术奖) by China Architecture Design and Research Institute (中国建筑设计研究院)
- Ranken awarded Wuhou Top 50 Private Enterprises by People's Government of Wuhou District

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
- Ranked 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
- Growing Multinational Enterprise Award conferred by Chengdu Government
- FY2017 Full Year Results – Secured RMB2.2 billion worth of contracts. Posts Profit of RMB31.8 million (revised in FY2018 due to accounting standards changes)

MARCH 2016
- Appointment of Ms Wang Heng and Mr Cheung Wai Suen as Executive Directors; their extensive experience in the 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)

2018 2017 2016

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Sapphire Corporation Limited ("Sapphire" or "the Group") for the financial year ended 31 December 2020 ("FY2020").

With the announcement on 2 June 2020 in relation to the sale of equity interests in, and material dilution of effective equity interests in, Ranken Railway Construction Group Co., Ltd. ("Ranken Railway"), an extraordinary general meeting was convened on 24 October 2020 and shareholders have unanimously voted for the approval of this transaction, which presented a good opportunity for the Company to unlock the value of its shareholding in Ranken Railway.

The sale of the Group's equity interests in Ranken Railway has generated cash proceeds of RMB280 million (of which RMB56 million was received after the year ended 31 December 2020) and majority of the cash proceeds has been kept under escrow with approximately RMB93.3 million allocated for distribution to Shareholders.

On 27 October 2020, the Group completed the transaction with Shandong Hi-Speed Road & Bridge Investment Management Co., Ltd. ("Shandong Hi-Speed") and Ranken Railway ceased to be a subsidiary of the Company and became an "associated company" of the Group, our effective interest in Ranken Railway was reduced from 97.60% to 48.82%.

Shandong Hi-Speed is a wholly-owned subsidiary of Shandong Hi-Speed Road & Bridge Co., Ltd., a company incorporated in the PRC and listed on the Main Board of the Shenzhen Stock Exchange (stock code: 000498). Shandong Hi-Speed Road & Bridge Co., Ltd. and its subsidiaries are in the business of undertaking infrastructure construction, including highways, bridges, tunnels, municipal works engineering, traffic engineering, ports and waterways. Notably, the majority shareholder of Shandong Hi-Speed Road & Bridge Co., Ltd. is Shandong Hi-Speed Group Co., Ltd., which is a wholly-SOE headquartered in Jinan City, Shandong province of the PRC.

尊敬的股东们，

我很荣幸代表董事会全体董事，提交盛世集团2020年度的年度报告和经审计的财务报表。

随着2020年6月2日关于出售中铁隆工程集团有限公司(“中铁隆”)股权和有效股权实质稀释的公告，于2020年10月24日召开了特别股东大会，股东一致投票赞成批准该交易，这为公司获取其在中铁隆的股权价值提供了良好的机会。

出售本集团在中铁隆的股权已产生2.8亿元人民币的现金收益(其中5600万元是在截至2020年12月31日之后收到的)，大部分现金收益存放在托管账号，约人民币9330万元将分配给股东。

于2020年10月27日，本集团完成与山东高速路桥投资管理有限公司(山东高速)的交易，中铁隆不再是本公司的子公司，而成为本集团的联营公司，我们在中铁隆的实际权益由97.60%减至48.82%。

山东高速是山东高速路桥集团股份有限公司的全资子公司，山东高速路桥集团股份有限公司是一家在中国注册成立并在深圳证卷交易所主板上市的公司（股票代码：000498）。山东高速路桥集团股份有限公司及其子公司从事基础设施建设业务，包括高速公路，桥梁，隧道，市政工程，交通工程，港口和水路。值得注意的是，山东高速路桥集团股份有限公司的大股东，是山东高速集团有限公司，是一家国有控股企业，总部位于中国山东高省济南市。

More importantly, Ranken Railway would be placed in a more favourable position to secure more significant and higher value projects in the PRC, and may be able to enjoy lower interest rates on external borrowings from financial institutions, given its status as an indirect SOE. In addition, Ranken Railway will be able to additionally tender for key infrastructure projects in the PRC which require contractors or vendors to be state-owned which it was previously ineligible to participate, in addition to projects which it could previously access as a privately-owned enterprise.

With an effective interest of 48.82% in Ranken Railway, Sapphire can continue to participate meaningfully in the future growth of Ranken Railway and the underlying prospects of its operating industry.

Sapphire continues to be an investment management and holding company with a business model aligned towards urbanisation trends.

The Group has two operating business units, one in the business of property management and city redevelopment services and the other in the business of leasing of warehouse and equipment and supply of materials for urbanisation projects.

I shall leave it to our Executive Director and Chief Executive Officer, Ms Wang Heng, to share more details of our corporate strategy and progress in the next few pages.

REVIEW OF FINANCIAL PERFORMANCE IN FY2020

The Group's revenue dipped by RMB639.8 million to RMB1,091.7 million in FY2020 mainly due to the extended Chinese New Year break and the temporary cessation of operations as directed by the Chinese government for strict measures to contain the spread of COVID-19 in late January 2020 as well as the partial divestment of Ranken Railway that was completed on 27 October 2020.

For the similar reasons mentioned above, the Group's gross profit fell by RMB60.8 million to RMB93.2 million in FY2020. While certain cost control measures have been implemented, the Group still incurred fixed operating costs during the temporary cessation of operations.

The Group recorded a gain on disposal of Ranken Railway of RMB53.1 million (after tax gain of RMB 36.2 million).

更重要的是，中铁隆将处于更有利的地位，以确保在中国获得更重要和更高价值的项目，并且鉴于其作为间接国有企业的地位，从金融机构的借款可能享有较低的利率。此外，中铁隆将能够在投标中国关键基础设施项目拥有更大的优势。

凭借对中铁隆48.82%的实际权益，盛世可以继续有意义地参与中铁隆的未来增长及其运营行业的潜在前景。

盛世仍然是一家投资管理和控股公司，其经营模式与目前中国城市化趋势保持一致

本集团设有两个营运业务，一个提供物业管理和城市更新运营服务，另一个为城市化项目提供仓库及设备租赁及建筑材料供应业务。

在后文中，我们的首席执行官和执行董事王恒女士将为我们分享介绍更多关于我们公司战略和进展的细节。

2020年度财务业绩回顾

2020财政年度，集团收入下降人民币6.398亿元至人民币10.917亿元，主要由于在2020年1月下旬，为了防止新冠疫情的传播和扩展，延长了春节的假日并导致施工项目暂时停止运营，以及2020年10月27日完成的中铁隆部分撤资。

由于上述原因，本集团2020财政年度的毛利下跌6080万元至人民币9320万元。虽然已实施若干成本控制措施，但本集团在暂时停止营运期间仍须承担固定的营运费用。

集团出售中铁隆获利了人民币5310万元（税后收益人民币3620万元）。

CHAIRMAN'S MESSAGE

The Group's other income fell by RMB6.2 million to RMB7.3 million mainly due the absence of unwinding of discount for long-term receivable, lower gain on disposal of plant and equipment and lower rental income.

While Ranken Railway has been partially divested, the Group's selling and distribution costs increase marginally by RMB0.5 million to RMB6.9 million in FY2020, mainly due to the donation made to Chengdu Charitable Federation (成都市慈善总会) for purpose of contribution to the prevention and control of epidemic situation in Sichuan and Chengdu.

The Group's administrative expenses declined significantly by RMB21.0 million to RMB47.4 million in FY2020, mainly due the partial divestment of Ranken Railway and the encouraging results from cost controls measures.

The Group's impairment losses on trade and other receivables and contracts assets increased by RMB22.8 million to RMB37.1 million in FY2020 mainly due to higher impairment loss made by Ranken Railway for two projects which were expected to incur project losses, higher expected credit losses for receivables and impairment losses for other receivable arising from uncertainty of collection due to under-performance and unfavorable market conditions of a debtor recorded by Sapphire.

Other expenses of the Group fell by RMB3.5 million to RMB9.8 million in FY2020, mainly due to lower fair value loss of financial assets and the absence of exchange loss and renovation costs, offset by transaction costs for the disposal of a subsidiary.

The Group's finance costs fell by RMB4.2 million to RMB18.0 million mainly due to disposal of Ranken Railway and lower interest expense incurred for banks and financial institution and lease liabilities.

The Group's share of profit of equity-accounted investees (net of tax) increased by RMB14.4 million to RMB16.8 million, mainly due to the equity-accounting for share of profits of Ranken Railway for 2 months from the completion of the Transaction.

The Group's tax expenses increased by RMB2.5 million to RMB20.9 million in FY2020, mainly due mainly due to China's tax on the gain on disposal of Ranken Railway.

As a result, the net profit attributable to owners of the Company rose 6.2% to RMB28.0 million million in FY2020, net of non-controlling interest.

本集团其他收入减少人民币620万元至人民币730万元，主要由于没有收到长期应收账款折现的收益、处置厂房及设备收益减少及租金收入减少。

虽然中铁隆已部分剥离，但集团2020年度的销售成本小幅增加人民币50万元至人民币690万元，主要原因是向成都市慈善总会捐款，用于四川、成都等地的疫情防控。

2020财政年度，集团的行政开支大幅下跌人民币2100万元至人民币4740万元，主要由于中铁隆的部分剥离及成本控制措施取得较好的结果。

2020财政年度，本集团的应收账款及其他应收账款及合同资产减值损失增加人民币2280万元至人民币3710万元，主要由于中铁隆对两个预计亏损项目计提了减值和以及因盛世的债务人履约不良及不利市场条件而导致的收款不明朗而引致的其他应收款减值损失。

2020财政年度，本集团其他开支下跌人民币350万元至人民币980万元，主要由于金融资产公允价值亏损减少，以及2020财政年度没有汇兑损失及装修成本。出售中铁隆的交易费用部分增加了其他开支。

集团财务成本下降人民币420万元至人民币1800万元，主要由于出售了中铁隆，以及银行及金融机构的利息支出及租赁负债减少所致。

本集团的联营公司收益增加人民币1440万元至人民币1680万元，主要由于交易完成后2个月内对中铁隆的利润份额进行权益会计核算。

2020财政年度，集团的税务费用增加人民币250万元至人民币2090万元，主要原因是中国对处置中铁隆的收益征税。

因此，2020财政年度归属于本公司股份持有人的净利润上升6.2%至人民币2800万元。

NOTE OF APPRECIATION

As a group, we take pride in our diversity and scale, agility and tenacity to enhance the quality of life of citizens and making a positive impact to communities and the environment.

Over the years, Sapphire has achieved many engineering feats and it has been instrumental in driving our growth and track record in our operating markets.

Collaborative partnerships remain vital in leveraging new technological innovations, accelerating our business strategy and building on our competitive strengths. Going ahead, we will continue to leverage synergies with global and local relationships, bringing in best-in-class technologies and best practices to create new value propositions.

We believe that this is how we remain relevant and important to our customers, our stakeholders and communities. While creating a balanced portfolio of new growth initiatives, we will focus on adding value and improving the performance of our core businesses.

Finally, on behalf of the Board, I would like to express my sincere appreciation to the shareholders for their valued support and trust, as well as the Group's management and employees for their collective teamwork and professionalism. I also express my sincere gratitude to our partners, clients and suppliers for their continuous support and trust.

At present, we are strategically positioned to capture opportunities created by China's economic transition to mature growth and urbanisation.

As we steer towards new horizons ahead, we will continue to be driven by the same core values since Sapphire's early days: an enterprising spirit, a commitment to innovation and long-term sustainability.

Thank You!

CHEUNG WAI SUEN
Executive Chairman

感谢辞

我们为我们的多样性和规模，敏捷性和坚韧不拔的精神，以提高公民的生活质量，并对社区和环境产生积极影响，感到自豪。

多年来，盛世取得了许多工程壮举，在推动我们在运营市场的增长和业绩记录方面发挥了重要作用。

合作伙伴关系对于利用新技术创新、加速我们的业务战略和增强我们的竞争优势仍然至关重要。展望未来，我们将继续利用与全球和本地关系的协同效应，引入一流的技术和最佳实践，以创造新的价值主张。

我们相信，这就是我们如何保持对客户、利益相关者和社区相关性和重要性的方式。在创建平衡的新增长计划组合的同时，我们将专注于增加价值和改善核心业务的绩效。

最后，我谨代表董事会向股东们表示衷心的感谢，感谢他们的宝贵支持和信任，以及集团管理层和员工的集体团队合作和专业精神。我还要衷心感谢我们的合作伙伴、客户和供应商一直以来的支持和信任。

目前，我们的战略定位将抓住中国经济向成熟增长和城市化转型所创造的机遇。

随着我们迈向新的视野，我们将继续受到盛世早期相同的核心价值观的驱动：进取精神，对创新和长期可持续发展的承诺。

谢谢！

张伟瑄
执行主席

CEO'S REVIEW

DEAR SHAREHOLDERS,

Following a strong rebound in the first half of 2021, economic activity in China has slowed down in the latter half of the year. Real GDP growth is projected to reach 8.0 percent in 2021, before moderating to 5.1 percent in 2022 according to the World Bank.

The world's second-largest economy faces multiple challenges heading into 2022, amid a property downturn and with strict COVID-19 curbs in some areas hurting consumer spending.

Renewed domestic COVID-19 outbreaks, including the new Omicron variant, could require more broad-based and longer-lasting restrictions leading to larger disruptions in economic activity. A severe and prolonged downturn in the highly leveraged property sector poses another downside risk which could have significant economy-wide reverberations.

Globally, there have been heightened geopolitical risks with Russia's invasion of Ukraine and this has led to various economic consequences as the war-related supply disruptions and commodity price increases may have an impact on China's economic growth.

To aid economic growth, China has highlighted that it will prepare for 2022 economic work in advance and strive to stabilise economic operations in the first quarter, the first half and even the whole year.

On December 15, 2021, the central bank of China lowered the reserve requirement ratio to release 1.2 trillion yuan of funds, of which the real estate industry will be a key beneficiary.

In addition, China will continue to implement proactive fiscal policies, step up government spending, strengthen support to manufacturers and small companies, and ensure price stability while making efforts to build an integral domestic market.

According to China's finance industry, the country issued RMB1.46 trillion in the 2022 advance quota for local government special bonds to help spur investment and support the economy.

For the last several decades, the most remarkable facet of China's urbanisation has been its unmatched speed and to harness the emerging business opportunities, the Group has strategically aligned its business model towards such urbanisation trends on a continual basis.

The 14th Five-Year Plan sets out new targets for China's urban growth. These include plans to facilitate about half of the rural migrants to settle in five super-city clusters, including the Beijing-Tianjin-Hebei region (Jing-Jin-Ji), the Yangtze River Delta, the mid-Yangtze River area, the Greater Bay Area, and the more recently announced Chongqing-Chengdu city cluster. Each cluster will be designed to enable both "domestic circulation" and serve as hubs in facilitating "external circulation" between China and the global economy.

尊敬的股东们，

继2021年上半年强劲反弹之后，中国经济增长在下半年有所放缓。根据世界银行的数据，预计2021年GDP增长率将达到8.0%，然后在2022年放缓至5.1%。

2022年中国作为世界第二大经济体将面临多重挑战，2021年房地产低迷，疫情防控影响消费者消费。

随着奥密克戎变异病毒在全球的爆发，中国可能需要更广泛和更持久的防控措施，从而导致国内经济受到持续的影响。高杠杆房地产行业在2021年风险集中爆发后，风险得到进一步是释放，房地产的不景气是经济持续低迷的一个因素，也会对整个经济产生一定的影响。

在全球范围内，俄罗斯入侵乌克兰的地缘政治风险加剧，这导致了各种经济后果，因为与战争有关的供应中断和大宗商品价格上涨可能会对中国的经济增长产生影响。

为推动经济增长，中国强调将提前为2022年经济发展做准备，努力稳定第一季度、上半年乃至全年的经济运行。

在2021年12月15日中国央行降准释放1.2万亿资金，对于房地产重大利好。

此外，中国将继续实施积极的财政政策，加大政府支出，加强对制造业和小微企业的支持，确保价格稳定，同时努力建设完整的国内市场。

据中国财政部公布，将在2022年提前发行地方政府专项债券限额1.46万亿元人民币，以帮助刺激投资和支持经济增长。

过去数十年，中国把握机遇实现城市化快速发展并获得显著成效。盛世集团的战略和业务模式一直与中国城市化趋势和发展保持一致。

"十四五"规划为中国城市发展提出了新的目标。其中包括促进约一半的农村定居在五个超级城市群，包括京津冀地区(京津冀)，长江三角洲，长江中游地区，大湾区，以及最近宣布的重庆–成都城市群。每个集群的设计将实现并促进中国与全球经济之间"内外循环"的枢纽。

Chengdu's "14th Five-Year Plan" will focus on making every effort to build high-quality residential areas, highlighting the value of a happy and beautiful life in the city, improving the people's sense of happiness, and to achieve the goal of modernising the governance system and capabilities of megacities.

The Group completed the sale and dilution of Ranken Railway Construction Group Co., Ltd ("Ranken Railway") in October 2020 and the Group continues to own 48.82% effective interest in Ranken Railway and its subsidiaries who are principally engaged in the engineering, procurement and construction ("EPC") business related to the land transport infrastructure and water conservancy and environmental projects in China.

The Group has two operating business units, one in the business of providing services for city redevelopment and the other in the business of leasing of warehouse and equipment and supply of materials for urbanisation projects.

With a service-centric approach, the Group will focus on providing city redevelopment services in two key areas (1) services for living and residential areas (2) industrial parks.

CITY REDEVELOPMENT

China has both the world's largest total population and elderly population. The newly released results of China's seventh population census in May 2021 show that China's 2020 population stood at 1.4118 billion in which there are 264 million people aged 60 and over or 191 million aged 65 and over, comprising 18.7 percent and 13.5 percent of the total population, respectively.

There is a growing need for future communities that combine the characteristics of both residential buildings and community public service with humanistic, ecological and digital value orientation that focuses on improving people's daily life experience.

As such, future communities differ greatly from traditional residential projects in terms of construction philosophy, ideas and methods.

Aligned with this emerging trend, the Group incorporated an effective 58.8% subsidiary, Chengdu Kaiwan Enterprise Management Consulting Co., Ltd. ("Chengdu Kaiwan") in December 2020 to undertake the business of property management and consulting services. Since then, Chengdu Kaiwan secured a contract for the upgrading of community area in Laoma Raod (老马路) and thereafter, Chengdu Kaiwan was appointed as the operator and manager of the International Community Service Centre at Laoma Road (老马路社区"乐邻里"国际化社区邻里中心社区综合体).

With its unique active ageing services and programmes and supportive environment design for elderly care, this International Community Service Centre has secured various awards and accolades. Since then, several government agencies from other cities and provinces have visited this International Community Service Centre under various exchange programs to learn the best practices and programs that encourage seniors to stay active, healthy and socially engaged.

Future communities' improvement projects will be part of our new growth initiatives and we believe in building a long-term relationship with these stakeholders by embracing total customer-driven philosophy and single-minded focus on service in every relevant area of our operations.

成都"十四五"规划将重点抓好并全力打造高品质居住地，彰显城市幸福美好生活价值，提高老百姓幸福获得感，并实现超大城市治理体系和治理能力现代化的目标。

盛世集团于2020年10月完成对中铁隆控股有限公司("中铁隆")的出售及股权转让，盛世集团继续持中铁隆及其下属子公司公司48.82%的股份，中铁隆及其下属子公司主要从事与中国陆地交通基础设施和水利环保项目相关的工程、采购和建设("EPC")业务。

盛世集团现经营两个主要业务，一个是城市更新运营服务，另外一个为城市化项目提供仓库及设备租赁及建筑材料供应业务。

盛世集团业务秉持以服务为本，深耕城市更新运营。其中专注于两个关键领域(1)生活居住商业运营管理及产业(2)工业园区的招商、运营管理、推广。

城市更新

中国拥有世界上最大的总人口和老年人口。2021年5月中国第七次人口普查最新公布的数据显示，中国2020年人口为14.118亿，其中60岁及以上人口2.64亿，65岁及以上人口1.91亿，分别占总人口的18.7%和13.5%。

未来社区的需求将日益增长，将住宅建筑和社区公共服务的特点与人文，生态和数字价值取向相结合，专注于改善人们的日常生活体验。

因此，未来社区在建设理念、想法和方法上与传统住宅项目有很大不同。

为顺应这一新兴趋势，盛世集团于2020年12月成立一家持有58.8%股份的子公司，成都凯万企业管理咨询有限公司(成都凯万)。该公司从事物业管理及咨询服务业务。2020年12月成都凯万获得了老马路社区"乐邻里"国际化社区邻里中心升级改造运营的合同。

凭借其独特的主动养老、托幼服务和计划，以及满足社区居民生活基本需求、小孩健康成长、老年人护理的环境设计，提供的各项教育、培训、公益活动，使这个社区服务中心获得了各种奖项和荣誉。自建成以来，来自其他城市和省份的政府机构人员陆续访问了这个国际化社区邻里中心，以学习社区保持活跃，健康和社交的全龄友好的最佳实践。

未来社区改善项目将成为我们新增长计划的一部分，我们相信通过以客户为导向的理念和一心一意地为我们运营每个相关领域提供最佳的服务，将与这些利益相关者建立长期良好关系。

CEO'S REVIEW

SPECIALISED CITY REDEVELOPMENT SERVICES FOR ENVIRONMENTAL PROJECTS, PPP PROJECTS, URBANISATION PROJECTS AND INDUSTRIAL PARKS

Since securing our maiden Public-Private Partnership ("PPP") project, together with our well-known consortium partners, in November 2018 for the first phase of Wuhou District, "Liveable River Bank" project in Chengdu, Sichuan Province, China, we have accumulated new valuable knowledge and operating experience in the PPP industry with the successful completion of this project in early 2021.

On the back of increasingly stringent environmental protection regulations in China, the greening of industrial parks in China – where large-scale industrialisation activities are primarily located in China – and transforming them into "eco-industrial parks", will offer new business opportunities where we can offer integrated building estate management services (such as marketing, leasing and consultancy services as well infrastructure and property management services) with water and environmental conservation solutions, given our track record in water and environmental conservation projects.

As China's progress towards greater green economic growth, we believe that there are strong opportunities for us to scale up this business segment targeting new industrial parks that are between 1 million square metres to 3 million square metres.

NEW HORIZONS WITH AN ENTREPRENEURIAL CULTURE

With many years of operational experience and track record in China in several public projects via Ranken, the management team has built up strong relations and reputation in China. We believe that this will provide us a strong competitive edge as we target more projects related to the improvement of communities for the elderly and industrial parks projects.

Our Chairman has highlighted on our core values that have shaped us since Sapphire's early days and by combining it with our core capabilities to build strong foundation for our estate management services, we aim to to develop various recurring income streams in key targeted markets.

As always, I wish to express my gratitude to our Board of Directors, management team and employees for their dedication and commitment to continuing to create substantial value for our shareholders.

Our business model is about creating economic value that also makes a positive contribution to society, and I look forward to reporting on our progress as we pursue new horizons ahead.

Thank You!

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

为环保类项目、PPP项目、城市更新类项目和片区开发类项目提供专业全面的营销推广、商业配套、智慧运营管理服务

集团自2018年11月起与其他合作伙伴一起，在中国四川省成都市武侯区建设第一期"宜居水岸"项目(“PPP”)以来，我们在PPP行业积累了新的宝贵知识和运营经验，该项目于2021年初成功完成。

中国正在进行大规模工业化活动的同时对环境保护法规日益严格，工业园区将被转变为"智慧生态工业园区"，这将提供新的商机。鉴于我们在物业、社区商业营销、运营管理方面的佳绩，我们大力发展社区商业运营管理及智慧生态产业园区招商、营销推广、商业配套、基础物业、能源的管理服务。

随着中国在绿色经济增长方面取得进展，我们相信，我们有机会扩大我们的城市运营管理服务，并对100万平方米至300万平方米新工业园区作为我们的目标项目。

具有创业文化的新视野

管理团队通过中铁隆在中国建成了无数的公共项目并有多年的运营经验，并在中国建立了良好关系和声誉。我们相信，这将是我们的竞争优势，并为我们将参与更多未来社区和工业园区项目来扩展业务提供希望和更大的可能性。

我们的主席强调，在盛世集团创立之初，就塑造了我们集团的核心价值观，我们的目标是将其与我们的核心能力相结合，为我们的城市运营管理服务奠定坚实的基础，从而在主要目标市场开发各种稳定收入来源。

一如既往，我谨感谢我们的董事会、管理团队和员工，感谢他们继续为股东创造巨大价值所做的奉献和努力。

我们的商业模式是努力创造经济价值，同时也为社会做出积极贡献，我期待着在我们追求新视野的过程中不断获取新的成就。

感谢！

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

BOARD OF DIRECTORS & KEY EXECUTIVES

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, he continues to be the Chairman of Ranken Railway and is responsible for strategic development, enterprise integration, team building, major coordination and other overall aspects.

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 30 April 2019.

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。张先生是Ranken Railway 的董事长，负责董事会、统筹公司全局，负责战略发展、企业融合、队伍建设、重大协调等方面工作。

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2019年4月30日再次当选为公司董事。

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 31 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.

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. Ms. Wang is the Vice Chairman of Ranken Railway and is responsible for the company's investment, operations and development. She is also responsible for organizing, implementing and completing targets and other matters set by the board of directors and the general manager's office. She is in charge of the Investment and Development Department and the Design and Research Institute.

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 29 June 2020.

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三十一年的工作经历，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 。

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。她是Ranken Railway的副董事长，负责Ranken Railway投资经营工作和创新发展，负责组织、落实、完成董事会下达的经营等绩效指标及董事会、总经理办公会研究决定的重要事项，统筹谋划公司新模式、新业态发展。分管投资发展部、设计研究院。

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2020年6月29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.

Having been in legal practice for more than 20 years, Mr Oh practice focus is on Blockchain & DLT, Corporate Finance – in particular early/late stage private equity as well as public equity capital markets transactions such as IPOs and RTOs on the Singapore Exchange – and M&A. Mr Oh also advises on capital markets services licensing and compliance, and on a wide range of general corporate advisory work including joint ventures, corporate restructurings and debt restructuring.

Leveraging on his cross-disciplinary practice experience, Mr Oh has extensive experience advising Blockchain & DLT initiatives including security/non-security token offerings; DeFi, cryptocurrency; establishment and licensing of digital asset exchanges, OTC and other digital asset service providers; establishment and licensing of digital asset funds; and equity investments and M&A involving Blockchain & DLT initiatives.

Mr Oh is ranked Band 1 for Fintech Legal for Singapore by legal directory Chambers & Partners for 2019 and 2020 and is also recognised in legal directories Legal 500 for both Capital Markets and M&A and in IFLR1000 for Capital Markets: Equity and M&A as well as Financial & Corporate Law.

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

Mr Oh was last elected as a Director of the Company on 29 June 2020.

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。

胡先生从事法律业务已超过20年，其业务重点是区块链和DLT，企业融资 – 特别是早期/后期私募股权以及公共股权资本市场交易，如新加坡交易所的IPO和RTO – 以及并购。以及广泛的一般企业咨询工作，包括合资企业，公司重组和债务重组。

凭借其跨学科实践经验，胡先生在为区块链和DLT计划提供建议方面拥有丰富的经验，包括安全/非安全令牌产品；DeFi，加密货币；建立数字资产交易所、场外交易和其他数字资产服务提供商并发放许可证；数字资产基金的设立和许可；以及涉及区块链和DLT计划的股权投资和并购。

胡先生被Chambers & Partners 2019年和2020年法律目录评为新加坡金融科技法律第一梯队，并在资本市场和并购法律500强和资本市场：股权与并购法以及金融与公司法的IFLR1000中均获得认可。

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。

胡先生于2020年6月29日再次当选为公司董事。

MR JACKSON TAY ENG KIAT
Non-Executive Independent Director

Mr Jackson Tay Eng Kiat was appointed to the Board with effect from 24 October 2019.

Mr. Tay has more than 18 years of experience in accounts and finance functions of various entities in the public and private sectors. Mr. Tay is currently the Chief Operating Officer and Company Secretary of Hafary Holdings Limited Group ("Hafary"), a company listed on the Mainboard of the SGX-ST. He oversees Hafary's operational and corporate secretarial functions, which includes business developments and investor relations. He also spearheads Hafary's overall corporate and strategic development in Singapore and overseas.

Prior to his current role, Mr. Tay was responsible for the preparation of Hafary's financial results pursuant to the listing requirements of the rules of the Catalist Board. Subsequently, Hafary's listing was transferred from the Catalist Board of the SGX-ST to the Main Board of the SGX-ST in 2013. In his previous role, Mr. Tay was also involved in all financial and administrative matters of Hafary, including the implementation and maintenance of Hafary's financial and management reporting system.

Mr. Tay is also the Chairman and Independent Director of Sim Leisure Group Ltd and Independent Director of OUE Lippo Healthcare Limited, both of which are companies listed on the Catalist Board of the SGX-ST.

Mr. Tay holds a Bachelor of Accountancy (Minor in Marketing) degree from Nanyang Technological University, Singapore and is a member of the Institute of Singapore Chartered Accountants.

Mr. Tay was last elected as a Director of the Company on 29 June 2020.

郑英杰先生
非执行独立董事

郑英杰先生于2019年10月24日获委任为董事会成员。

郑先生在公共和私营企业的会计和金融领域工作经验超过18年。郑先生目前是合发利控股有限公司（"合发利"），一家在新加坡交易所主版上市公司的首席运营官。他负责合发利的运营和公司秘书职能，包括业务发展和投资者关系。他还负责合发利在新加坡和海外的整体企业和战略发展。

在担任目前的职务之前，郑先生负责根据新加坡凯利板上市要求准备合发利的财务业绩报告。随后，合发利在2013年从新加坡交易所的凯利板转移到新加坡交易所的主板上市。在以前的工作中，郑先生还参与了合发利的所有财务和行政事务，包括执行和维持合发利的财务和管理报告制度。

他同时也是沈氏休闲集团有限公司的主席和独立董事，以及华联力宝医疗有限公司的独立董事，这两家公司都是新加坡交易所凯莉板上市公司。

郑先生持有新加坡南洋理工大学的会计学士学位（市场营销副学士学位），并是新加坡特许公认会计师公会的会员。

郑先生于2020年6月29日再次当选为公司董事。

PROFESSOR ZHANG WEIGUO

Non-Executive Independent Director

Prof Zhang Weiguo was appointed to the Board with effect from 14 January 2022.

Prof Zhang is the founder of the Research Fund for Niche Behavioral Economics (RFNBE). He served as a visiting scholar and researcher in Simon Fraser University (Canada) between 2013 and 2021. His research focuses on strategic planning, organization management, business model innovation, and supply chain management.

Dr. Zhang has rich business experience. He was the Director and GM of Shandong Shipping Corporation, a large state-owned company in China as well as a professor and doctoral supervisor at the College of Transportation Management, Dalian Maritime University, China. He is an expert in Chinese enterprises' reform and development and has a deep understanding of China's Corporation Law. He is a successful Angel investor and a well-known consultant for companies. He has also served as a director, independent director, or strategic advisor in a number of companies, including technology companies.

Prof Zhang holds a Bachelor of Marine Engineering Management from Dalian Maritime University, a Master of International Trade from Ocean University of China, a Master of Senior Business Administration from Peking University, and a Phd in Marxism Sinicization studies from Dalian Maritime University, China.

张卫国教授

非执行独立董事

张卫国教授于2022年1月14日获委任为非执行独立董事。

张教授是小众行为学研究基金RFNBE (Research Fund for Niche Behavioral Economics) 的创始人。2013–2021年在加拿大西蒙弗雷泽大学做访问学者和研究员，主要研究方向为战略规划、组织管理、商业模式创新和供应链管理。

张博士具有丰富的商业研究和实践经验。他曾任中国大型国有企业山东海运股份有限公司董事总经理和中国大连海事大学交通运输管理学院教授、博士生导师。他是一位成功的天使投资人，也是知名的企业顾问。他还曾在包括科技公司在内的多家公司担任董事、独立董事或战略顾问。

张教授拥有大连海事大学轮机管理学士学位、中国海洋大学国际贸易硕士学位、北京大学高级工商管理硕士学位和中国大连海事大学马克思主义中国化研究博士学位。

MR FOO YONG HOW

Chief Corporate Officer (Non-Board Member)

Mr Foo Yong How was appointed as Chief Corporate Officer ("CCO") on 28 June 2018. Mr Foo has more than 10 years of experience in investment banking, business development and wealth management and he is responsible for assisting the CEO in key functions of the Group which includes the day-to day operation, formulation of strategic planning in mergers and acquisition, new business opportunities, corporate finance related activities and taking charge of the Group's investor relations and corporate communication activities.

Prior to joining the Group in June 2018, Mr Foo was a Senior Director of Wise Torch Investment and he was also the General Manager of International Healthway Corporation Ltd (now known as OUE Lippo Healthcare Ltd), assisting the Board of Directors in the management and supervision of operations, financial management and marketing, as well as being part of the Interim Transition Committee, when the new Board of directors was appointed with the existing CEO being suspended of all executive functions and power.

He has also worked in UOB Kay Hian where he was involved in structuring both public and private deals in the investment banking field and international capital markets. Mr Foo has co-led numerous successful IPO deals in diverse sectors, such as real estate, medical and resources. He graduated with a BSc in Electrical Engineering from the National University of Singapore in 2003, and is a CFA® Charterholder.

He is also an Independent Director of Hafary Holdings Limited Group, a company listed on the Mainboard of the SGX-ST.

符永澔先生

企业首席企业官(非董事会成员)

符永澔先生于2018年6月28日被委任为集团的首席企业官(简称CCO)。他在投行业务、业务拓展和财务管理方面有超过10年的工作经验，主要负责协助首席执行官(CEO)完成集团的各项工作，包括日常业务的运转，并购战略规划的制定，新商机的开拓，企业融资相关的活动，同时还负责所有与投资者关系和公司沟通相关的事宜。

在2018年6月加入本集团前，符先生曾任Wise Torch投资公司的高级董事，也曾担任国际康慧医疗集团(现名为华联力宝医疗保健有限公司)的总经理，协助董事会管理和监督企业运营、财务管理以及市场营销。在国际康慧医疗集团的新董事被选举任命后和现任的首席执行官被暂停了工作职能和权力的情况下，他同时也担任了临时过渡委员会成员。

之前，他还就任于大华继显银行(UOB Kay Hian)，主要参与了投资银行业务和国际资本市场相关的公私交易项目。符先生还曾在房地产、医疗和矿业等多个行业，参与完成过许多成功的IPO案例。他于2003年毕业于新加坡国立大学电气工程专业理学学士学位，CFA执照持有人。

他同时也是合发利控股有限公司，一家在新加坡交易所主版上市公司，的独立董事。

BOARD OF DIRECTORS & KEY EXECUTIVES

MR NG HOI-GEE KIT

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 Sapphire's 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。

FINANCIAL HIGHLIGHTS

REVENUE (RMB'000)

2020#	**1,091,715**
2019	1,731,548
2018	1,796,982
2017^	1,308,719
2016	1,078,209

GROSS PROFIT (RMB'000)

2020#	**93,225**
2019	154,046
2018	133,989
2017^	153,554
2016	131,136

PROFIT (RMB'000)

2020#	**28,015**
2019	26,370
2018	16,364
2017^	31,775
2016	46,834

SHAREHOLDERS' FUNDS (RMB'000)

2020	**605,744**
2019*	579,720
2018	505,917
2017^	500,003
2016^	468,311

\# *Includes only 10 Months of Ranken Railway as a subsidiary. Thereafter Ranken Railway is equity accounted for as an associated company.*

^ *Restated following the adoption of the new financial reporting framework, Singapore Financial Reporting Standards (International) in FY2018.*

* *Includes rights issue completed in FY2019.*

OPERATIONAL AND FINANCIAL REVIEW

OVERVIEW

- Completed disposal of Ranken Railway for after tax gain of RMB36.2 million. Will continue to hold an effective 48.8% of Ranken Railway as an associated company (the "Transaction").
- Profit attributable to owners of the Company rose 6.2% to RMB28.0 million.
- The Group continues to be an investment management and holding company with a business model aligned towards urbanisation trends. For accounting disclosure purposes, the audited consolidated statement of profit and loss for the year ended 31 December 2020 and the comparative year ended 31 December 2019 has disclosed amounts relating to "Continuing operations" and "Discontinued operations" arising from the completion of the Transaction.

RESULTS (including continuing and discontinued operations)

	Group	
	FY2020 RMB'000	FY2019 RMB'000
Revenue	**1,091,715**	1,731,548
Cost of sales	**(998,490)**	(1,577,502)
Gross profit	**93,225**	154,046
Other income	**7,300**	13,500
Gain on disposal of a subsidiary	**53,103***	–
Selling and distribution costs	**(6,939)**	(6,470)
Administrative expenses	**(47,431)**	(68,458)
Impairment losses on trade and other receivables and contract assets	**(37,119)**	(14,282)
Other expenses	**(9,790)**	(13,294)
Profit from operating activities	**52,349**	65,042
Finance costs	**(17,959)**	(22,183)
Share of profit of equity-accounted investees (net of tax)	**16,848**	2,476
Profit before tax	**51,238**	45,335
Tax expense	**(20,919)***	(18,434)
Profit for the year	**30,319**	26,901
Profit attributable to:		
Owners of the Company	**28,015**	26,370
Non-controlling interests	**2,304**	531
Profit for the year	**30,319**	26,901

* The gain on disposal of a subsidiary is offset by related tax expense of RMB16.9 million, with resulting post-tax gain on disposal of a subsidiary of RMB36.2 million.

Revenue
Fell by RMB639.8 million to RMB1,091.7 million mainly due to (a) the extended Chinese New Year break and temporary cessation of operations as directed by the Chinese government for strict measures to contain the spread of Covid-19 in late January 2020 and (b) the disposal of Ranken Railway which was completed on 27 October 2020.

Gross profit
Fell by RMB60.8 million to RMB93.2 million for similar reasons above. While certain cost control measures were put in place, there were fixed operating costs during the temporary cessation of operations.

Other income
Fell by RMB6.2 million to RMB7.3 million mainly due absence of unwinding of discount for long-term receivable, lower gain on disposal of plant and equipment and lower rental income.

Gain on disposal of a subsidiary
This relates to the gain on disposal of Ranken Railway.

Selling and distribution costs
Rose by RMB0.5 million to RMB6.9 million, despite the disposal of Ranken Railway, mainly due to contribution made to Chengdu Charitable Federation (成都市慈善总会) for purpose of contribution to the prevention and control of epidemic situation in Sichuan and Chengdu.

Administrative expenses
Fell by RMB21.0 million to RMB47.4 million, mainly due the disposal of Ranken Railway and effective costs control.

Impairment losses on trade and other receivables and contract assets
Rose by RMB22.8 million to RMB37.1 million mainly due to higher impairment loss made by Ranken Railway for two projects which were expected to incur project losses, higher expected credit losses for receivables and impairment losses for other receivable arising from uncertainty of collection due to under-performance and unfavorable market conditions of a debtor recorded by Sapphire.

Other expenses
Fell by RMB3.5 million to RMB9.8 million, mainly due to lower fair value loss of financial assets and the absence of exchange loss and renovation costs incurred in FY2019, offset by transaction costs for the disposal of a subsidiary.

Finance costs
Fell by RMB4.2 million to RMB18.0 million mainly due to disposal of Ranken Railway and lower interest expense incurred for banks and financial institution and lease liabilities.

Share of profit of equity-accounted investees (net of tax)
Rose by RMB14.4 million to RMB16.8 million, mainly due to the equity-accounting for share of profits of Ranken Railway for 2 months from the completion of the Transaction.

Tax expense
Rose by RMB2.5 million to RMB20.9 million, mainly due to China's tax on gain on disposal of Ranken Railway.

OTHER COMPREHENSIVE INCOME

	Group FY2020 RMB'000	FY2019 RMB'000
Profit for the year	**30,319**	26,901
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income:		
– Net change in fair value	–	(4,988)
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences	**661**	1,751
Share of other comprehensive income of associated company	**(691)**	–
Realisation of reserve upon disposal of subsidiaries	**(3,276)**	–
Other comprehensive income for the year, net of tax	**(3,306)**	(3,237)
Total comprehensive income attributable to:		
Owners of the Company	**24,709**	**23,133**
Non-controlling interests	**2,304**	**531**
Total comprehensive income for the year	**27,013**	**23,664**

Equity investments at fair value through other comprehensive income – net change in fair value
In 2019, the amount relates to decrease in fair value of 19% stake in a former subsidiary company ("Mancala").

Foreign currency translation differences
Due to the appreciation of Singapore dollar versus Chinese Renminbi.

Share of other comprehensive income of associated company
Relates to share of comprehensive income of Ranken Railway for the 2 months ended 31 December 2020.

PROFIT
+ 6.2% TO
RMB28.0 MILLION

Completed disposal of Ranken Railway for after tax gain of **RMB36.2 MILLION**. Continue to hold effective 48.8% of Ranken Railway as an associated company.

OPERATIONAL AND FINANCIAL REVIEW

Significant changes in financial position were mainly attributed to the completion of the Transaction, Ranken Railway ceased to be a subsidiary of the Company and become an "associated company" of the Group with the Company's effective interest in Ranken Railway reduced from 97.60% to 48.82%.

FINANCIAL POSITION

Total Assets	Group 31.12.2020 RMB'000	Group 31.12.2019 RMB'000
ASSETS		
Non-Current		
Property, plant and equipment	**32,404**	184,623
Goodwill	–	42,417
Investment properties	–	52,274
Associated companies	**344,782**	48,726
Other investments	–	4
Deferred tax assets	–	13,586
Restricted cash	**35,698**	–
	412,884	341,630
Current		
Other investments	**2,316**	3,158
Inventories	**1,517**	34,945
Contract assets	**6,271**	911,679
Trade receivables	**18,565**	564,917
Other receivables	**119,526**	186,423
Cash and cash equivalents	**170,909**	169,345
	319,104	1,870,467
Total assets	**731,988**	**2,212,097**

Property, plant and equipment

Property, plant and equipment fell by RMB152.2 million mainly due to the disposal of Ranken Railway. The remaining property, plant and equipment of RMB32.4 million relates mainly to Sichuan Yilong Equipment Co., Ltd's property, plant and equipment for its leasing of warehouse and equipment business.

Goodwill, investment properties, other investments and deferred tax

Fell to zero following the disposal of Ranken Railway.

Associated companies

Rose by RMB296.1 million with the recognition of Ranken Railway as an associated company. In accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)"), the retained interest of 49.82% of Ranken Railway held by Chengdu KQR (or 48.82% effective interest held by the Group) has been measured at fair value on recognition and subsequently accounted for in accordance with SFRS(I) 28 – Investments in Associates and Joint Ventures where the Group equity-accounted for share of profits of Ranken Railway for 2 months from the completion of the Transaction. This is offset by the de-recognition of the Ranken Railway's 25% shareholding in Chengdu Derun Jinlong Environmental Management Co., Ltd. upon the disposal of Ranken Railway.

Restricted cash

This relates to the amount held in escrow in the Escrow Account until certain financial conditions are met and subject to SGX-ST's approval for the Company to cease such escrow arrangement, which is expected to be more than 12 months.

Short term other investments

Fell by RMB0.8 million mainly due to decrease in fair value of quoted shares classified as financial assets at fair value.

Inventories, contracts and trade receivables

Fell by total of RMB1,485.2 million mainly due to the disposal of Ranken Railway. The remaining inventories, contract assets and trade receivables relate to SYE of RMB24.3 million and Chengdu Shengshi Jialong City Management Service Co., Ltd. (Formerly known as Chengdu Jialong Property Service Co., Ltd.) of RMB1.9 million.

Other receivables

Fell by RMB66.8 million mainly due to the disposal of Ranken Railway. The remaining other receivables relate mainly to (a) RMB52.7 million being amount due from Ranken Railway (RMB52.5 million has been offset against other payable to Ranken Railway after the year-end); and (b) RMB56.0 million being outstanding amount collectible for the Transaction.

Cash and cash equivalents

Rose by RMB1.6 million, mainly due to net cash received from the disposal of subsidiaries, offset by cash outflow from operating activities.

FINANCIAL POSITION

Total Equity and Liabilities	Group 31.12.2020 RMB'000	31.12.2019 RMB'000
EQUITY		
Capital and Reserves		
Share capital	**466,700**	466,700
Reserves	**139,044**	113,020
Equity attributable to owners of the company	**605,744**	579,720
Non-controlling interests	**11,895**	10,906
Total equity	**617,639**	590,626
LIABILITIES		
Non-Current		
Deferred tax liabilities	–	6,501
Provisions	**6,517**	–
Loans and borrowings	–	103,840
	6,517	110,341
Current		
Loans and borrowings	–	154,776
Trade payables	**18,058**	1,009,859
Other payables	**70,416**	169,061
Contract liabilities	–	160,351
Current tax liabilities	**19,358**	17,083
	107,832	1,511,130
Total liabilities	**114,349**	1,621,471
Total equity and liabilities	**731,988**	2,212,097

Equity
Rose by RMB26.0 million due to profit for the year of RMB28.0 million and changes in non-controlling interests arising from restructuring without change in control of RMB1.3 million, offset by negative other comprehensive of RMB3.3 million.

Non-controlling interests
Relate mainly to 2.0% held by minority shareholders in Chengdu Kai Qi Rui Business Management Co., Ltd. and its subsidiaries and associated companies.

Deferred tax liabilities and long term loans and borrowings
Fell to zero following the disposal of Ranken Railway.

Provisions
Recognition of provisions for (a) guarantee for accounts receivables of an associated company and (b) guarantee for banking facilities of an associated company. (a) The guarantee for accounts receivables of an associated company arose from the contract for the Transaction and (b) guarantee for banking facilities of an associated company as Chengdu KQR has provided guarantee for banking facilities of Ranken Railway.

Short term loans and borrowings and contract liabilities
Fell to zero following the disposal of Ranken Railway.

Trade payables
Fell by RMB991.8 million mainly due to the disposal of Ranken Railway.

Other payables
Fell by RMB98.6 million mainly due to the disposal of Ranken Railway. Included in the remaining other payables is an amount of RMB52.5 million payable to Ranken Railway which has been offset against other receivable from Ranken Railway after the year-end.

Current tax liabilities
Rose by RMB2.3 million mainly due to tax payable for the Transaction.

NET ASSETS PER SHARE
RMB148.62 CENTS
OR
SGD 29.72 CENTS

OPERATIONAL AND FINANCIAL REVIEW

CASH FLOW

	Group	
	FY2020 RMB'000	FY2021 RMB'000
Cash flows from operating activities		
Operating profit before working capital changes	**84,003**	151,852
Changes in working capital	**(98,022)**	(107,581)
Cash flows (used in)/ generated from operations	**(14,019)**	44,271
Tax paid	**(7,528)**	(11,631)
Net cash (used in)/generated from operating activities	**(21,547)**	32,640
Cash flows from investing activities		
Net cash generated from/ (used in) investing activities	**16,779**	(62,947)
Cash flows from financing activities		
Net cash generated from financing activities	**5,532**	1,989
Cash and cash equivalents at end of the year	**170,909**	169,341

Net cash (used in)/generated from operating activities

Fell by RMB54.2 million after accounting for (a) operating profit before working capital changes of RMB84.0 million and (ii) net working capital changes of RMB98.0 million, net of tax payment of RMB7.5 million.

Net cash generated from/(used in) investing activities

Rose by RMB79.7 million mainly due to net cash generated from disposal of a subsidiary.

Net cash generated from financing activities

Rose by RMB3.5 million mainly due to (a) higher borrowings net of repayment for bank loans and borrowings from financial institutions (b) lower repayment of lease liabilities (c) absence of repayment of bond issued by a former subsidiary, offset by absence of proceeds from rights issue.

Overall

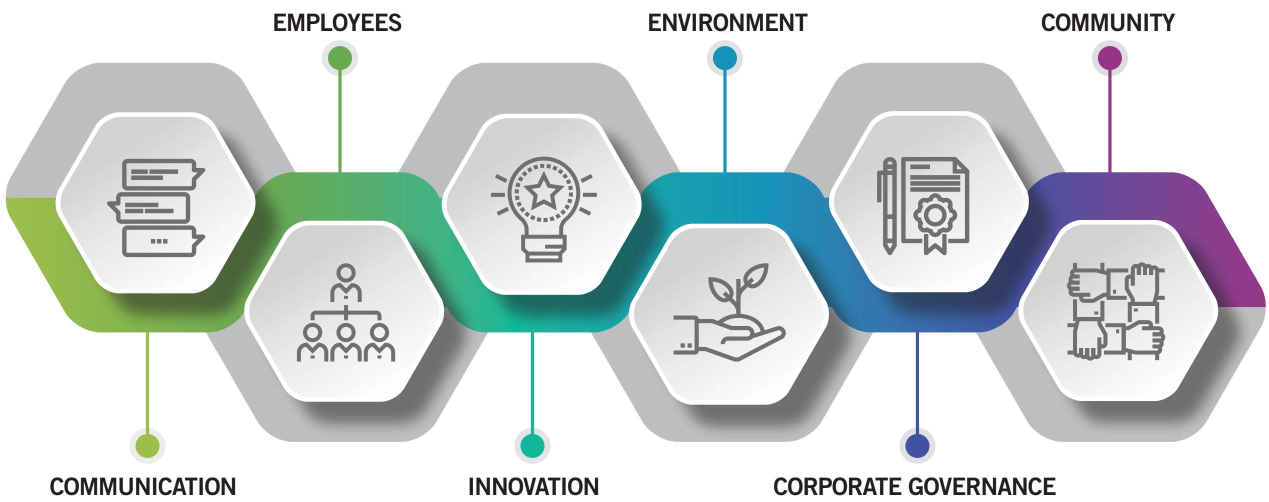
Cash and cash equivalents rose by RMB1.6 million mainly due to net cash received from the disposal of subsidiaries, offset by cash outflow from operating activities.

RMB93.3 million are allocated for distribution to shareholders.

RMB93.3 MILLION
ARE ALLOCATED FOR DISTRIBUTION TO SHAREHOLDERS.

CORPORATE STRUCTURE

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, 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.

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 The Singapore Stock Exchange ("SGX-ST") Listing Rules 711A and 711B and the SGX-ST Sustainability Reporting Guide.

The Sustainability Report has been compiled with references mainly from Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (G4) and the Fourth 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-CSR4.0）– 建筑业）published by the Corporate Social Responsibility Research Center of the Chinese Academy of Social Sciences.

The Sustainability Report includes all entities (including the associated company, Ranken Railway and its subsidiaries) disclosed in the Corporate Structure on page 21 of the Annual Report. The Sustainability Report covers the fiscal period from 1 January 2020 to 31 December 2020. 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 business.

SUSTAINABLE BUSINESS DEVELOPMENT

On 27 October 2020. Chengdu Kai Qi Rui Business Management Co., Ltd. ("Chengdu KQR") completed the transaction with Shandong Hi-Speed Road & Bridge Investment Management Co., Ltd. ("Investor"), for the (a) sale of a certain percentage of the equity interests in Ranken Railway held by Chengdu KQR to the Investor ("Sale"); and (b) subscription by the Investor for additional equity interests in Ranken Railway ("Subscription". and collectively with the Sale, the "Transaction"). Upon completion of the Transaction, each of the Investor and Chengdu KQR now holds approximately 49.82% of the enlarged equity capital of Ranken Railway.

Accordingly, upon completion of the Transaction, Ranken Railway ceased to be a subsidiary of the Company and become an "associated company" of the Group, with the Company's effective interest in Ranken Railway reduced from 97.60% to 48.82%.

Upon completion of the Transaction, the Company continues to be an investment management and holding company with a business model aligned towards urbanisation trends. The Group continues to be principally engaged in the investment, engineering, procurement and construction business related to the land transport infrastructure and water conservancy and environmental projects in China.

The Group has two operating business unit, one in the business of property management and city redevelopment services and the other in the business of leasing of warehouse and equipment and supply of materials for urbanisation projects.

Supply of materials for urbanisation projects

Warehouse at No. 368 Shaqu Industrial Development Zone, Dayi County, Chengdu City, Sichuan Province, PRC. (13,000 square meters)

Provision of property management services to a 9-storey office building (中铁隆大厦) at No. 189 Wukexi Second Road, Wuhou District, Chengdu City, Sichuan Province, PRC.

In December 2020, the Group incorporated an effective 58.8% subsidiary, Chengdu Kaiwan Enterprise Management Consulting Co., Ltd. ("Chengdu Kaiwan") in the business of property management and consulting services. After the year end, Chengdu Kaiwan secured a contract for the upgrading of community area in Laoma Road (老马路) and now operates the International Community Service Centre at Laoma Road (老马路社区"乐邻里"国际化社区邻里中心社区综合体).

International Community Service Centre at Laoma Road

Also in December 2020, with consultancy services rendered by the Group, Ranken Railway and its consortium partners secured the second phase of the Public-Private-Partnership ("PPP") project of the Xijiang River Basin Water Environment Comprehensive Improvement Project in Longquanyi District, Chengdu valued at RMB2.562 billion.

Xijiang River Basin Water Environment Comprehensive Improvement Project

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 Railway is a member of the below associations:

– China Urban Rail Transit Association (中国城市隧道交通协会)

– Construction Industry Association of Chengdu (成都市建筑业协会)

– Chengdu Enterprise Integrity Promotion Association (成都市企业诚信促进会)

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), leasing of warehouse and equipment and sale of construction materials during the year (see Notes to Financial Statements in page 120 of Annual Report) with percentage of revenue as follows:

	2020	2019
Construction contracts	91.0%	93.8%
Rendering of services	7.1%	6.0%
Leasing of warehouse and equipment	0.6%	0.2%
Sale of construction materials	1.3%	–
Total	**100%**	**100%**

The Group's revenue was derived primarily from China with the percentage breakdown as follows (see Notes to Financial Statements in page 121 of Annual Report):

	2020	2019
China	99.6%	99.2%
Other countries (Bangladesh and Sri Lanka)	0.4%	0.8%
Total	**100%**	**100%**

ISO CERTIFICATES

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

ISO Number	Description
GB/T 19001-2016/ ISO 9001:2015	Engineering Construction Organisation Quality Management System
GB/T 24001-2016/ ISO 14001:2015	Environmental Management System
GB/T 45001-2020/ ISO 45001:2018	Occupational Health and Safety Management System

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.

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

AWARDS

During the year:

– Ranken Railway jointly with another survey and design institute won the first prize of the 2020 "Haihe Cup" Tianjin Excellent Survey and Design Municipal Public Works – Rail Transit Engineering award. The award is the highest award in Tianjin Engineering Survey and Design Industry (provincial level).

– Ranken Railway won the Shanxi Province High-quality Structural Engineering Award for its Taiyuan Metro – Line 2 project.

– Ranken Railway won the 2020 China Steel Structure Association Technology Innovation Award. The award-winning project is "a new type of collage-type initial lining structure technology", mainly for the design research results used in the subway tunnel shafts and cross-channels.

Award winning steel structure used in the Beijing Changping Metro Line

SUSTAINABILITY TARGETS

The Group aims to align its business interests with that of its stakeholders in order to create long-term value. The Group strives to achieve high standard of sustainable business by constantly seeking improvements in daily operations, explore business opportunities which are in line with the Group's strategy and values, investing in employees as well as new technologies.

The Group 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.

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 Communication

(vi) Corporate Governance (see pages 31 to 55)

This Sustainability Report, together with the Corporate Governance Report on pages 29 to 57, provides details of the Group's ESG factors and the policies, practices and performance of the business operations addressing these material ESG factors.

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.

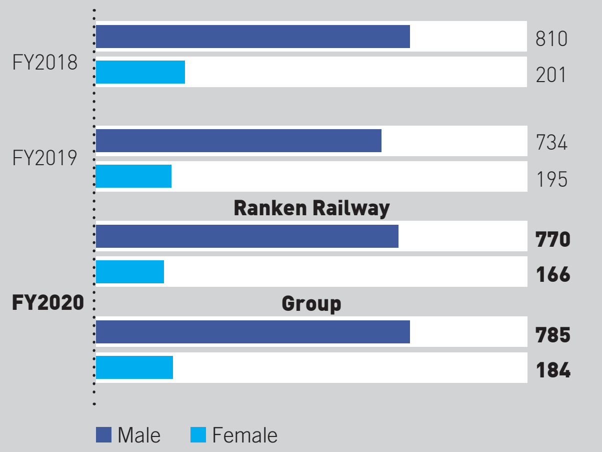
FAIR AND STANDARD EMPLOYMENT

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》).

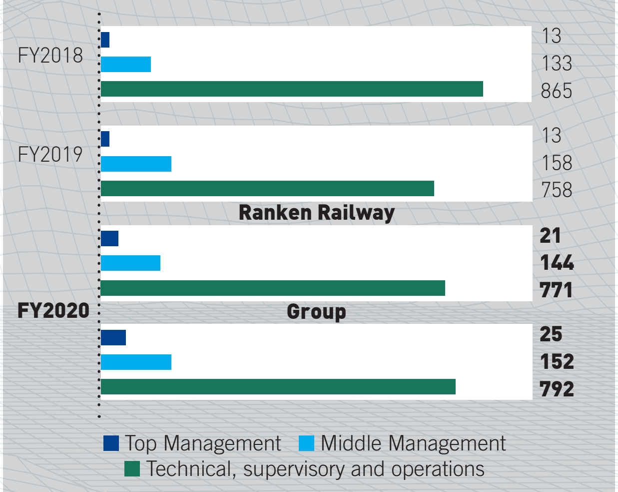
As at 31 December 2020, the Group (including Ranken Railway) had approximately 936 employees, the majority of whom are stationed in the PRC. Approximately 18% of the Group's workforce and 24% of top management is female. The Group also employs minority ethnic people and they comprise 1% of the Group's workforce.

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

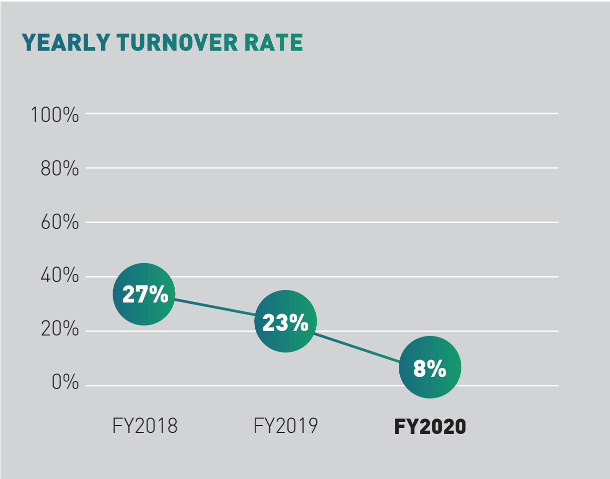


EMPLOYMENT TYPE



For FY2018 and FY2019, the figures relates to the Group which included Ranken Railway as a subsidiary. The figures for FY2020 has been segregated for Ranken Railway as an associated company and the Group which includes Sapphire Corporation Limited, its subsidiaries and associated companies (Ranken Railway).

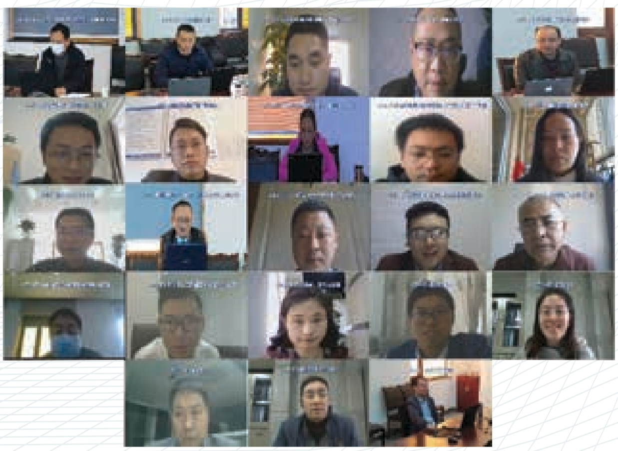
SUSTAINABILITY REPORT



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 2020, the Group (including Ranken Railway) invested approximately RMB1,014,000 in training with total training hours of 494 hours. 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. The Group continued to conduct training via video-conference during the Covid-19 situation earlier in 2020.



Conduct of on-line training during Covid-19 period.

New recruit orientation program

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.

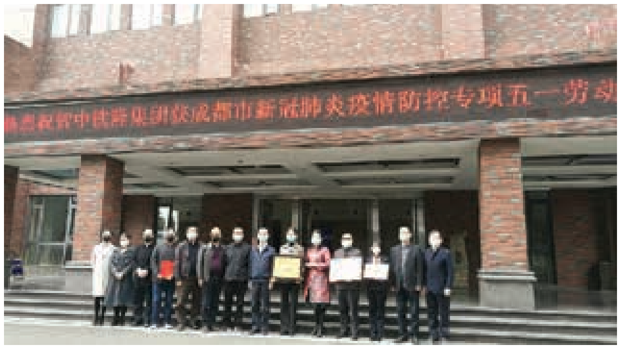
In addition, the Group also organised activities and events in promoting healthy living.

Soccer

Basketball

Covid-19

The Group actively support China's containment measures in response to the Covid-19 outbreak. These measures are necessary to contain Covid-19 and protect the health of all employees of the Group. The Group implemented work from home and subsequently flexible working arrangements during the recent outbreak (in late 2021) in Chengdu. The Group will continue to do its part to combat COVID-19 and ensure that our employees continue to work in a safe and healthy environment.



Ranken Railway and Zhang Ying (张英), the general manager of Chengdu Shengshi Jialong City Management Service Co., Ltd. (Formerly known as Chengdu Jialong Property Service Co., Ltd.) received "Covid-19 Outbreak Prevention and Control Special – 1 May Labor Day Award" awarded by Chengdu General Trade Union (成都市总工会).

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

Ranken Railway 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.

Safety is one of the Group's highest priorities and greatest ongoing concerns. The Group adheres to the safety policy of "safety first, prevention first" (安全第一、预防为主) and is dedicated to the continuous and sustainable improvement of its work safety management systems, as well as its goal of having zero injuries.

During the year, Ranken Railway carried out various targeted activities to further inculcate work safety awareness and to promote the importance of work safety.

Pledging of commitment to work safety carried at various project sites.

Certificates and Awards

Ranken Railway now has 22 safety engineers registered with the Ministry of Human Resources and Social Security of the PRC and 74 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, 6, 74 and 157 staff hold Work Safety Certificates in Categories A, B and C, respectively.

Ranken Railway has been certified compliant with GB/T 45001-2020/ISO 45001:2018 – Occupational Health and Safety Management System for its measures to ensure employees' occupational health and safety requirements are met.

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".

Ranken Railway 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.

Ranken Railway 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.

Ranken Railway has been certified compliant with GB/T 24001-2016/ISO 14001:2015 – Environmental Management System, where measures are implemented to reduce pollutant emissions and reduce consumption of energy and resources. The Group did not commit any major violation of environmental issues during the year.

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.

INNOVATION

The Group believes that innovation is one of the core pillars of sustainability and a key aspect of corporate growth. In 2020 the Ranken Railway submitted and was awarded 13 patents for its innovation. Ranken Railway currently has 48 patents of which 19 are inventions and 29 utility models.

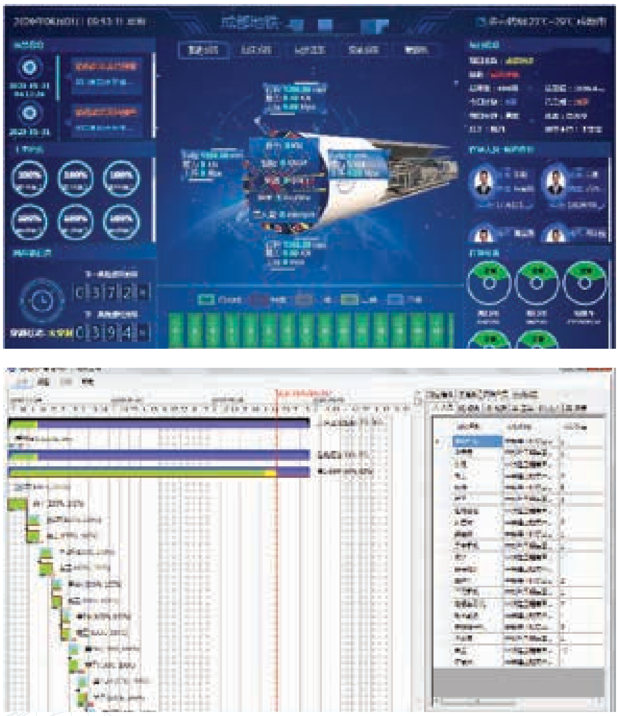
By rapidly adopting technological advancements and committing to independent innovation in all aspects of business, the Group streamlined construction processes and effectively managed all projects to final delivery in a timely fashion.

During the year,

– The scientific research project "Key Technology for Small Net Distance Tunnel Construction in Sensitive and Complex Environment of the City" conducted by Ranken Railway in conjunction with Southwest Jiaotong University, other research institutes and construction companies, was approved by the Sichuan Technology Market Association in Chengdu.

– Ranken Railway's development of its own "tunnel boring management system" project went on-line trial. The tunnel boring management system is an engineering internet platform specializing in digital control of tunnel boring projects. The platform includes production scheduling, project management, and cost management. Through the automatic collection, centralized aggregation, comparison and intelligent analysis of data such as site duration planning, actual progress, resource consumption and other measurement, etc., it seeks to achieve optimal effectiveness for project sites including technical management, progress monitoring, cost analysis, resource savings, early risk warning, and to provide digital, visual and intelligent scientific basis for the users' decision-making, management and execution of tunnel boring project management at different levels.

– Ranken Railway's tunnel boring machine achieved to exit through underwater hole in Beijing Metro Changping Line.



Screenshot of the tunnel boring management system

STAKEHOLDER COMMUNICATION

The Group understands the need for direct and frequent stakeholder communications, which are 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 above 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.

Tunnel boring machine exit through underwater hole in Beijing Metro Changping Line

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

The Board of Directors of Sapphire Corporation Limited (the "**Company**") recognises the importance of good corporate governance and the offering of high standards of accountability to shareholders, and are committed to achieving a high standard of corporate governance within the Company and its subsidiaries (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 practices for the financial year ended 31 December 2020 ("**FY2020**"), with specific reference to the provisions of the Code of Corporate Governance 2018 (the "**Code**") and the rules (the "**Listing Rules**") of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Company has adhered to the principles, guidelines and provisions as set out in the Code and Listing Rules, as the case may be. Insofar as any principle, guideline and/or provision has not been complied with, appropriate explanations have been provided.

THE CODE

The Code is divided into five main sections:

(A) Board Matters

(B) Remuneration Matters

(C) Accountability and Audit

(D) Shareholder Rights and Engagement

(E) Managing Stakeholders Relationships

(A) BOARD MATTERS

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The primary function of the Board is to protect shareholders' interests and enhance long-term shareholders' value and returns. Every director of the Company ("**Director**"), in the course of carrying out his duties as fiduciaries of the Company, exercises due diligence and independent judgment, acts in good faith and considers objectively at all times, the interests of the Group. Provision 1.1

Directors hold the management of the Company ("**Management**") accountable for performance. The Board has put in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the Company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.

The key roles of the Board are:

- to set and guide the corporate strategy and the directions of the Group, approve the broad policies, strategies and financial objectives of the Group;
- provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- 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;

CORPORATE GOVERNANCE REPORT

- to identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;
- to set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met;
- 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.

Directors understand the Company's business as well as their directorship duties (including their roles as executive, non-executive, and independent directors). Provision 1.2

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 Chief Executive Officer ("**CEO**") on the Group's investment strategies, growth initiatives, business policies and governance practices; arrangements for on-site visits to the various overseas places of operations are made to familiarise a new Director with the Group's operations. Where a new Director has no prior experience as a director of an issuer listed on the Singapore Exchange, he must undergo training in the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST. If the NC is of the view that training is not required because the Director has other relevant experience, the basis of the NC's assessment is disclosed. Listing Rule 210(5)(a)

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 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.

The Board decides on matters that require its approval and clearly communicates this to Management in writing. Types of material transactions that require board approval include: Provision 1.3

- 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 (where applicable) and full-year results.

CORPORATE GOVERNANCE REPORT

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**"). Provision 1.4 Listing Rule 210(5)(e)

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.

Directors attend and actively participate in Board and Board Committee meetings. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company. Provision 1.5

The schedules of all the Board and Board Committee meetings as well as the Annual General Meeting for the next calendar year are planned in advance. The Board and Board Committees meet regularly and as warranted by circumstances as deemed appropriate by its members and conducts at least two meetings a year. Where necessary, additional board meetings are held to review, discuss and address significant issues or transactions. The Company's Constitution allow 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 by passing board resolutions in writing. The independent directors of the Company ("**Independent Directors**") also meet on an as-needed basis without the presence of Management to discuss matters such as the Group's financial performance, Management leadership and Management performance.

In FY2020, the Board held 4 meetings. The attendance of the Directors at meetings of the Board and Board Committees during FY2020 is as follows:

Directors' Attendance at Board and Board Committee Meetings

	Board Meeting		Audit and Risk Committee Meeting		Nominating Committee Meeting		Remuneration Committee Meeting	
Name of Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Mr Cheung Wai Suen	4	4	4	4^	1	1^	1	1^
Ms Wang Heng	4	4	4	4^	1	1	1	1^
Mr Oh Eng Bin	4	4	4	4	1	1	1	1
Mr Tay Eng Kiat Jackson	4	4	4	4	1	1	1	1
Mr Duan Yang, Julien(1)	4	3	4	3	1	1	1	1

Notes:
^ By invitation

(1) Mr Duan Yang, Julien resigned as Independent Non-Executive Director with effect from 15 October 2021.
(2) Professor Zhang Weiguo was appointed as an Independent Non-Executive Director, Chairman of the Remuneration Committee and member of the Audit and Risk Committee and Nominating Committee with effect from 14 January 2022.

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 such as board papers, copies of disclosure documents, budgets, forecasts and monthly internal financial statements. 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 ARC meetings to answer queries and to provide insights into the Group's operations. Where appropriate, the Senior Management staff will also arrange for external consultants engaged on specific projects or professional consultants to attend Board and Board Committee meetings to address the Board's queries. The Board may also request for Management to take pro-active steps (such as requesting for Management to engage external professionals and consultants) to provide the Board with additional information as required by the Directors to fulfil their duties properly. Provision 1.6

CORPORATE GOVERNANCE REPORT

The CEO also updates the Board at each meeting on strategic direction and development 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, Management will brief the Directors at Board meetings.

The Board has separate and independent access to the Senior Management and the Company Secretary at all times. The Board will consult independent professional advice, where appropriate. The Company Secretary attends all board meetings and most committee meetings and is responsible to ensure that board procedures are followed. The Company Secretary assists the Board to ensure that applicable rules and regulations (in particular the Companies Act and Listing Rules) are complied with. Provision 1.7

Pursuant to Regulation 116 of the Company's Constitution, the appointment and removal of the Company Secretary is 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.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

During FY2020, the Board comprised:

1. Mr Cheung Wai Suen (Executive Director and Chairman of the Board)
2. Ms Wang Heng (Executive Director and CEO)
3. Mr Oh Eng Bin (Lead Independent Non-Executive Director)
4. Mr Tay Eng Kiat Jackson (Independent Non-Executive Director)
5. Mr Duan Yang, Julien (Independent Non-Executive Director)
6. Professor Chew Yong Tian (Independent Non-Executive Director)

During FY2020, the Board comprised 6 Directors, 4 of which were Independent Non-Executive Directors and 2 were Directors of the Company who perform an executive function ("**Executive Directors**"). Provision 2.1 Listing Rule 210(5)(d)(i) and Listing Rule 210(5)(d)(ii)

On 7 February 2020, Professor Chew Yong Tian resigned as an Independent Non-Executive Director and a member of the NC.

On 15 October 2021, Mr Duan Yang, Julien tendered his resignation as the Independent and Non-Executive Director for personal reasons.

On 14 January 2022, Professor Zhang Weiguo was appointed as an independent director, member of the Audit and Risk Committee and Nominating Committee and the Chairman of the Remuneration Committee.

CORPORATE GOVERNANCE REPORT

Pursuant to Provision 2.1 of the Code, the Board considers an Independent Director as one who is independent in conduct, character and judgment, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment in the best interests of the Company.

In determining Directors' independence, the Board further considers the new Listing Rules 210(5)(d)(i) and 210(5)(d)(ii), which took effect on 1 January 2019 and Listing Rule which will take effect on 1 January 2022.

Pursuant to Listing Rules 210(5)(d)(i) Rule 210(5)(d)(ii), the Board considers that a Director is not independent under any of the following circumstances:

(i) if he is employed by the Company or any of its related corporations for the current or any of the past three (3) financial years; and

(ii) if he has an immediate family member who is employed or has been employed by the Company or any of its related corporations for the past three (3) financial years, and whose remuneration is determined by the RC.

Pursuant to Listing Rules 210(5)(d)(iii), the Board considers that a director who has been a director for an aggregate period of more than 9 years (whether before or after listing) and whose continued appointment as an independent director has not been sought and approved in separate resolutions by (A) all shareholders; and (B) all shareholders, excluding shareholders who also serve as the directors or the chief executive officer of the company, and associates of such directors and chief executive officers is not independent.

There is no Independent Director who has served on the Board for more than nine years, and there are no alternate Directors on 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.

The Chairman is an Executive Director and in accordance with Provision 2.2 of the Code, Independent Directors comprised more than half of the Board in FY2020. Accordingly, the Board was 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. Provision 2.2

A majority of the Board was made up of Non-Executive Directors in FY2020. 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. Provision 2.3

The board size during FY2020 was an appropriate size 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 had a good balance and diversity of Directors who have extensive business, financial, accounting, law, human resource and management experience, as well as gender diversity. Details of the Directors' academic and professional qualifications are set out in the "Board of Directors and Key Executives" section of this annual report. Provision 2.4

Whilst the Board has no formal policy with regard to diversity in identifying Director nominees, the Board has one female Director and its members have diverse competencies in areas of business (including the business of the Group), financial, accounting, law and human resources. Where the need arises to identify suitable Director nominees, the NC and the Board will consider diversity in gender, skills, experience, and knowledge, as a factor.

CORPORATE GOVERNANCE REPORT

The Board was also supported by the Board Committees. The composition of the Board Committees in FY2020 was as follows:

Board Composition and Committees

Board Member	Audit and Risk Committee	Nominating Committee	Remuneration Committee
Mr Cheung Wai Suen	–	–	–
Ms Wang Heng	–	M	–
Mr Oh Eng Bin(1)	M	M	C
Mr Tay Eng Kiat Jackson(2)	M	C	M
Professor Chew Yong Tian(3)	–	M	–
Mr Duan Yang, Julien(4)	C	M	M

Notes:

C: Chairman

M: Member

(1) Mr Oh Eng Bin was redesignated from a member of the NC to the chairman of the NC with effect from 15 October 2021 and from the chairman of the RC to a member of the RC with effect from 14 January 2022.

(2) Mr Tay Eng Kiat Jackson was redesignated from a member of the ARC to the chairman of the ARC and from the chairman of the NC to a member of the NC with effect from 15 October 2021.

(3) Professor Chew Yong Tian resigned as an Independent Non-Executive Director and a member of the NC with effect from 7 February 2020.

(4) Mr Duan Yang, Julien has resigned as an Independent Non-Executive Director, chairman of the ARC, member of the NC and member of the RC with effect from 15 October 2021.

(5) Professor Zhang Weiguo was appointed as an Independent Non-Executive Director, Chairman of the Remuneration Committee and member of the Audit and Risk Committee and Nominating Committee with effect from 14 January 2022.

Each of the ARC, NC and RC was chaired by Independent Directors, and the ARC and the RC comprised entirely of Independent Directors. Membership in the different Board Committees was carefully managed to ensure that there was 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 Independent Non-Executive Directors, led by the Lead Independent Director, met 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 provided feedback to the Executive Chairman after such meetings, as appropriate. Provision 2.5

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The Chairman and CEO are separate persons and are not immediate family members. This ensures an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making. Provision 3.1

The Board is of the view that it is in the best interests of the Group to have Mr Cheung Wai Suen as the 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.

CORPORATE GOVERNANCE REPORT

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 Board has established and set out in writing the division of responsibilities between the Chairman and the CEO. Provision 3.2

The key responsibilities of the Chairman include the following:

- to lead the Board to ensure its effectiveness on all aspects of its role;
- to set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
- to promote a culture of openness and debate at the Board;
- to ensure that the Directors receive complete, adequate and timely information;
- to ensure effective communication with shareholders;
- to encourage constructive relations within the Board and between the Board and Management;
- to facilitate the effective contribution of Non-Executive Directors in particular; and
- to promote high standards of corporate governance.

Mr Oh Eng Bin, as the Lead Independent Non-Executive Director, provided leadership in situations where the Chairman was conflicted. Mr Oh Eng Bin was available to shareholders should they have any concerns for which contact through the normal channels of the Chairman, CEO or the Chief Financial Officer ("**CFO**") was inappropriate or inadequate. Provision 3.3

PRINCIPLE 4: BOARD MEMBERSHIP

The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The NC, whose terms of reference are approved by the Board, comprised the following 5 Directors, of which 4 were Independent Directors in FY2020: Provision 4.2

Mr Tay Eng Kiat Jackson(1)	–	Chairman of NC, Independent Non-Executive Director
Mr Oh Eng Bin(2)	–	Lead Independent Non-Executive Director
Ms Wang Heng	–	CEO and Executive Director
Professor Chew Yong Tian(3)	–	Independent Non-Executive Director
Mr Duan Yang, Julien(4)	–	Independent Non-Executive Director

Notes:

(1) Mr Tay Eng Kiat Jackson was redesignated from the chairman of the NC to a member of the NC with effect from 15 October 2021.

(2) Mr Oh Eng Bin was redesignated from a member of the NC to the chairman of the NC with effect from 15 October 2021.

(3) Professor Chew Yong Tian resigned as an Independent Non-Executive Director and a member of the NC with effect from 7 February 2020.

(4) Mr Duan Yang, Julien has resigned as an Independent Non-Executive Director, chairman of the ARC, member of the NC and member of the RC with effect from 15 October 2021.

(5) Professor Zhang Weiguo was appointed as an Independent Non-Executive Director, Chairman of the Remuneration Committee and member of the Audit and Risk Committee and Nominating Committee with effect from 14 January 2022.

CORPORATE GOVERNANCE REPORT

The NC meets at least once every financial year.

The NC is regulated by a set of written terms of reference which sets out its authority and its roles. The key roles of the NC are: Provision 4.1

- to identify candidates and review and make recommendations to the Board on all appointments and re-appointment (having regard to the Director's contribution and performance (e.g. attendance, preparedness, participants and candour) of members of the Board;
- to review the Board succession plans for Directors, in particular, the Chairman and the CEO;
- to make recommendations on the development of a process for evaluation of the performance of the Board, its Board Committees and Directors;
- 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 Provision 2.1 of the Code.

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 diversity and 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.

Provision 4.3

Listing Rule 720(5)-(6)

The NC, in determining whether to recommend a Director for reappointment, will have regard to such Director's contribution and performance (such as attendance, participation, preparedness and candour) 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. The NC also takes into consideration the requirements under the Constitution of the Company, the Code, independent-mindedness and any other factors as may be determined by the NC.

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.

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 ("**AGM**"). Mr Cheung Wai Seun and Mr Tay Eng Kiat Jackson will be retiring by rotation at the forthcoming AGM pursuant to Regulation 89 of the Company's constitution. Mr Cheung Wai Seun and Mr Tay Eng Kiat Jackson have consented to offer himself for re-election at the forthcoming AGM.

All Directors of the Board have submitted themselves for re-nomination and re-election at least once every three years.

Please refer to the appendix to the Notice of AGM for additional information on Directors to be re-elected.

CORPORATE GOVERNANCE REPORT

If Mr Cheung Wai Seun, Mr Tay Eng Kiat Jackson and Professor Zhang Weiguo are re-elected at the forthcoming AGM, the Board will comprise 5 Directors, including 3 Independent Non-Executive 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 moving forward.

The NC is responsible for and reviews the independence of each Director annually. The NC adopts the Code and Listing Rules' definition of what constitutes an independence of a director in its review. Provision 4.4

Each Independent Director is also required to complete a Director's independence declaration form annually to confirm his independence based on the guidelines as set out in the Code and the Listing Rules. The Company's Independent Directors, namely Mr Oh Eng Bin, Mr Tay Eng Kiat Jackson and Professor Zhang Weiguo, have each confirmed that they do not have any relationship with the Company or substantial 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 Independent Directors have further confirmed that each of them (i) is not or has not been employed by the Company or any of its related corporations for FY2020 or any of the past three financial years; and (ii) does not have immediate family members who are or have been employed by the Company or any of its related corporations for the past three financial years and whose remuneration is determined by the RC.

The Board, with the recommendation and concurrence of the NC, has reviewed and determined that the said Directors are independent.

The NC ensures that new directors are aware of their duties and obligations, and makes recommendations to the Board on training and professional development programs for the Board, where necessary. Provision 4.5

In FY2020, the following Directors listed in the table below held listed company directorships and had other principal commitments:

Name	Listed Company directorships and other commitments in FY2020	Position	Listed on
Mr Cheung Wai Suen	Ranken Railway Construction Group Co., Ltd	Director	–
	Chengdu Kai Qi Rui Business Management Co., Ltd	Director	–
	Chengdu Fulimeng Environmental Protection Big Data Co., Ltd	Director	–
Ms Wang Heng	Ranken Railway Construction Group Co., Ltd	Director	–
	Best Feast Limited	Director	–
	Ranken Holding Co., Limited	Director	–
	Chengdu Kai Qi Rui Business Management Co., Ltd	Director	–
Mr Oh Eng Bin	Dentons Rodyk & Davidson LLP's Corporate Practice Group, Co-Head of the Fintech/ Blockchain practice	Senior Partner	–
	SHS Holdings Ltd	Independent Director	SGX
	Ferrell Financial Group Limited	Director	––
	Encapture Pte Ltd	Director	–
	Propinquity Investments Ltd	Director	–
	Omnibridge Investments Pte. Ltd.	Director	–
	Omnibridge Investment Partners Pte. Ltd.	Director	–
	Omnibridge Capital Pte. Ltd.	Director	–

CORPORATE GOVERNANCE REPORT

Name	Listed Company directorships and other commitments in FY2020	Position	Listed on
Mr Tay Eng Kiat Jackson	Hafary Holdings Limited	Chief Operation Officer and Company Secretary	SGX
	Sim Leisure Group Limited	Chairman and Independent Director	SGX
	OUE Lippo Healthcare Limited	Independent Director	SGX
	Hafary Pte Ltd	Director	–
	Hafary Centre Pte Ltd	Director	–
	Hafary Balestier Showroom Pte Ltd	Director	–
	Hafary W+S Pte Ltd	Director	–
	One Heart Investment Pte Ltd	Director	–
	One Heart International Trading Private Ltd	Director	–
	OUE Lippo Healthcare Ltd	Director	–
	Sim Leisure Group Ltd	Director	–
	Wood Culture Pte Ltd	Director	–
	Xquisit Pte Ltd	Director	–
	Hap Seng Investment Holdings Pte. Ltd.	Director	–
	Hap Seng Building Materials Marketing Pte. Ltd.	Director	–
	HSC Melbourne Holding Pte. Ltd.	Director	–
	HSC Brisbane Holding Pte. Ltd.	Director	–
	HSC Manchester Holding Pte. Ltd.	Director	–
	HSC London Holding Pte. Ltd.	Director	–
	HSC Leeds Holding Pte. Ltd.	Director	–
	HSC Bristol Holding Pte. Ltd.	Director	–
	HSC Nottingham Holding Pte. Ltd.	Director	–
	MML Marketing Pte. Ltd.	Director	–
	Hafary Crescent Pte. Ltd.	Director	–
Mr Duan Yang, Julien(1)	Fascinating HK Ltd	Director	–
	Beijing Nufront Ltd	Director	–

Note:

(1) Mr Duan Yang, Julien has resigned as an Independent Non-Executive Director, chairman of the ARC, member of the NC and member of the RC with effect from 15 October 2021.

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.

CORPORATE GOVERNANCE REPORT

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 6 listed company board representation concurrently, as the Board is of the view that more than 6 concurrent board representations will interfere the Executive Director or key management personnel's ability to devote sufficient time and attention to the affairs of the Company. During FY2020, no Director held more than 6 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 its assessment. The NC noted that based on the Directors' attendance at the Board and Board committee meetings during the financial year under review, all the Directors were able to participate in at least a substantial number of such meetings to carry out their duties. Although some of the Directors hold directorships and other commitments in other companies which are not in the Group, the Board, with the recommendation of the NC, is satisfied that all the Directors have been able to and have adequately and sufficiently devoted time and attention and diligently carried out their duties during the year. As at the date of this report, none of the current Directors holds more than 3 directorships in other listed companies concurrently.

PRINCIPLE 5: BOARD PERFORMANCE

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The NC is tasked with the assessment of the Board's performance, and evaluates the Board's performance as a whole, each Board Committee, and the contribution by the Chairman and each individual Director, based on a formal Board evaluation process and performance objectives. The NC also recommends for the Board's approval the objective performance criteria and process for the abovementioned evaluation. Provision 5.1

As part of the evaluation process, each individual Director was 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 and Directors' independence. 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 NC also considers the Company's financial 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. Provision 5.2

The NC is of the view that the Board, the Board Committees and each individual Director's performances were satisfactory in FY2020. No external facilitator was used in the evaluation process.

CORPORATE GOVERNANCE REPORT

(B) REMUNERATION MATTERS

PRINCIPLE 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

The RC, whose terms of reference are approved by the Board, comprises the following 3 Independent Directors in FY2020: Provision 6.2

Mr Oh Eng Bin(1)	–	Chairman of RC, Lead Independent Non-Executive Director
Mr Tay Eng Kiat Jackson	–	Independent Non-Executive Director
Mr Duan Yang, Julien(2)	–	Independent Non-Executive Director

Notes:

(1) Mr Oh Eng Bin was redesignated from a chairman of the RC to a member of the RC with effect from 14 January 2022.

(2) Mr Duan Yang, Julien has resigned as an Independent Non-Executive Director, chairman of the ARC, member of the NC and member of the RC with effect from 15 October 2021.

(3) Professor Zhang Weiguo was appointed as an Independent Non-Executive Director, Chairman of the Remuneration Committee and member of the Audit and Risk Committee and Nominating Committee with effect from 14 January 2022.

The RC is regulated by a set of written terms of reference. The RC's main functions are: Provision 6.1

- to review and recommend to the Board in consultation with Management and Chairman of the Board, a framework of remuneration for the Board and key executives of the Group, and to determine specific remuneration packages for each Director 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 of Directors from time to time.

As part of its review, the RC shall ensure that: Provision 6.3

- all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, options and benefits in-kinds should be covered;
- the remuneration packages should be comparable within the industry practices and norms and shall include a performance related element coupled with appropriate and meaningful measures of assessing individual Executive Directors' and key executives' performances; and
- the remuneration package of employees related to Executive Directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities.

No Director is involved in deciding his own remuneration.

The RC will seek independent professional advice in discharging its functions, if necessary. No external remuneration consultants were engaged in FY2020. Provision 6.4

CORPORATE GOVERNANCE REPORT

PRINCIPLE 7: LEVEL AND MIX OF REMUNERATION

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

In general, the Company adopts a remuneration policy for Executive Directors and key executives that comprises a fixed and a variable component. The fixed component is in the form of a base salary and the variable component is in the form of bonuses, which are linked to an individual's performance which is assessed based on particular performance criteria. Provision 7.1

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 FY2020. 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 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 fees of Independent Non-Executive Directors are linked and appropriate to the level of contribution, taking into account factors such as effort, time spent and responsibilities of the Directors. Independent Non-Executive Directors are not over-compensated to the extent that their independence may be compromised. The Independent Non-Executive 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. Provision 7.2

The level of remuneration is appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company and key executives to successfully manage the Company for the long term. Provision 7.3

PRINCIPLE 8: DISCLOSURE ON REMUNERATION

The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The overall wage policy for executives and 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 Independent 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. Provision 8.1

CORPORATE GOVERNANCE REPORT

The remuneration for the Directors and key executives in FY2020 received in all forms is as follows:

Name	Remuneration Band	Salary	Bonus	Other Benefits	Directors' Fees[1]	Total
	$	%	%	%	%	%
Present and Past Directors[1]						
Ms Wang Heng	0 to 199,999	44	56	–	–	100
Mr Cheung Wai Suen	0 to 199,999	63	37	–	–	100
Mr Oh Eng Bin	130,000 to 139,999	–	–	–	100[1]	100
Professor Chew Yong Tian[2]	0 to 9,999	–	–	–	100[1]	100
Mr Duan Yang, Julien[3]	30,000 to 39,999	–	–	–	100[1]	100
Mr Tay Eng Kiat Jackson	70,000 to 79,999	–	–	–	100	100
Key Executives[4]						
Mr Ng Hoi-Gee Kit	200,000 to 399,999	93	7	–	–	100
Mr Foo Yong How	200,000 to 399,999	80	19	1	–	100
Mr Ding Rui[5]	0 to 199,999	89	11	–	–	100

Notes:

(1) The Directors' fees of S$176,247 for FY2020 had been approved at the AGM of the Company on 29 June 2020. Additional Director's fees of S$74,750 will be subjected to shareholders' approval at the AGM of the Company on 28 April 2022.

(2) Professor Chew Yong Tian resigned as an Independent Non-Executive Director with effect from 7 February 2020.

(3) Mr Duan Yang, Julien resigned as an Independent Non-Executive Director with effect from 15 October 2021.

(4) The 2018 Code requires the disclosure of the remuneration of at least the top 5 key executives who are not Directors or the CEO to be disclosed in bands no wider than $250,000, and in the aggregate the total remuneration paid. In FY2020, the Company had 3 key executives.

(5) Mr Ding Rui resigned as the Chief Technical Officer with effect from 31 July 2021.

While the Company has varied from Provision 8.1(a) of the Code which requires companies to disclose the specific remuneration of each director, 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. The Company has not disclosed the remuneration of each Director to the nearest dollar and is of the view that given the sensitive and confidential nature of employees' remuneration, detailed disclosure is not in the best interests of the Company and the Group. Such disclosure would disadvantage the Group in relation to its competitors and may affect adversely the cohesion and spirit of team work prevailing among Management and employees of the Group. The Company believes that the disclosure 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 with a percentage breakdown, sufficiently allows shareholders to have an understanding of the remuneration packages of its Directors and key executives while preserving the business interests of the Group.

The Board is of the view that the current disclosure of remuneration of the directors and key management personnel is not prejudicial to the interests of shareholders and believes that the disclosure in this report is consistent with the intent of Principle 8 of the Code as the level of remuneration has been disclosed in bands and the mix of remuneration has been disclosed in percentage terms with explanatory notes on deviation.

The annual aggregate remuneration paid to Directors and key executives for FY2020 is disclosed in Note 30 of the Notes to Financial Statements. The annual aggregate remuneration paid to key executives excluding Directors or the CEO is RMB3,239,396.

CORPORATE GOVERNANCE REPORT

There were no employees of the Group who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S$100,000 during FY2020. Provision 8.2

The RC administers the Sapphire Shares Award Scheme adopted by the Company in April 2018 (the "**2018 Scheme**"). The purpose of the 2018 Scheme is to provide an opportunity for people who are full-time employees of the Group ("**Group Employees**"), and Executive Directors, who have met their performance targets, to be remunerated not just through cash bonuses but also by an equity stake in the Company. The 2018 Scheme is also extended to Independent Directors (and Non-Executive Directors, if any) as a show of appreciation for their significant contributions to the growth of the Company, even though they are not employed by the Company. Provision 8.3

The Company believes that the 2018 Scheme will give the Company more flexibility to effectively reward and motivate employees to work towards high standards of performance and efficiency.

Other information relating to the 2018 Scheme is set out below:

(i) The aggregate number of ordinary shares in the share capital of the Company ("**Shares**") available under the 2018 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.

(ii) The people eligible and selected by the RC to participate in the 2018 Scheme ("**Participants**"), and the number of Shares which are the subject of each contingent award of Shares under the 2018 Scheme ("**Award**") to be granted to a Participant in accordance with the 2018 Scheme and the performance period shall be determined at the discretion of the Committee and recommended by the Committee to the Board for approval, which shall take into account,

 (a) the financial performance of the Group;

 (b) in respect of a Participant being an Employee or Executive Director, criteria such as his rank, job performance, years of service, potential for future development and his contribution to the success and development of the Group;

 (c) in respect of a Participant being a Non-Executive Director, criteria such as his extent of involvement, responsibilities within the Board, contribution to the success and development of the Group; and

 (d) the extent of effort required to achieve the performance target(s) within the performance period.

(iii) The Committee may recommend such grants of Awards to Participants for the approval of the Board, as the Committee may select in its absolute discretion, at any time during the period when the Scheme is in force.

Since the implementation of the 2018 Scheme, no Shares have been awarded to the Directors, controlling shareholders of the Company or associates of controlling shareholders of the Company, and no employee of the Group has received 5% or more of the total number of Shares available under the 2018 Scheme. During FY2020, no shares were awarded under the 2018 Scheme.

CORPORATE GOVERNANCE REPORT

(C) ACCOUNTABILITY AND AUDIT

PRINCIPLE 9: RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

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. Provision 9.1

Arising from the risk assessments performed, the Management prepares an enterprise risk management update no less frequently 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 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 Board has received assurance from: Provision 9.2

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

(b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

Based on the framework established and the reviews conducted, the Board is of the opinion that, with the concurrence of the ARC, there was 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. Listing Rule 1207(10)

On 27 October 2020, Chengdu Kai Qi Rui Business Management Co., Ltd. ("Chengdu KQR") completed the transaction with Shandong Hi-Speed Road & Bridge Investment Management Co., Ltd. ("Investor"), for the (a) sale of a certain percentage of the equity interests in Ranken Railway held by Chengdu KQR to the Investor ("Sale"); and (b) subscription by the Investor for additional equity interests in Ranken Railway ("Subscription". and collectively with the Sale, the "Transaction"). Upon completion of the Transaction, each of the Investor and Chengdu KQR now holds approximately 49.82% of the enlarged equity capital of Ranken Railway.

CORPORATE GOVERNANCE REPORT

Accordingly, upon completion of the Transaction, Ranken Railway ceased to be a subsidiary of the Company and become an "associated company" of the Group, with the Company's effective interest in Ranken Railway reduced from 97.60% to 48.82%.

Upon completion of the Transaction, the Company continues to be an investment management and holding company with a business model aligned towards urbanisation trends. The Group continues to be principally engaged in the investment, engineering, procurement and construction business related to the land transport infrastructure and water conservancy and environmental projects in China.

The Group has two operating business unit, one in the business of property management and city redevelopment services and the other in the business of leasing of warehouse and equipment and supply of materials for urbanisation projects.

The Group has identified certain key operational risks in relation to its investment in its Infrastructure Business and other general risks.

KEY OPERATIONAL RISKS

The Group's operations include the corporate functions and infrastructure business. The Infrastructure Business is carried out by the Company's subsidiary, Chengdu KQR.

The Board is aware of the operational risks, which may adversely affect Chengdu KQR 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. The risks below have been evaluated by Management to be of relevance to shareholders, further to the examination of the periodic risk reports of the Company.

High reliance on the public sector demand and government incentives – Chengdu KQR'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, water conservancy and other city development projects particularly in China. Any slowdown, delay or reduction in such investment initiatives may adversely affect the financial performance and financial position of Chengdu KQR.

Competitive industry – Chengdu KQR operates in a highly competitive industry and its current competitors include companies with significantly larger size of operations and substantially higher revenues base. Chengdu KQR and its associated company Ranken Railway may not be able to secure projects on a continuous basis or to continuously secure such projects on favourable commercial terms, such that financial performance and position of the Group may be adversely affected.

Cost-sensitive industry – Chengdu KQR's associated company Ranken Railway's project durations are typically between two and three years. If for whatever reasons and business factors which are beyond the control of Ranken Railway, Ranken Railway'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 Railway and require re-negotiations, the financial performance and position of Ranken Railway may be adversely affected.

High turnaround time for trade and other receivables and contract assets – Chengdu KQR's associated company Ranken Railway's trade and other receivables and contracts 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 Ranken Railway and higher financing costs or if Ranken Railway 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.

CORPORATE GOVERNANCE REPORT

High reliance on key personnel and qualified workers – Chengdu KQR and its associated company Ranken Railway's business operations depend significantly on the experience and technical expertise of its management team and qualified workers to operate in the BEM and infrastructure industry. The loss of one or more of these persons or if these persons are not replaced, may adversely affect financial performance and position of the Group.

Additional working capital requirement – In order for the Company to not be deemed as a cash company under Rule 1018 of the Listing Manual, the Company has voluntarily undertaken to the SGX-ST and has placed 35.7% of the Net Proceeds amounting to RMB91,698,444, being the Tranche 2 Escrowed Sum in the Escrow Account until (i) certain financial conditions ("**Financial Conditions**") are met and subject to SGX-ST's approval for the Company to cease such escrow arrangement. The first full financial year's results for the purposes of fulfilling the Financial Conditions will be FY2021. For full details of the Financial Conditions, please to refer to the Company's Circular dated 9 October 2020; or (ii) the completion of the acquisition of a business which is able to satisfy the SGX-ST's requirements for a new listing; or (iii) three (3) years from the Completion Date. The Company will require additional working capital for the expansion of the Group's two operating business units, one in the business of property management and city redevelopment services and the other in the business of leasing of warehouse and equipment and supply of materials for urbanisation projects. Failure in getting approval for the Company to cease such escrow arrangement, will adversely affect the Group's expansion plans for the Group's two operating business units.

Chengdu KQR's associated company Ranken Railway'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 Ranken Railway's operations and thus the Group's financial performance and position.

Major disruption of operations – Chengdu KQR and its associated company Ranken Railway's operations are exposed to various operational risks relating, but not limited, to equipment failure, accidents, industrial disputes, natural disasters and China's increasingly stringent prevention measures in an effort to control the outbreak of COVID-19. While the Group 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 Chengdu KQR and its associated company Ranken Railway's production schedules and adversely affect the Group's financial performance and position.

Regulatory risks – New policies and legislation in China may be introduced from time to time. It is possible that such policies and legislation will have a negative impact the industries where the Group operates 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$ and HK$/S$. 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, Chengdu KQR, operates primarily in China. Whilst such controls have not adversely affected the daily business operations of the Group for the time being, the Group 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.

CORPORATE GOVERNANCE REPORT

PRINCIPLE 10: AUDIT COMMITTEE

The Board has an Audit and Risk Committee which discharges its duties objectively.

The ARC comprised the following 3 Independent Non-Executive Directors in FY2020: Provision 10.2

Mr Duan Yang, Julien(1)	–	Chairman on the ARC, Independent Non-Executive Director
Mr Oh Eng Bin	–	Lead Independent Non-Executive Director
Mr Tay Eng Kiat Jackson(2)	–	Independent Non-Executive Director

Notes:

(1) Mr Duan Yang, Julien has resigned as an Independent Non-Executive Director, chairman of the ARC, member of the NC and member of the RC with effect from 15 October 2021.

(2) Mr Tay Eng Kiat Jackson was redesignated from a member of the ARC to the chairman of the ARC with effect from 15 October 2021.

(3) Professor Zhang Weiguo was appointed as an Independent Non-Executive Director, Chairman of the Remuneration Committee and member of the Audit and Risk Committee and Nominating Committee with effect from 14 January 2022.

The Board considers that the members of the ARC are appropriately qualified to fulfil their responsibilities as the members bring with them invaluable managerial and professional expertise in the financial, business and industry domains. At least two members, including the ARC chairman, have recent and relevant accounting or related financial management expertise or experience.

The ARC has written terms of reference. The ARC met four times in FY2020 to perform the following functions, as set out in its written terms of reference: Provision 10.1

- 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 at least annually and report to the Board on the adequacy and effectiveness of the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management framework and policies;
- to review the assurance from the CEO and CFO on the financial records and financial statements;
- to make recommendations to the Board on proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- to review the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function;
- to review the co-operation given by the Group's officers to the external auditors;
- to review the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on;
- to review and approve the quarterly and half-yearly announcement results (as the case may be) and annual financial statements before submission to Board of Directors; and
- to review interested parties transactions.

The ARC is kept abreast by 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 the SGX-ST that may affect the Company and/or the Directors in discharging their duties.

CORPORATE GOVERNANCE REPORT

In line with the requirements of the Listing Rules, 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 half-yearly results released in FY2020 to be false or misleading in any material respect.

The Company has a whistle-blowing policy to encourage and provide a channel to employees to report in good faith and in confidence, their concerns about possible improprieties in financial reporting or other matters, such as suspected fraud, corruption, dishonest practices etc. Pursuant to such whistle-blowing procedures, Employees are free to submit complaints confidentially or anonymously to the chairman of the ARC and in this regard a dedicated email address has been set up which is accessible only by the chairman of the ARC and/or a designated member of the ARC 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 independent advisors at the Company's expense. 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 FY2020.

FINANCIAL REPORTING AND SIGNIFICANT FINANCIAL ISSUES

The role of the ARC in relation to financial reporting is to monitor the integrity of the quarterly or half-yearly (as the case may be) 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
Gain on disposal of investment in Ranken Railway Construction Group Co., Ltd and its subsidiaries ("**Ranken Group**") and subsequent classification and measurement of the retained interest in Ranken Group (Notes 7(B) and 8 to the financial statements)	The ARC reviewed the methodology and gained comfort in this area through discussion with management in relation to the report from the appointed business valuers for determining (i) the fair value of the retained interest in Ranken Group at the date of disposal and (ii) the key assumptions used to allocate the purchase price to the different assets acquired and liabilities assumed in the deemed acquisition of the retained interest in Ranken Group. 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 the gain on disposal and measurement of the retained interest in Ranken Group as recorded in the financial statements.
Recognition of revenue from construction contracts with customers and related provisions (Note 23 to the financial statements)	The ARC reviewed the methodology and gained comfort in this area through discussion with management in relation to revenue recognition and the status of the projects. 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 related provisions as recorded in the financial statements.
Impairment of trade and other receivables and contract assets (Notes 12, 13 and 14 to the financial statements)	The ARC reviewed the identification of trade and other receivables and contract assets that are credit-impaired and appropriateness of the Expected Credit Loss model and the underlying assumptions 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 loss allowance for trade and other receivables and contract assets is reasonable.

CORPORATE GOVERNANCE REPORT

NON-AUDIT FEES

The audit fees paid to the external auditors of the Company for FY2020 was approximately $170,000. (FY2019: $314,000). Listing Rule 1207(6)(a)

The non-audit fees paid to the external auditors of the Company for FY2020 was approximately $15,000. (FY2019: $12,000).

The ARC has conducted an annual review of all non-audit services provided by the external auditors 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 was not affected by the provision of any non-audit services. Listing Rule 1207(6)(b)

None of the ARC members was a former partner or director of the Company's existing auditing firm or auditing corporation (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation. Provision 10.3

The external and internal auditors have full access to the ARC and the ARC has full access to and cooperation by the Management and full discretion to invite any Director or member of Management to attend its meetings. The ARC has the authority to investigate any matter within its terms of reference and has full access to reasonable resources to enable it to discharge its functions properly. Provision 10.4

Listing Rule 1207(6)(c)

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 Company confirms that it has complied with Listing Rules 712, 715 and 716 in FY2020.

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 on an ongoing basis. 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 audit function is therefore staffed with persons with the relevant qualifications and experience and is independent of the activities it audits. The internal auditors report directly to the Chairman of the ARC. The ARC decides on the appointment, termination and remuneration of the internal auditor.

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 unfettered 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 ARC 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 effective, adequately resourced, has appropriate standing within the company, and is independent of the activities it audits.

The ARC met with the external auditors and internal auditors, without the presence of Management, at least once in FY2020. 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. Provision 10.5

CORPORATE GOVERNANCE REPORT

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

PRINCIPLE 11: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

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. Provision 11.1

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 via SGXNET and the Company's website.

Due to Covid-19 advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore, the general meetings of the Company in FY2020 were held by way of electronic means and shareholders were not able to attend the general meetings in person. To enable shareholders to participate in and vote effectively at general meetings held by way of electronic means, the Company set out detailed information on the arrangements relating to attendance at the general meetings, submission of questions in advance of the general meetings, addressing of substantial and relevant questions at the general meetings, and voting procedures for the general meetings.

The Company tables separate resolutions on each substantially separate issue unless the issues were interdependent and linked so as to form one significant proposals during each general meeting. Where the resolutions were "bundled", the Company explained the reasons and material implications in the notice of the meeting. Provision 11.2

All Directors, in particular the Chairman of the Board, Lead Independent Director and the CEO will endeavour to attend the AGM and address shareholders' questions. Where the Chairman of the Board Committees is not present, the Chairman of the Board and Lead Independent Director will be available to address shareholders' questions on their behalf. Provision 11.3

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.

The Directors' attendance at the general meetings of the Company held in FY2020 are set out in the table below:

Name of Director	Annual General Meeting		Extraordinary General Meeting	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Mr Cheung Wai Suen	1	1	1	1
Ms Wang Heng	1	1	1	1
Mr Oh Eng Bin	1	1	1	1
Mr Tay Eng Kiat Jackson	1	1	1	1
Mr Duan Yang, Julien[(1)]	1	–	1	1
Professor Chew Yong Tian[(2)]	–	–	–	–

Notes:

(1) Mr Duan Yang, Julien resigned as an Independent Non-Executive Director with effect from 15 October 2021.

(2) Professor Chew Yong Tian resigned as an Independent Non-Executive Director with effect from 7 February 2020

CORPORATE GOVERNANCE REPORT

If shareholders are unable to attend the general meetings, the Company's Constitution allows 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 Constitution contains the appropriate regulations to allow for absentia voting by mail, facsimile or email. Provision 11.4

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from Shareholders relating to the agenda of the meeting, and responses from the Board and Management. Provision 11.5

During FY2020, the minutes of general meetings were published on SGXNET and the Company's website within one month after the general meetings.

The Group does not have a 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. Provision 11.6

Listing Rule 704(24)

The Board does not recommend the payment of dividends for the financial year ended 31 December 2020, however, in order for the Company to not be deemed as a cash company under Rule 1018 of the Listing Manual, the Company has placed 36.3% of the Net Proceeds being RMB93,308,000, allocated for distribution to Shareholders by way of dividends. Pending such distribution, the Dividend Allocation Sum will remain in the Escrow Account.

And with reference to the Company's announcement dated 30 December 2020 on "(1) PROPOSED CAPITAL REDUCTION; AND (2) PROPOSED SCRIP DISTRIBUTION SCHEME AND ITS APPLICATION TO THE PROPOSED CASH DISTRIBUTION" the Company intends to:

(a) return to Shareholders of the surplus capital of the Company in excess of its needs by way of a cash distribution of S$0.0425 per Share ("Proposed Cash Distribution") and

(b) proposed a scrip distribution where issue price of the Scrip Distribution Shares is proposed to be 5.64 Singapore cents ("Proposed Issue Price"), based on the ex-distribution price of the Scrip Distribution Shares, with the distribution per Share being 4.25 Singapore cents and the weighted average price of Shares being 9.89 Singapore cents on 31 December 2020, the last trading day on which Shares were traded prior to the release of this Announcement.

The Company is in consultation with the SGX-ST ("SGX-ST Consultation") on the Proposed Capital Reduction and Proposed Scrip Distribution Scheme before undertaking the same and in connection therewith, seek SGX-ST's approval for variation of the SGX-ST Voluntary Undertaking to accommodate the Proposed Capital Reduction and Proposed Scrip Distribution Scheme, and will accordingly provide further updates of any material developments. The Proposed Capital Reduction is subject to the outcome of the SGX-ST Consultation, Board and Shareholders' approval, and the application of the Proposed Scrip Distribution Scheme to the Proposed Cash Distribution is subject to the approval of the SGX-ST for the listing and quotation of, and permission to deal in, the new Shares as may be required to be issued pursuant to the Proposed Scrip Distribution Scheme ("Scrip Distribution Shares") on the SGX-ST.

(For further details please refer to the Company's announcement dated 30 December 2020).

CORPORATE GOVERNANCE REPORT

PRINCIPLE 12: ENGAGEMENT WITH SHAREHOLDERS

The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

The Company supports active shareholder participation at general meetings. At general meetings, shareholders are given the opportunity and encouraged to ask questions regarding the Group and its businesses. Provision 12.1

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 explaining the financial performance and position of the Group;

(b) half-yearly 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).

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

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.

As part of the company's investor relations policy to regularly convey pertinent information to shareholders, price-sensitive announcements including half-year and full year results are released through SGXNET and made available on the Group's website. A copy of the Annual Report and Notice of AGM will be accessible on SGXNET and the Group's website. 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. Provision 12.2 Provision 12.3

During the year under review, the Group was diligent in disclosing its half-yearly results to the financial community in Singapore where it is listed on the SGX Mainboard. In addition to the AGM, the Group seeks to understand the views of the shareholders and other stakeholders as set out in the "Sustainability Report" section of this Annual Report, as the Group seeks to align its business interests with that of all stakeholders.

MANAGING STAKEHOLDERS RELATIONSHIP

PRINCIPLE 13: ENGAGEMENT WITH STAKEHOLDERS

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Group understands the need for direct and frequent engagement with material stakeholder groups, which are relevant to the sustainable development of the Group. Provision 13.1

The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.

The strategy and key areas of focus in relation to the management of stakeholder relationships is set out under the "Stakeholder Communication" section of the Sustainability Report in this Annual Report. Provision 13.2

The Group maintains a current corporate website, www.sapphirecorp.com.sg, to communicate and engage with stakeholders. Provision 13.3

CORPORATE GOVERNANCE REPORT

DEALINGS IN SECURITIES

In FY2020, the Company had in place a policy prohibiting share dealings by Directors and employees of the Group during the period commencing one month before the announcement of the Company's half-year and 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 persons and has established procedures for review and approval of the interested person transactions entered into by the Group. In FY2020, 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	Nature of Relationship	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 Listing Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Listing Rule 920 (excluding transactions less than $100,000)
None	Nil	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 of the Group involving the interests of the CEO, Directors, Controlling Shareholders which are either still subsisting at the end of FY2020 or if not then subsisting, entered into since the end of the financial year ended 31 December 2020.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

We are pleased to submit this statement to the members together with the audited consolidated financial statements of Sapphire Corporation Limited (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2020 and the statement of financial position and the statement of changes in equity of the Company as at 31 December 2020.

In our opinion:

(a) the financial statements are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and the financial performance, changes in equity and 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 1967 (the "Act") and Singapore Financial Reporting Standards (International); 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 of the Company in office at the date of this statement are:

Mr Cheung Wai Suen (Executive Chairman)
Ms Wang Heng (Chief Executive Officer and Executive Director)
Mr Oh Eng Bin (Lead Independent Non-Executive Director)
Mr Tay Eng Kiat Jackson (Independent Non-Executive Director)
Prof. Zhang Weiguo (Independent Non-Executive Director) (Appointed on 14 January 2022)

Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company nor any of its subsidiaries a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits through the acquisition of shares in or debentures of the Company or of any other body corporate other than as disclosed in this statement.

Directors' interest in shares or debentures

According to the register kept by the Company for the purposes of Section 164 of 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	**As at 1.1.2020**	**As at 31.12.2020**	**As at 1.1.2020**	**As at 31.12.2020**
	Number of ordinary shares			
The Company				
Wang Heng	625,000	**625,000**	171,495,264	**171,495,264**

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 date of appointment if later, 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 2021.

Except as disclosed under the "Sapphire Shares Award Scheme 2018" sections 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Sapphire Shares Award Scheme 2018

The Sapphire Shares Award Scheme (the "2018 Scheme") of the Company was approved and adopted by its members at the Annual General Meeting held on 26 April 2018. The 2018 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/Lead Independent Non-Executive Director
Duan Yang, Julien	Independent Non-Executive Director (Resigned on 15 October 2021)
Tay Eng Kiat Jackson	Independent Non-Executive Director
Prof. Zhang Weiguo	Independent Non-Executive Director (Appointed on 14 January 2022)

The purpose of the 2018 Scheme is to provide an opportunity for any person who is a full-time employee of the Group ("Group Employees"), and a director of the Company who performs an executive function ("Executive Directors"), who have met their performance targets, to be remunerated not just through cash bonuses but also by an equity stake in the Company. The 2018 Scheme is also extended to non-executive directors of the Company ("Non-Executive Directors"), as a show of appreciation for their significant contributions to the growth of the Company, even though they are not employed by the Company.

The Company believes that the 2018 Scheme will give the Company more flexibility to effectively reward and motivate employees to work towards high standards of performance and efficiency.

Other information relating to the 2018 Scheme is set out below:

(i) The aggregate number of ordinary shares in the share capital of the Company ("Shares") available under the 2018 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.

(ii) The people eligible and selected by the Remuneration Committee ("Committee") to participate in the 2018 Scheme ("Participant(s)"), and the number of Shares which are the subject of each contingent award of Shares under the 2018 Scheme ("Award") to be granted to a Participant in accordance with the 2018 Scheme and the performance period shall be determined at the discretion of the Committee and recommended by the Committee to the Board for approval, which shall take into account,

   (a) the financial performance of the Group;

   (b) in respect of a Participant being an Employee or Executive Director, criteria such as his rank, job performance, years of service, potential for future development and his contribution to the success and development of the Group;

   (c) in respect of a Participant being a Non-Executive Director, criteria such as his extent of involvement, responsibilities within the Board, contribution to the success and development of the Group; and

   (d) the extent of effort required to achieve the performance target(s) within the performance period.

(iii) The Committee may recommend such grants of Awards to Participants for the approval of the Board, as the Committee may select in its absolute discretion, at any time during the period when the Scheme is in force.

During the financial year and since the adoption of the 2018 Scheme, no Shares were awarded under the 2018 Scheme.

Since the commencement of the 2018 Scheme, no shares have been granted to the controlling shareholders of the Company or their associates and no participant under the 2018 Scheme has received 5% or more of the total share awards available under the 2018 Scheme.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Sapphire Shares Award Scheme 2018 (Continued)

During the financial year, there were:

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

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

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

Audit and Risk Committee

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

Name	Appointment
Tay Eng Kiat Jackson	Chairman of the ARC at the date of this statement/Independent Non-Executive Director
Duan Yang, Julien	Chairman of the ARC during the year/Independent Non-Executive Director (Resigned on 15 October 2021)
Oh Eng Bin	Lead Independent Non-Executive Director
Prof. Zhang Weiguo	Independent Non-Executive Director (Appointed on 14 January 2022)

The ARC performs the functions specified in Section 201B of the Act, the SGX-ST 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-ST 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 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, Foo Kon Tan 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 its subsidiaries, we have complied with Rules 712 and 715 of the SGX-ST Listing Manual.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Independent auditor

At the extraordinary general meeting of the Company held on 9 November 2021, Foo Kon Tan LLP was appointed as the independent auditor of the Company.

The independent auditor, Foo Kon Tan LLP, Public Accountants and Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

WANG HENG

CHEUNG WAI SUEN

13 April 2022

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SAPPHIRE CORPORATION LIMITED

Report on the Audit of 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 2020, 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 the 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.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") 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 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the 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 Auditor's 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 ("ACRA") 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.

(1) Gain on disposal of investment in Ranken Railway Construction Group Co., Ltd ("Ranken Railway") and its subsidiaries ("Ranken Group") and subsequent classification and measurement of the retained interest in Ranken Group

In October 2020, the Group completed the transaction with Shandong Hi-Speed Road & Bridge Investment Management Co., Ltd (the "Investor") for the (a) sale of 263,237,476 shares in Ranken Railway, representing 43.87% of the existing equity capital of Ranken Railway for a consideration of RMB280 million and (b) subscription of an additional 71.1 million new shares in Ranken Railway by the Investor at a subscription consideration of approximately RMB75.6 million (the "Transaction"). Following the disposal, the Group and the Investor each holds approximately 48.82% and 49.82% respectively of the enlarged equity capital of Ranken Railway, with the remaining equity interest of 1.36% held by the Company's Executive Chairman. In this transaction, the Company's Executive Chairman and the Investor have separately entered into an agreement pursuant to which, the Company's Executive Chairman has authorised the Investor to exercise his voting rights in Ranken Railway in accordance with the Investor's interest.

On completion of the Transaction, management concluded that the Group has lost control over Ranken Group. Accordingly, a gain on disposal of RMB52.7 million was recorded in the consolidated statement of comprehensive income, being the difference between (i) the aggregate of the fair value of the consideration received and the fair value of the retained interest in Ranken Group and (ii) the previous carrying amounts of the assets (including goodwill), and liabilities of Ranken Group. For the retained interest of 48.82% held in Ranken Group, management has engaged an independent business valuer to determine its fair value which amounted to RMB331.9 million in accordance with SFRS(I) 3 – *Business Combinations* and the investment is subsequently accounted for as an associate in accordance with SFRS(I) 1-28 – *Investments in Associates and Joint Ventures.*

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SAPPHIRE CORPORATION LIMITED

Key audit matters (Continued)

(1) Gain on disposal of investment in Ranken Railway Construction Group Co., Ltd ("Ranken Railway") and its subsidiaries ("Ranken Group") and subsequent classification and measurement of the retained interest in Ranken Group (Continued)

In addition, the business valuer is also engaged to perform a purchase price allocation exercise ("PPA") on the deemed acquisition of the 48.82% retained interest in Ranken Group in accordance with SFRS(I) 3. A gain attributable to measure the retained interest in Ranken Group at its fair value of RMB381,000 was recorded in the consolidated statement of comprehensive income. Total gain on disposal of Ranken Group amounting to RMB53.1 million is disclosed in Note 7(B) to the financial statements.

The valuation process of the retained interest based on income approach involves significant judgement and in estimating the underlying assumptions to be applied. The valuation is highly sensitive to key assumptions such as gross profit margin, terminal growth rate, weighted average cost of capital and discount for lack of control, etc and a small change in the assumptions can have a significant impact to the valuation. In addition, in carrying out the purchase price allocation exercise, there are judgements and inherent uncertainties in the estimation used in the allocation of the overall purchase price to the different assets acquired and liabilities assumed that make up the acquisition. Accordingly, we consider this as a key audit matter.

Our response and work done:

We examined the legal and contractual documents in respect of the Transaction to understand how decisions about the relevant activities are made, who has the current ability to direct those activities and who receives returns from those activities and concluded that the Group has lost control over Ranken Group as at 31 October 2020.

We read the report from the appointed business valuers to understand the scope of work in determining (i) the fair value of the retained interest in Ranken Group at the date of disposal and (ii) the key assumptions used to allocate the purchase price to the different assets acquired and liabilities assumed in the deemed acquisition of the retained interest in Ranken Group in accordance with SFRS(I) 3. We engaged our auditor's expert to review the methodologies and key assumptions applied by the business valuer and found them to be within a reasonable range of our expectations, and the valuation methods used, including key inputs, are in line with generally accepted market practices and within the range of market data.

We considered the objectivity, independence and competency of the business valuer, and the scope of their engagement as audit evidence for the relevant assertions. Furthermore, we have also evaluated whether the auditor's expert has the necessary competencies, capabilities and objectivity for the auditor's purposes.

The disclosures of the disposal of investment in Ranken Group and the subsequent classification and measurement of the retained interest in Ranken Group are disclosed in Notes 7(B) and 8, respectively in the financial statements.

(2) Recognition of revenue from construction contracts with customers and related provisions

The Group's revenue is derived from construction contracts and related services, which are recognised over time as each performance obligation is satisfied and when the Group has an enforceable right to payment for performance completed to date. These contracts are usually long term in nature and may involve significant variations to the original contracts due to work variations which may require further negotiations and agreement with the customers and cost overruns.

The amount of revenue and profit recognised is dependent on management's assessment on the stage of completion of each performance obligation and the forecast cost profile of each long-term contract. Changes in conditions and circumstances over time can also result in changes in the nature and extent of project cost incurred.

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak to be a pandemic, with governments taking stringent steps to contain and delay the spread of the virus. The ongoing and evolving nature of the COVID-19 pandemic has heightened the estimation uncertainties associated with these contract revenues, and project costs and related provisions on the Group's outstanding projects.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SAPPHIRE CORPORATION LIMITED

Key audit matters (Continued)

(2) Recognition of revenue from construction contracts with customers and provisions (Continued)

For the current financial year, Ranken Group contributed approximately RMB1.07 billion representing 98% of the Group's revenue up to the date the Group lost control of Ranken Group.

In addition, Ranken Group's management changed its basis of revenue recognition from the output method which was based on direct measurements of the value of services delivered or surveys of work performed to the input method which was based on actual costs incurred to date relative to the total expected costs to be incurred to satisfy the performance obligations. The change is accounted for as a change in accounting estimate in accordance with SFRS(I) 1-8 – *Accounting Policies, Changes in Accounting Estimates and Errors*.

Our response and work done:

We have reviewed the terms and conditions of contracts, including contract modifications, discussed with management, to assess if management's identification of performance obligations and timing of revenue recognition is fair.

We tested the controls designed and applied by the Group to ensure that estimates used in assessing revenue and costs are appropriate. The controls tested include, amongst others, controls over the preparation and authorisation of project evaluation and approval of revenue calculated and project budgets.

In assessing the reasonableness of the revenue recognised by Ranken Group up to 31 October 2020, we checked the revenue computations to the contractual terms of the construction contracts. As the progress towards complete satisfaction of each performance obligation is recognised over time using the percentage of completion, 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. Furthermore, we have reviewed the assessment performed by management on the revenue recognised by Ranken Group using both the output and input methods and found the variances to be insignificant.

In determining the existence and accuracy of project costs recorded, we performed substantive test of details on the major cost components by vouching to supplier contracts, supplier invoices, progress reports and other supporting document. We have also performed search for unrecorded liabilities to determine the completeness of project costs recognised.

In respect of provision for foreseeable losses, we selected a sample of contracts for testing based on a number of qualitative and quantitative factors, such as contracts with significant deterioration in margin, those contracts with variations, claims and other factors which indicated that a greater level of judgement is required in the estimates developed for current and forecast contract performance.

(3) Impairment of trade and other receivables and contract assets (Notes 12, 13 and 14)

As at 31 December 2020, the Group's contract assets, and trade and other receivables amounted to RMB144.4 million representing 20% of the Group's total assets. The amounts mainly comprised of (a) trade receivables of Sichuan Yilong Equipment Co., Ltd, (b) final tranche of proceeds receivable amounting to RMB56 million from the Investor arising from the sale of Ranken Railway and (c) non-trade amounts due from Ranken Railway amounting to RMB52.7 million, respectively.

Furthermore, in determining the accuracy of the gain on disposal of Ranken Group as disclosed in Note 7(B) to the financial statements, the Group's management has made certain adjustments to the impairment loss recognised on Ranken Group's trade and other receivables and contract assets in accordance with SFRS(I) 9 to arrive at the net assets of Ranken Group at the date of disposal.

The collectability of the trade and other receivables are key elements of the Group's working capital management, which is managed on an ongoing basis by management. The Group's management determines impairment of trade and other receivables by making debtor-specific assessment for credit-impaired debtors.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SAPPHIRE CORPORATION LIMITED

(3) Impairment of trade and other receivables and contract assets (Notes 12, 13 and 14) (Continued)

For the Group's trade receivables, management uses an allowance matrix to measure the expected credit losses ("ECL"). Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated based on common credit risk characteristics, i.e. respective ageing categories based on historical data, adjusted for current and forward-looking information. Contract assets relate to unbilled work-in-progress. Management measures the loss allowances of contract assets at an amount equal to the lifetime ECLs, which is calculated using a simplified approach based on actual historical credit loss experience over the past 4 years, adjusted for forward-looking overlay to compute the expected credit loss for retention sum and unbilled receivables from customers.

The assumptions about the risk of default and expected loss rates on these receivables and contract balances are highly judgemental. With the COVID-19 pandemic impacting the Group's engineering, procurement and contracting business in the Peoples' Republic of China, any expected credit loss recognised could be subjected to significant changes recorded in the profit or loss in future periods.

Our response and work done:

As part of our audit, we assessed the Group's processes and key controls relating to the monitoring of trade receivables including the process in determining whether a debtor is credit-impaired and the Group's processes in collating the key data sources and assumptions for data used in the ECL model.

We reviewed the key data sources and assumptions for data used in the determination of default rate and the correlation between the default rate and the current and forward-looking adjustment factor. We considered the age of the debts as well as the trend of collections to identify the collection risks.

We sighted to acknowledgement confirmations of work performed and reviewed for collectability by way of obtaining evidence of receipts from the debtors on a sampling basis subsequent to the balance sheet date. We also considered the disclosures in the financial statements about the extent of estimation and judgement involved in determining allowance for doubtful debts.

Disclosure of the pertinent information has also been set out in Notes 12, 13, 14 and 31 to the financial statements.

Information other than the Financial Statements and Auditor's Report thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do 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 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 SFRS(I)s, 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SAPPHIRE CORPORATION LIMITED

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.

- 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.

Other matter

The financial statements for the year ended 31 December 2019 were audited by another firm of auditors whose report dated 2 June 2020 expressed an unmodified opinion on those financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SAPPHIRE CORPORATION LIMITED

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 have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Kong Chih Hsiang Raymond.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore,
13 April 2022

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	The Group 31 December 2020 RMB'000	The Group 31 December 2019 RMB'000	The Company 31 December 2020 RMB'000	The Company 31 December 2019 RMB'000
ASSETS					
Non-Current					
Property, plant and equipment	4	**32,404**	184,623	**56**	221
Goodwill	5	**–**	42,417	**–**	–
Investment properties	6	**–**	52,274	**–**	–
Subsidiaries	7	**–**	–	**430,472**	451,205
Associated company	8	**344,782**	48,726	**–**	–
Other investments	9	**–**	4	**–**	–
Deferred tax assets	10	**–**	13,586	**–**	–
Restricted cash in an Escrow Account	15	**35,698**	–	**–**	–
		412,884	341,630	**430,528**	451,426
Current					
Other investments	9	**2,316**	3,158	**2,316**	3,158
Inventories	11	**1,517**	34,945	**–**	–
Contract assets	12	**6,271**	911,679	**–**	–
Trade receivables	13	**18,565**	564,917	**–**	–
Other receivables	14	**119,526**	186,423	**424**	11,526
Cash and cash equivalents	15	**170,909**	169,345	**214**	134
		319,104	1,870,467	**2,954**	14,818
Total assets		**731,988**	2,212,097	**433,482**	466,244
EQUITY					
Capital and Reserves					
Share capital	16	**466,700**	466,700	**466,700**	466,700
Reserves	17	**139,044**	113,020	**(40,280)**	(4,044)
Equity attributable to owners of the company		**605,744**	579,720	**426,420**	462,656
Non-controlling interests	18	**11,895**	10,906	**–**	–
Total equity		**617,639**	590,626	**426,420**	462,656
LIABILITIES					
Non-Current					
Deferred tax liabilities	10	**–**	6,501	**–**	–
Provisions	19	**6,517**	–	**–**	–
Loans and borrowings	20	**–**	103,840	**–**	–
		6,517	110,341	**–**	–
Current					
Loans and borrowings	20	**–**	154,776	**–**	153
Trade payables	21	**18,058**	1,009,859	**–**	–
Other payables	22	**70,416**	169,061	**7,062**	3,435
Contract liabilities	23	**–**	160,351	**–**	–
Current tax liabilities		**19,358**	17,083	**–**	–
		107,832	1,511,130	**7,062**	3,588
Total liabilities		**114,349**	1,621,471	**7,062**	3,588
Total equity and liabilities		**731,988**	2,212,097	**433,482**	466,244

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 Continuing operations RMB'000	2020 Discontinued operations RMB'000	2020 Total RMB'000	2019 Continuing operations RMB'000	2019 Discontinued operations RMB'000	2019 Total RMB'000
The Group							
Revenue	23	**18,299**	**1,073,416**	**1,091,715**	10,155	1,721,393	1,731,548
Cost of sales		**(7,812)**	**(990,678)**	**(998,490)**	(10,106)	(1,567,396)	(1,577,502)
Gross profit		**10,487**	**82,738**	**93,225**	49	153,997	154,046
Other income	24	**266**	**7,034**	**7,300**	5,851	7,649	13,500
Selling and distribution costs		**–**	**(6,939)**	**(6,939)**	–	(6,470)	(6,470)
Administrative expenses		**(11,657)**	**(35,774)**	**(47,431)**	(8,439)	(60,019)	(68,458)
Impairment losses on trade and other receivables and contract assets	31	**(9,131)**	**(27,988)**	**(37,119)**	(5,983)	(8,299)	(14,282)
Other expenses		**(2,613)**	**(7,177)**	**(9,790)**	(4,329)	(8,965)	(13,294)
(Loss)/profit from operating activities		**(12,648)**	**11,894**	**(754)**	(12,851)	77,893	65,042
Finance costs	25	**(224)**	**(17,735)**	**(17,959)**	(30)	(22,153)	(22,183)
Share of profit of equity-accounted investees (net of tax)		**13,535**	**3,313**	**16,848**	–	2,476	2,476
Profit/(loss) before tax		**663**	**(2,528)**	**(1,865)**	(12,881)	58,216	45,335
Tax expense	26	**(2,470)**	**(1,516)**	**(3,986)**	(509)	(17,925)	(18,434)
(Loss)/profit from continuing and discontinued operations	27	**(1,807)**	**(4,044)**	**(5,851)**	(13,390)	40,291	26,901
Pre-tax gain on disposal of a subsidiary	7(B)	**–**	**53,103**	**53,103**	–	–	–
Tax expense	26		**(16,933)**	**(16,933)**	–	–	
Post-tax gain on disposal of a subsidiary		**–**	**36,170**	**36,170**	–	–	–
(Loss)/profit for the year		**(1,807)**	**32,126**	**30,319**	(13,390)	40,291	26,901
(Loss)/profit attributable to:							
• Owners of the Company		**(3,426)**	**31,441**	**28,015**	(13,376)	39,746	26,370
• Non-controlling interests		**1,619**	**685**	**2,304**	(14)	545	531
		(1,807)	**32,126**	**30,319**	(13,390)	40,291	26,901
(Loss)/earnings per share – Basic/diluted (cents)	28	**(0.84)**	**7.71**	**6.87**	(3.59)	10.66	7.07

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	2020 RMB'000	2019 RMB'000
The Group		
Profit for the year	**30,319**	26,901
Other comprehensive income/(loss) after tax:		
Items that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income		
– Net change in fair value	**–**	(4,988)
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences	**661**	1,751
Share of other comprehensive income of associated company (Note 8)	**(691)**	–
Realisation of reserve upon disposal of a subsidiary (Note 7(B))	**(3,276)**	–
Other comprehensive loss for the year, at nil tax	**(3,306)**	(3,237)
Total comprehensive income for the year	**27,013**	23,664
Total comprehensive income for the year attributable to:		
• Owners of the Company	**24,709**	23,133
• Non-controlling interests	**2,304**	531
	27,013	23,664

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Share capital RMB'000	Capital reserve RMB'000	Fair value reserve RMB'000	Other reserves RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
The Group									
At 1 January 2019	413,839	(7,585)	(9,217)	(6,777)	2,808	112,849	505,917	10,219	516,136
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	26,370	26,370	531	26,901
Other comprehensive income									
Foreign currency translation differences	–	–	–	–	1,751	–	1,751	–	1,751
Net change in fair value – equity investments at fair value through other comprehensive income	–	–	(4,988)	–	–	–	(4,988)	–	(4,988)
Total other comprehensive income	–	–	(4,988)	–	1,751	–	(3,237)	–	(3,237)
Total comprehensive income for the year	–	–	(4,988)	–	1,751	26,370	23,133	531	23,664
Transactions with owners, recognised directly in equity									
Contributions by and distributions to owners									
Contributions by non-controlling interests	–	–	–	–	–	–	–	156	156
Rights issue, net of expenses (Note 16)	52,861	–	–	(2,191)	–	–	50,670	–	50,670
Total contributions by and distributions to owners	52,861	–	–	(2,191)	–	–	50,670	156	50,826
At 31 December 2019	466,700	(7,585)	(14,205)	(8,968)	4,559	139,219	579,720	10,906	590,626

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Share Capital RMB'000	Capital reserve RMB'000	Fair value reserve RMB'000	Other reserves RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
The Group									
At 1 January 2020	466,700	(7,585)	(14,205)	(8,968)	4,559	139,219	579,720	10,906	590,626
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	28,015	28,015	2,304	30,319
Other comprehensive income									
Foreign currency translation differences	–	–	–	–	661	–	661	–	661
Share of other comprehensive income of associated company	–	–	–	–	(691)	–	(691)	–	(691)
Realisation of reserve upon disposal of a subsidiary (Note 7(B))	–	–	–	–	(3,276)	–	(3,276)	–	(3,276)
Total other comprehensive income	–	–	–	–	(3,306)	–	(3,306)	–	(3,306)
Total comprehensive income for the year	–	–	–	–	(3,306)	28,015	24,709	2,304	27,013
Transactions with owners, recognised directly in equity									
Contributions by and distributions to owners									
Changes in non-controlling interests arising from restructuring without change in control (Note 7C))	–	–	–	–	–	1,315	1,315	(1,315)	–
Total contributions by and distributions to owners	–	–	–	–	–	1,315	1,315	(1,315)	–
At 31 December 2020	466,700	(7,585)	(14,205)	(8,968)	1,253	168,549	605,744	11,895	617,639

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Share capital RMB'000	Capital reserve RMB'000	Fair value reserve RMB'000	Other reserves RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
The Company							
At 1 January 2019	413,839	(8,294)	(9,217)	(6,777)	20,085	6,025	415,661
Total comprehensive income							
Loss for the year	–	–	–	–	–	(10,856)	(10,856)
Other comprehensive income							
Foreign currency translation differences	–	–	–	–	12,169	–	12,169
Net change in fair value – equity investments at fair value through other comprehensive income	–	–	(4,988)	–	–	–	(4,988)
Total other comprehensive income	–	–	(4,988)	–	12,169	–	7,181
Total comprehensive income for the year	–	–	(4,988)	–	12,169	(10,856)	(3,675)
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owner							
Rights issue, net of expenses (Note 16)	52,861	–	–	(2,191)	–	–	50,670
Total contributions by and distributions to owners	52,861	–	–	(2,191)	–	–	50,670
At 31 December 2019	466,700	(8,294)	(14,205)	(8,968)	32,254	(4,831)	462,656
Total comprehensive income							
Loss for the year	–	–	–	–	–	(15,161)	(15,161)
Other comprehensive income							
Foreign currency translation differences	–	–	–	–	(21,075)	–	(21,075)
Total other comprehensive income	–	–	–	–	(21,075)	–	(21,075)
Total comprehensive income for the year	–	–	–	–	(21,075)	(15,161)	(36,236)
At 31 December 2020	**466,700**	**(8,294)**	**(14,205)**	**(8,968)**	**11,179**	**(19,992)**	**426,420**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Cash Flows from Operating Activities			
Profit before tax		**51,238**	45,335
Adjustments for:			
Allowance for impairment losses on trade and other receivables and contract assets arising from contracts with customers	30	**37,119**	14,282
Bad debt written off	27	**15**	317
Change in fair value of financial asset mandatorily at fair value through profit or loss	27	**706**	2,753
Depreciation of property, plant and equipment	27	**43,970**	70,097
Depreciation of investment properties	27	**2,009**	2,410
Gain on disposal of property, plant and equipment, net	24	**(232)**	(2,543)
Gain on disposal of a subsidiary	7(B)	**(53,103)**	–
Interest income	24	**(917)**	(418)
Interest expense	25	**17,959**	22,183
Inventories written off	27	**782**	965
Property, plant and equipment written off	27	**142**	–
Share of profit of equity-accounted investees, net of tax	8	**(16,848)**	(2,476)
Transaction costs incurred	27	**1,241**	–
Unwinding of discount on long-term receivables	24	**–**	(1,053)
Reversal of provision for covered guarantee	24	**(78)**	–
Operating profit before working capital changes		**84,003**	151,852
Changes in inventories		**17,154**	(12,478)
Changes in contract assets		**(163,137)**	60,552
Changes in contract liabilities		**(63,402)**	(54,801)
Changes in trade and other payables		**(86,182)**	34,832
Changes in trade and other receivables		**197,545**	(135,686)
Cash (used in)/generated from operations		**(14,019)**	44,271
Income tax paid		**(7,528)**	(11,631)
Net cash (used in)/generated from operating activities		**(21,547)**	32,640
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment		**(51,977)**	(71,942)
Investment in an associate	8	**(10,000)**	(21,250)
Interest received		**917**	418
Proceeds from sale of property, plant and equipment		**18,307**	29,827
Net cash generated from disposal of a subsidiary	7(B)	**95,230**	–
Transfer to Escrow Accounts	15	**(35,698)**	–
Net cash generated from/ (used in) investing activities		**16,779**	(62,947)
Cash Flows from Financing Activities			
Proceeds from Rights issue	16	**–**	52,861
Payment of transaction costs relating to Rights issue		**–**	(2,191)
Interest paid	Note A	**(19,428)**	(21,240)
Proceeds from bank loans	Note A	**120,000**	187,000
Proceeds from secured borrowing from a financial institution	Note A	**47,000**	40,000
Payment of lease liabilities	Note A	**(23,044)**	(40,502)
Repayment of bank loans	Note A	**(79,000)**	(142,000)
Repayment of secured borrowing from a financial institution	Note A	**(40,000)**	(45,000)
Repayment of bond issued	Note A	**–**	(35,000)
Release of fixed deposits pledged, net		**4**	7,905
Contribution by non-controlling interests		**–**	156
Net cash generated from financing activities		**5,532**	1,989
Net increase/(decrease) in cash and cash equivalents		**764**	(28,318)
Cash and cash equivalents at beginning of year		**169,341**	196,040
Effect of exchange rate fluctuations on cash held		**804**	1,619
Cash and cash equivalents at end of year	15	**170,909**	169,341

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Significant non-cash transactions

During the financial year, the Group acquired plant and equipment with an aggregate cost of RMB51,979,000 (2019 - RMB74,621,000) of which Nil (2019 - RMB2,679,000) were acquired by means of lease arrangements.

Note A: Reconciliation of liabilities arising from financing activities

The following is the disclosures of the reconciliation of liabilities arising from financing activities, excluding equity items:

	Fixed deposits RMB'000 (Note 15)	Bank loans RMB'000 (Note 20)	Borrowings from financial institution RMB'000 (Note 20)	Lease liabilities RMB'000 (Note 20)	Bond payables RMB'000 (Note 20)	Total RMB'000
Balance at 1 January 2019	(7,909)	141,201	45,000	69,323	34,976	282,591
Cashflows:						
Proceeds	–	187,000	40,000	-	-	227,000
Repayments	–	(142,000)	(45,000)	(40,502)	(35,000)	(262,502)
Interest paid	–	(12,646)	(3,206)	(5,326)	(62)	(21,240)
Release of pledged deposits	7,905	–	–	–	–	7,905
	7,905	32,354	(8,206)	(45,828)	(35,062)	48,837
Non-cashflows:						
New finance leases	–	–	–	2,679	–	2,679
Interest expense (Note 25)	–	13,445	3,206	5,446	86	22,183
Currency translation	–	–	–	(4)	–	(4)
Balance at 31 December 2019	(4)	187,000	40,000	31,616	–	258,612
Cashflows:						
Proceeds	–	120,000	–	47,000	–	167,000
Repayments	–	(79,000)	(40,000)	(23,044)	–	(142,044)
Interest paid	–	(10,556)	(3,270)	(5,602)	–	(19,428)
Release of pledged deposits	4	–	–	–	–	4
	4	30,444	(43,270)	18,354	–	5,532
Non-cashflows:						
Interest expense (Note 25)	–	11,470	3,270	3,219	–	17,959
Effects of disposal of a subsidiary (Note 7(B))	–	(228,914)	–	(53,189)	–	(282,103)
Balance at 31 December 2020	–	**–**	**–**	**–**	**–**	**–**

Note B:

The impact of the discontinued operations on the cash flows of the Group for the financial year ended 31 December 2020 are as follows,

	2020 RMB'000	2019 RMB'000
Operating cash flows	**(8,753)**	25,275
Investing cash flows	**(38,290)**	(54,120)
Financing cash flows	**5,753**	3,794
Net decrease in cash and cash equivalents	**(41,290)**	(25,051)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

1 GENERAL INFORMATION

The financial statements of the Sapphire Corporation Limited (the "Company") and of the Group for the financial year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

The Company is incorporated as a limited liability company and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The registered office is located at 1 Robinson Road #17-00, AIA Tower, Singapore 048542.

The principal place of business in Singapore and in the People's Republic of China ("PRC") are located at 3 Shenton Way, Shenton House #25-05 Singapore 068805 and Level 9, No. 189 Wukexi Second Road, Chengdu Ranken Building, Wuhou District, Chengdu, Sichuan Province, PRC respectively.

The principal activities of the Company are those of investment management, provision of management services and holding company. The principal activities of the subsidiaries and the associates are set out in Notes 7 and 8 respectively.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements are prepared in accordance with the provisions of the Singapore Companies Act 1967 and Singapore Financial Reporting Standards (International) ("SFRS(I)") including related interpretations promulgated by the Accounting Standards Council ("ASC").

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below. All financial information are rounded to the nearest thousand ('000) unless otherwise stated.

2.3 Functional and presentation currency

The functional currency of the Company is Singapore dollars. The consolidated financial statements are presented in Chinese Renminbi ("RMB") as the Group considers RMB to be the most appropriate presentation currency.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

The critical accounting estimates and assumptions used in applying accounting policies and areas involving a high degree of judgement are described below.

(a) Judgements made in applying accounting policies

(i) <u>Identification of functional currency</u>

The functional currency of each entity in the Group is the currency of the primary economic environment in which it operates. Determination of the functional currency involves significant judgement and other companies may make different judgements based on similar facts. Management reconsiders the functional currency if there is a change in the underlying transactions, events and conditions which determines its primary economic environment.

The determination of functional currency affects the carrying amount of the non-current assets included in the statement of financial position and, as a consequence, the amortisation of those assets included in the statement of comprehensive income. It also impacts the exchange gains and losses included in the statement of comprehensive income.

(ii) <u>Classification of the disposal group as discontinued operations</u>

As disclosed in Note 7(B), the Group and Shandong Hi-Speed Road & Bridge Investment Management Co., Ltd (the "Investor") have entered into a share transfer and capital increase agreement dated 28 May 2020 for the sale of Ranken Railway Construction Group Co., Ltd and its subsidiaries ("Ranken Railway or Ranken Group"), resulting in Ranken Railway ceasing to be a subsidiary of the Company.

Significant judgement is required in determining the appropriateness of the classification of the financial performance of Ranken Group up to the date of loss of control as "discontinued operations" in accordance with SFRS(I) 5 – *Non-Current Assets Held for Sale and Discontinued Operations*, after having considered that Ranken Group is a component of the Group that has been disposed of and it represents a separate major line of business (i.e. in the area of engineering, procurement and construction ("EPC") for railway, highway, municipal, industrial and civil construction projects) from its other subsidiaries.

(iii) <u>Revenue recognition for construction contracts (Note 23)</u>

The Group contracts with customers to carry out construction services according to plans and specifications set out in the contract. The analysis of whether the contract comprises one or more performance obligations, determining whether the performance obligations are satisfied over time and the method used to measure progress for revenue recognition (where performance obligations are satisfied over time), represent areas requiring critical judgement exercised by the Group.

Revenue recognition on an uncompleted construction contract is dependent on estimating the total revenue of the construction contract. The Group has applied certain assumptions used to measure the variable considerations, which include discounts and liquidated damages included in the transaction price.

Variable consideration is estimated and is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty is subsequently resolved. Constrained variable consideration is excluded from revenue recognised at each reporting date. Actual outcomes in terms of total revenue maybe higher or lower than estimated at reporting date, which would affect the level of revenue recognised in the current and future years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

(a) Judgements made in applying accounting policies (Continued)

(iv) Measure of allowance for onerous contracts

As the Group is unable to voluntarily terminate the construction contracts, any allowance for onerous contracts is estimated after taking into account estimated transaction prices and estimated total construction costs. The estimated transaction prices are based on contract amount adjusted for any possible variation orders. The estimated total construction costs are based on constructed amounts and, in respect of amounts not contracted for, management's estimates of the amounts to be incurred taking into consideration historical trends of the amounts incurred. Any changes in estimates would affect the amount of provision for onerous contracts recognised in the current financial year. As at the balance sheet date, the Group's significant associate has recorded provision for onerous contracts on two construction projects amounting to RMB1 million.

(v) Classification of the Dividend Allocation Sum under Tranche 1 Escrowed Sum and Tranche 2 Escrowed Sum in the Group's cash and cash equivalents (Note 15)

As at the balance sheet date, the Group has received RMB224 million from the Investor arising from the disposal of the Group's equity interest in Ranken Group. As set out in the Circular on the proposed sale of equity interests in, and material dilution of the effective equity interests in Ranken Railway, resulting in Ranken Railway ceasing to be a subsidiary of the Company (the "Circular") dated 9 October 2020, a Dividend Allocation Sum of approximately RMB93.3 million being part of the Tranche 1 Escrowed Sum, equivalent to 36.3% of the net proceeds from the disposal of Ranken Group, will be allocated for distribution to the Company's shareholders by way of dividends, forms part of the Group's cash and cash equivalents as at the balance sheet date as there is no restriction placed on the timing of the declaration of such dividends. The amount is currently held in escrow in the Escrow Account.

Another amount of approximately RMB35.7 million, being the remaining 35.7% of the Tranche 2 Escrow Sum amounting to RMB91.7 million, is classified under "non-current portion" in the consolidated statement of financial position and included in cashflows from investing activities as the amount arose from the disposal of Ranken Railway and is held in escrow in the Escrow Account until certain financial conditions are met and subject to SGX-ST's approval for the Company to cease such escrow arrangement, which is expected to be more than 12 months.

(vi) Income tax (Note 26)

The Group is primarily exposed to income taxes in Singapore and the People's Republic of China. Significant judgment is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issue based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payable as at 31 December 2020 is RMB19.4 million (2019 – RMB17.0 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period are discussed below. The Group based on its assumptions and estimates on parameters available when the financial statements are prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Depreciation of property, plant and equipment (Note 4)

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual values. The Group reviews the estimated useful lives of the assets regularly based on the factors that include asset utilisation, technological changes, environmental and anticipated use of the assets in order to determine the amount of depreciation expense to be recorded during any reporting period. Changes in the expected level of use of these assets and the Group's historical experience with similar assets after taking into account anticipated technological changes could impact the economic useful lives and the residual values of the assets. Any changes in the economic useful lives and residual values could impact the depreciation charge and consequently impact the Group's results.

(ii) Measuring progress towards complete satisfaction of a performance obligation

Up to 31 October 2020, Ranken Group's management had adopted the Group's accounting policy using the output method based on direct measurement of the value of services delivered or surveys of work performed to recognise the progress towards the completed satisfaction of each performance obligation. Post disposal, the Investor requires Ranken Group's management to record its revenue using their Group's accounting policy, i.e. the input method which is based on actual costs incurred to date relative to the total expected costs to be incurred to satisfy the performance obligation. Management assessed that the financial impact of the change in estimates in respect of the current and future financial year/period is not significant. Accordingly, the Group recorded the changes to Ranken Group's measure of progress on revenue recognition as a change in accounting estimate in accordance with SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

(iii) Estimation of total contract costs for construction contracts

Post disposal, Ranken Group changed its basis for measuring the progress of a revenue contract from the output method to the input method. There is an increase in the level of estimation uncertainty in determining the total estimated construction contract costs for ongoing contracts as at the reporting date arising from volatile economic conditions brought on by the COVID-19 pandemic. Management has made necessary revisions to the budgeted project costs as provided by the project quantity surveyors due to the impact of COVID-19.

If the estimated total contract sum decreases by 5% from management's estimates, the Group's share of profit in Ranken Group will increase by approximately RMB9.2 million. If the remaining estimated contract costs increase by 5% from management's estimate, the Group's share of profit will decrease by approximately RMB9.2 million.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

(b) Key sources of estimation uncertainty (Continued)

(iv) Fair value of the Group's retained interest of 48.82% in Ranken Group (Continued)

Management has determined the fair value of its retained interest of 48.82% interest in Ranken Group to be RMB331.9 million as disclosed in Note 8 to the financial statements based on a valuation performed by an independent business valuer. A total gain on disposal of RMB53.1 million was recorded in the consolidated statement of comprehensive income arising from the disposal of its 48.77% equity interest in Ranken Group, comprising (a) the gain on disposal of RMB52.7 million being the difference between (i) the aggregate of the fair value of the consideration received and the fair value of the retained interest in Ranken Group, and (ii) the previous carrying amounts of the assets (including goodwill), and liabilities of Ranken Group; and (b) the gain attributable to measure the retained interest in the Ranken Group at its fair value of RMB 381,000, respectively.

The valuation process of the retained interest in Ranken Group was determined using the income approach in accordance with SFRS(I) 3 *Business Combinations* and it involves significant judgement. The valuation is highly sensitive to key assumptions such as (a) gross profit margin, (b) terminal growth rate, (c) weighted average cost of capital, and (d) discount for lack of control, to name a few and a small change in the assumptions can have a significant impact to the valuation. A sensitivity analysis arising from the changes in each of the parameters to the fair value of the retained interest in the Group's interest in Ranken Group, while keeping other parameter unchanged, is further detailed in Note 8 to the financial statements.

(v) Allowance for expected credit losses on trade and other receivables and contract assets

Allowance for expected credit losses ("ECL") of trade and other receivables and contract assets are based on assumptions about risk of default and expected loss rates. Management uses judgement in making these assumptions and selecting the inputs to the ECL calculation, based on the Group's past collection history, existing market conditions as well as forward looking estimates at each reporting date. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The Group and the Company apply the 3-stage general approach to determine ECL for third parties and related parties. ECL is measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL for Stage 2 or Stage 3 assets. An asset moves from Stage 1 to Stage 2 when its credit risk increases significant and subsequently to Stage 3 as it becomes credit impaired. In assessing whether credit risk has significantly increased, the Group and the Company consider qualitative and quantitative reasonable and supportable forward-looking information. Lifetime ECL represents ECL that will result from all possible default events over the expected life of a financial instrument whereas 12-month ECL represents the portion of lifetime ECL expected to result from default events possible within twelve months after the reporting date.

The carrying amount of the Group's and the Company's trade and other receivables and contract assets are disclosed in Notes 12, 13 and 14. An increase/decrease of 10% in the estimated future cash inflows will lead to further allowance for impairment of RMB14.1 million and RMB20,000 respectively on the Group's and the Company's trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2 BASIS OF PREPARATION (CONTINUED)

2.5 Adoption of new and amended standards and interpretations

On 1 January 2020, the Group and the Company adopted the new and revised SFRS(I), SFRS(I) interpretations ("SFRS(I) INT") and amendments to SFRS(I), effective for the current financial year that are relevant. The adoption of these new and revised SFRS(I) pronouncements does not result in significant changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior financial years.

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8	*Definition of Material*	1 January 2020
Revised *Conceptual Framework for Financial Reporting*		1 January 2020

Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: *Definition of Material*

The amendments include clarifications to the definition of 'material' and the related guidance:

- the threshold of "could influence" has been replaced with "could reasonably be expected to influence";

- the term of 'obscuring information' has been included in the definition of 'material' to incorporate the existing concept in SFRS(I) 1-1 and examples have been provided of circumstances that may result in information being obscured; and

- the scope of 'users' has been clarified to mean the primary users of general purpose financial statements and their characteristics have been defined.

The amendments are to be applied prospectively and are effective for annual periods beginning on or after 1 January 2020.

There is no material impact to the Group's and the Company's financial statements on initial application.

Revised *Conceptual Framework for Financial Reporting*

The purpose of the Conceptual Framework is to assist in developing financial reporting standards. The Conceptual Framework is not a standard itself and none of the concepts contained therein override the requirements in any standard. The main changes to the Conceptual Framework's principles have implications for how and when assets and liabilities are recognised and derecognised in the financial statements. These revisions affect those entities which had developed their accounting policies based on the Conceptual Framework in the absence of specific FRS requirements. In such cases, the entities shall review those policies and apply the new guidance retrospective for annual periods beginning on or after 1 January 2020.

Some SFRS(I), their accompanying documents and SFRS(I) practice statements contain references to, or quotations from the Conceptual Framework. The Amendments to References to the Conceptual Framework in SFRS(I), issued together with the revised Conceptual Framework, sets out updates to SFRS(I), their accompanying documents and SFRS(I) practice statements to reflect the issue of the revised Conceptual Framework. These amendments are effective for annual periods beginning on or after 1 January 2020.

There is no material impact to the Group's and the Company's financial statements on initial application.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2 BASIS OF PREPARATION (CONTINUED)

2.6 Standards issued but not yet effective

At the date of authorisation of these financial statements, the Group and the Company have not adopted the new and revised SFRS(I), SFRS(I) INT and amendments to SFRS(I) that have been issued but are not yet effective. Management anticipates that the adoption of these new and revised SFRS(I) pronouncements in future periods will not have a material impact on the Group's and the Company's financial statements in the period of their initial application, as discussed below.

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to SFRS(I) 16	*COVID-19 Related Rent Concessions*	1 June 2020
Amendments to SFRS(I) 1-16	*Property, Plant and Equipment – Proceeds before Intended Use*	1 January 2022
Amendments to SFRS(I) 1-37	*Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2	*Disclosure of Accounting Policies*	1 January 2023
Amendments to SFRS(I) 1-8	*Definition of Accounting Estimates*	1 January 2023

Amendments to SFRS(I) 16 *COVID-19 Related Rent Concessions*

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. The amendment provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications.

The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic, and only if all of the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change,

(b) any reduction in lease payments affects only payments due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Entities applying the practical expedient must disclose this fact, whether the expedient has been applied to all qualifying rent concessions, and the nature of the contracts to which it has been applied, as well as the amount recognised in the statement of comprehensive income arising from the rent concessions.

The amendment is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

There is no material impact expected to the Group's and the Company's financial statements on initial application.

Amendments to SFRS(I) 1-16 *Property, Plant and Equipment – Proceeds before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. An entity shall recognise such sales proceeds and related costs in statement of comprehensive income and measure the cost of those items in accordance with SFRS(I) 1-2 *Inventories*.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly' and specify this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2 BASIS OF PREPARATION (CONTINUED)

2.6 Standards issued but not yet effective (Continued)

Amendments to SFRS(I) 1-16 *Property, Plant and Equipment – Proceeds before Intended Use (Continued)*

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

There is no material impact expected to the Group's and the Company's financial statements on initial application.

Amendments to SFRS(I) 1-37 *Onerous Contracts – Cost of Fulfilling a Contract*

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (e.g. direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (e.g. depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

There is no material impact expected to the Group's and the Company's financial statements on initial application.

Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2 *Disclosure of Accounting Policies*

The amendment provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. There is no material impact expected to the Group's and the Company's financial statements on initial application.

Amendments to SFRS(I) 1-8 *Definition of Accounting Estimates*

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. There is no material impact expected to the Group's and the Company's financial statements on initial application.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

Business combinations

Business combination is accounted for using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether it includes, at a minimum, an input and substantive process, and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional 'concentration test' is met, and the acquired set of activities and assets is not a business, if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Acquisitions from 1 January 2017

For acquisitions from 1 January 2017, 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 ("NCI") 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.

When the excess is negative, a bargain purchase gain is recognised immediately in the statement of comprehensive income.

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, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in the statement of comprehensive income.

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

NCIs 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 NCI's 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 NCIs are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Business combinations (Continued)

Acquisition before 1 January 2017

As part of transition to SFRS(I), the Group has elected not to restate those business combinations that occurred before the date of transition to SFRS(I), i.e. 1 January 2017. Goodwill arising from acquisitions before 1 January 2017 has been carried forward from the previous framework as at the date of transition.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to transactions and events in similar circumstances. When necessary, adjustments are made to the financial statements of subsidiaries or investees to bring their accounting policies in line with the Group's accounting policies.

All intra-group balances, income and expenses, and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Losses and other comprehensive income applicable to the non-controlling interests in a subsidiary are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee if, and only if, the Group has all of the following:

– power over the investee;

– exposure, or rights to variable returns from its involvement with the investee; and

– the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

– the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

– potential voting rights held by the Group, other vote holders or other parties;

– rights arising from other contractual arrangements; and

– any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Transaction with non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in ownership interests in subsidiaries without loss of control

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

Changes in the Group's ownership interest in existing subsidiaries

When the Group loses control over a subsidiary, a gain or loss is recognised in the statement of comprehensive income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)s). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under SFRS(I) 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

3.2 Associates

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 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 generally recognised in the statement of comprehensive income. However, foreign currency differences arising from the translation of an investment in equity securities designated as at FVOCI are recognised in OCI.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to RMB at exchange rates at the reporting date. The income and expenses of foreign operations are translated to RMB at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI. Since 1 January 2017, the Group's date of transition to SFRS(I), such differences have been recognised 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 NCI. 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 the statement of comprehensive income as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to consolidated statement of comprehensive income.

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 OCI, and are presented in the translation reserve in equity.

3.4 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – equity investment; or fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

(a) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

(b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments at fair value through other comprehensive income

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets: Business model assessment (Continued)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the statement of comprehensive income.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the statement of comprehensive income. Any gain or loss on derecognition is recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Non-derivative financial assets: Subsequent measurement and gains and losses (Continued)

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of comprehensive income unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to the statement of comprehensive income.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the statement of comprehensive income. Directly attributable transaction costs are recognised in the statement of comprehensive income as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the statement of comprehensive income. These financial liabilities comprised loans and borrowings and trade and other payables.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the statement of comprehensive income.

(iv) Offsetting

Financial assets and financial 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 set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(v) 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.

(vi) 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.

3.5 Property, plant and equipment

Recognition and measurement

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

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

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 the statement of comprehensive income.

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 the statement of comprehensive income 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.

Depreciation is recognised as an expense in the statement of comprehensive income 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Property, plant and equipment (Continued)

Depreciation (Continued)

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:

Land and building	–	30 to 50 years
Plant and machinery	–	1 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.

3.6 Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 3.1.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

3.7 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 the statement of comprehensive income.

Depreciation is recognised in the statement of comprehensive income 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 – 50 years. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Leased assets

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the lessee's incremental borrowing rate as the discount rate.

The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Leased assets (Continued)

(i) As a lessee (Continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in ‘property, plant and equipment’ and lease liabilities in ‘loans and borrowings’ in the statement of financial position.

Depreciation on the Group’s land-use-rights classified as right-of-use assets is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of 50 years, from the date that they are available for use.

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

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognises lease payments received from investment property under operating leases as income on a straight- line basis over the lease term as ‘other income’.

3.9 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (see Note 3.12) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

3.11 Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

(i) represents a separate major line of business or geographical area of operations;

(ii) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(iii) is a subsidiary acquired exclusively with a view to resale.

3.12 Impairment

(i) Non-derivative financial assets and contract assets

The Group recognises loss allowances for expected credit losses (“ECLs”) on:

- financial assets measured at amortised cost; and
- contract assets (as defined in SFRS(I) 15).

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

The Group applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Impairment (Continued)

(i) Non-derivative financial assets and contract assets (Continued)

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers trade and other receivables and contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; or
- it is probable that the debtor will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Impairment (Continued)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, contract assets 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.

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 pre-tax 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 the statement of comprehensive income. 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.

An impairment loss in respect of an associate is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in the statement of comprehensive income. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount and only to the extent that the recoverable amount increases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 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 the statement of comprehensive income 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 the statement of comprehensive income with a corresponding adjustment to equity.

3.14 Provisions

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

Onerous contracts

The Group assesses at every reporting date whether any allowance for onerous contracts is required. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

3.15 Financial guarantee contracts

Financial guarantees are financial instruments issued by the Group and the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Financial guarantee contracts (Continued)

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with SFRS(I) 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15.

ECLs are probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Group and the Company expects to recover.

3.16 Revenue

Revenue from sale of services in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. The Group accounts for a contract modification as a separate contract if both the following conditions are present: (i) the scope of the contract increase because of the addition of promised goods or services that are distinct; and (ii) the price of the contract increases by an amount of consideration that reflects the Group's stand-alone selling prices of the additional promised goods or services and any appropriate adjustments to that price to reflect the circumstances of the particular contract.

If the contract modification is not accounted for as a separate contract, the Group will account for the contract modifications as if it were a part of the existing contract if the remaining goods or services are not distinct and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification. The effect that the contract modification has on the transaction price, and on the Group's measure of progress towards complete satisfaction of the performance obligation, is recognised as an adjustment to revenue (either as an increase in or a reduction of revenue) at the date of the contract modification.

Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on infrastructure under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a PO can be reasonably measured, construction revenue is recognised over time as each PO is satisfied and when the Group has an enforceable right to payment for performance completed to date. The progress towards the completed satisfaction of each PO is measured using either (a) the output method which is based on direct measurements of the value of services delivered or surveys of work performed; or (b) the input method which is based on costs incurred relative to the total expected costs incurred to the satisfaction of that performance obligation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Revenue (Continued)

Construction contracts (Continued)

When the outcome of the contract cannot be reasonably measured but the Group expects to be recover the costs incurred in satisfying the PO, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered until such time that it can reasonably measure the outcome of the PO.

The likelihood of the Group suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Rendering of services

Revenue from providing construction design, consulting and supervision services is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO. The percentage of completion is measured based on surveys of work performed.

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 at the point in time when the Group satisfies a PO by transferring the promised good 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.

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.

Interest income

Interest income is recognised as it accrues in the statement of comprehensive income, using the effective interest method.

3.17 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 the statement of comprehensive income on a systematic basis in the periods in which the expenses are recognised.

3.18 Finance costs

Finance costs comprise interest expense on borrowings. All borrowing costs are recognised in the statement of comprehensive income 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the statement of comprehensive income 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.

Current tax assets and liabilities are offset only if certain criteria are met.

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 related to investments in subsidiaries and associate to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

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.

Deferred tax assets are recognised for unused tax losses, unused 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 used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 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.

3.21 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 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 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.

4 PROPERTY, PLANT AND EQUIPMENT

	Land and building RMB'000	Renovation RMB'000	Plant and machinery RMB'000	Furniture, fittings and office equipment RMB'000	Construction site facilities RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
The Group								
Cost								
At 1 January 2019	41,861	913	153,350	6,972	137,572	11,384	22,675	374,727
Additions	–	–	31,974	2,157	32,226	4,303	3,961	74,621
Disposals/write-off	–	–	(67,601)	(238)	(6,419)	(6,875)	–	(81,133)
Transfer	8,218	–	–	–	–	–	(8,218)	–
Effect of movements in exchange rates	8	25	–	12	–	–	–	45
At 31 December 2019	50,087	938	117,723	8,903	163,379	8,812	18,418	368,260
Additions	**14,174**	**–**	**12,359**	**4,148**	**11,320**	**1,571**	**8,405**	**51,977**
Disposals/write-off	**(290)**	**–**	**(3,816)**	**(127)**	**(57,198)**	**(123)**	**(17,722)**	**(79,276)**
Transfer	**–**	**–**	**690**	**5**	**20**	**123**	**(838)**	**–**
Disposal of a subsidiary (Note 7(B))	**(41,565)**	**–**	**(124,932)**	**(12,093)**	**(117,467)**	**(9,056)**	**(68)**	**(305,181)**
Effect of movements in exchange rates	**(14)**	**(43)**	**–**	**(22)**	**–**	**–**	**–**	**(79)**
At 31 December 2020	**22,392**	**895**	**2,024**	**814**	**54**	**1,327**	**8,195**	**35,701**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and building RMB'000	Renovation RMB'000	Plant and machinery RMB'000	Furniture, fittings and office equipment RMB'000	Construction site facilities RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
The Group								
Accumulated depreciation								
At 1 January 2019	3,329	913	59,382	3,806	96,591	3,333	–	167,354
Depreciation	1,549	–	19,349	1,507	44,854	2,838	–	70,097
Disposals/write-off	–	–	(41,523)	(336)	(5,819)	(6,171)	–	(53,849)
Effect of movements in exchange rates	4	25	–	6	–	–	–	35
At 31 December 2019	4,882	938	37,208	4,983	135,626	–	–	183,637
Depreciation	**4,729**	**–**	**9,894**	**1,234**	**26,753**	**1,360**	**–**	**43,970**
Disposals/write-off	**(214)**	**–**	**(3,417)**	**(113)**	**(57,198)**	**(117)**	**–**	**(61,059)**
Transfer	**–**	**–**	**(122)**	**5**	**–**	**117**	**–**	**–**
Disposal of a subsidiary (Note 7(B))	**(8,246)**	**–**	**(43,268)**	**(5,612)**	**(105,127)**	**(926)**	**–**	**(163,179)**
Effect of movements in exchange rates	**(9)**	**(43)**	**–**	**(20)**	**–**	**–**	**–**	**(72)**
At 31 December 2020	**1,142**	**895**	**295**	**477**	**54**	**434**	**–**	**3,297**
Carrying amount								
At 31 December 2020	**21,250**	**–**	**1,729**	**337**	**–**	**893**	**8,195**	**32,404**
At 31 December 2019	45,205	–	80,515	3,920	27,753	8,812	18,418	184,623

	Land and Building RMB'000	Renovation RMB'000	Furniture, fittings and office equipment RMB'000	Total RMB'000
The Company				
Cost				
At 1 January 2019	296	913	471	1,680
Effect of movements in exchange rates	8	25	12	45
At 31 December 2019	304	938	483	1,725
Disposals/write-off	**(290)**	**–**	**–**	**(290)**
Effect of movements in exchange rates	**(14)**	**(43)**	**(22)**	**(79)**
At 31 December 2020	**–**	**895**	**461**	**1,356**
Accumulated depreciation				
At 1 January 2019	–	913	378	1,291
Depreciation for the year	155	–	23	178
Effect of movements in exchange rates	4	25	6	35
At 31 December 2019	159	938	407	1,504
Depreciation for the year	**64**	**–**	**16**	**80**
Disposals/write-off	**(214)**	**–**	**–**	**(214)**
Effect of movements in exchange rates	**(9)**	**(43)**	**(18)**	**(70)**
At 31 December 2020	**–**	**895**	**405**	**1,300**
Carrying amount				
At 31 December 2020	**–**	**–**	**56**	**56**
At 31 December 2019	145	–	76	221

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Right-of-use ("ROU") assets classified under property, plant and equipment are as follows:

	Land and Building			
	Land-use rights RMB'000	**Office premises RMB'000**	**Plant and machinery RMB'000**	**Total RMB'000**
The Group				
At 1 January 2019	28,036	296	68,317	96,649
New leases	–	–	2,679	2,679
Depreciation charge for the year	(681)	(155)	(15,836)	(16,672)
Translation differences	–	4	–	4
At 31 December 2019	27,355	145	55,160	82,660
Depreciation charge for the year	**(495)**	**(64)**	**(2,671)**	**(3,230)**
Disposal of a subsidiary	**(26,860)**	**(5)**	**(52,489)**	**(79,354)**
Translation differences	**–**	**(76)**	**–**	**(76)**
At 31 December 2020	**–**	**–**	**–**	**–**

	2020 RMB'000	**2019 RMB'000**
The Company		
Office premises under Land and Building		
At 1 January	**145**	296
Depreciation charge for the year	**(64)**	(155)
Disposal	**(5)**	–
Translation differences	**(76)**	4
At 31 December	**–**	145

(i) Land-use rights

The Group's land-use rights pertain to upfront payments made to secure the right-to-use the piece of land situated in the PRC on which the buildings of the Group are erected. The leases run for an initial period of 50 years and expiring in year 2060. The Group has the option to renew the leases subject to renegotiations of the terms. None of the leases include contingent rentals. No further liabilities insofar as the land-use rights are concerned.

(ii) Office premises

The Group and the Company has obtained the right to use other properties as its office through tenancy agreements. The lease typically run for a period of 2 years with an option to renew for further one year at prevailing market rent.

(iii) Plant and machinery

The Group leases plant and machinery. The leases typically run for a period of one year to three years, with an option to renew the lease after that date. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group also leases plant and machinery with contract terms of less than one year. These leases are short-term and/or leases of low value items. The Group has elected not to recognise the right-of-use assets and lease liabilities for these leases. The statement of comprehensive income shows the following amounts relating to leases:

	2020 RMB'000	2019 RMB'000
The Group		
Interest expense on lease liabilities (Note 25)	**3,219**	5,439
Expenses related to short-term leases (Note 27)	**3,286**	73,863

In October 2020, the Group disposed of its controlling equity interest in Ranken Group, and property, plant and equipment with a carrying amount of RMB142,002,000 were deconsolidated (see Note 7(B)).

During the year, depreciation charge on the Group's property, plant and equipment is summarised as follows:

	2020 RMB'000	2019 RMB'000
The Group		
Cost of goods sold	**41,032**	66,217
Other operating expenses	**2,938**	3,880
	43,970	70,097
Represented by:		
Continuing operations	**1,266**	4,709
Discontinued operations	**42,704**	65,388
	43,970	70,097

At 31 December 2019, land and building of the Group with carrying amount of RMB37,262,000 were pledged as securities to secure bank loans (Note 20).

5 GOODWILL

	RMB'000
The Group	
At 1 January 2019 and 31 December 2019	42,417
Disposal of a subsidiary (Note 7(B))	(42,417)
At 31 December 2020	–

In October 2020, the Group disposed of its controlling equity interest in Ranken Group, and goodwill with a carrying amount of RMB42,417,000 were deconsolidated (see Note 7(B)).

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

	2019 RMB'000
The Group	
Infrastructure	42,417

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

5 GOODWILL (CONTINUED)

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.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	2019
The Group	
Period of cash flow projections	2020 – 2024
Pre-tax discount rate	17%
Terminal value growth rate	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 cash flow projections was estimated using an appropriate required rate of return on invested capital.

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately RMB69,763,000. Management had identified that a reasonably possible change in one key assumption could cause the carrying amount to exceed the recoverable amount.

The following table shows the amount by which the assumption would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	2019
The Group	
Pre-tax discount rate	2%
Terminal value growth rate	(1%)

6 INVESTMENT PROPERTIES

	2020 RMB'000	2019 RMB'000
The Group		
Cost		
At 1 January	**62,763**	62,763
Disposal of a subsidiary (Note 7(B))	**(62,763)**	–
At 31 December	**–**	62,763
Accumulated depreciation		
At 1 January	**10,489**	8,079
Depreciation	**2,009**	2,410
Disposal of a subsidiary (Note 7(B))	**(12,498)**	–
At 31 December	**–**	10,489
Carrying amount		
At 31 December	**–**	52,274
Fair value		
At 31 December	**–**	77,685

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

6 INVESTMENT PROPERTIES (CONTINUED)

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 2 to 5 years, with annual rents indexed to consumer prices. No contingent rents are charged. See Note 29 for further information.

In October 2020, the Group disposed of its controlling equity interest in Ranken Group and investment properties with a carrying amount of RMB50,265,000 were deconsolidated (see Note 7(B)).

At 31 December 2019, investment properties of the Group with carrying amounts of RMB52,274,000 were pledged as security to secure bank loans (Note 20).

The Group's investment properties as at 31 December 2019 are summarised as follows,

Location	Description	Existing use	Tenure of land	Remaining term of lease
Ranken Building No. 189 Wukexi Second Road Wuhou District, Chengdu City, Sichuan Province, PRC	Certain units within a 9-storey office building	Commercial	Leasehold	41 years
Floor 19 Sichuan International Building Shun Cheng Street, Qing Yang District, Chengdu City, Sichuan Province, PRC	1 storey of 27-storey office building	Commercial	Leasehold	30 years

During the year, RMB3,715,000 (2019 – RMB4,074,000) was recognised as rental income in the statement of comprehensive income included under discontinued operations. Depreciation expenses included in other operating expenses amounted to RMB2,009,000 (2019 – RMB2,410,000) included under discontinued operations.

Measurement of fair value – Fair value hierarchy and valuation technique

As at 31 October 2020 (date of remeasurement of the fair value of the retained interest in Ranken Group) and 31 December 2019, the fair value of the investment properties was determined by an external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of properties being valued. The Group engages the independent valuer to provide the fair value of the Group's investment properties when there are significant changes to the market conditions. The fair value measurement for all of the investment properties as at the reporting date had been recognised as a Level 3 fair value based on the inputs to the valuation techniques used (Note 32).

7 SUBSIDIARIES

	2020 RMB'000	2019 RMB'000
The Company		
Equity investments at cost		
At 1 January	**451,205**	387,151
Additional investment in a subsidiary (Note A)	**–**	52,306
Effect of movements in exchange rates	**(20,733)**	11,748
At 31 December	**430,472**	451,205

Note A: Additional investment in a subsidiary:

In the previous financial year, the Company increased its investment in the share capital of its wholly owned subsidiary – Ranken Holdings Infrastructure Limited, by subscribing for an additional 1,000 shares in cash for an aggregate consideration RMB52,306,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

7 SUBSIDIARIES (CONTINUED)

Note B: Disposal of a subsidiary

In October 2020, Chengdu Kai Qi Rui Business Management Co., Ltd. ("Chengdu KQR") completed the transaction with Shandong Hi-Speed Road & Bridge Investment Management Co., Ltd. ("Investor"), for the (a) sale of 263,237,476 shares of Ranken Group, representing 43.87% of the existing share capital of the Ranken Group; and (b) the subscription by the Investor for an additional equity interest in Ranken Group, respectively.

Following the disposal, the Group and the Investor each holds approximately 48.82% and 49.82% respectively in the enlarged equity capital of Ranken Group, with the remaining equity interest of 1.36% held by the Company's Executive Chairman. In this Transaction, the Company's Executive Chairman and the Investor have separately entered into an agreement pursuant to which, the Company's Executive Chairman has authorised the Investor to exercise his voting rights in Ranken Railway in accordance with the Investor's interest. Accordingly, upon completion of the Transaction, Ranken Railway ceased to be a subsidiary of the Company and has been accounted for as an "associated company" of the Group as defined under the Listing Manual.

The effect of cash flow arising from the transaction is set out below:

	Note	2020 RMB'000
Assets		
Property, plant and equipment	4	**142,002**
Goodwill	5	**42,417**
Investment properties	6	**50,265**
Associated company	8	**62,039**
Other investments	9	**4**
Deferred tax assets	10	**6,508**
Inventories	11	**15,492**
Contract assets	12	**1,057,752**
Trade receivables	13	**288,661**
Other receivables	14	**207,597**
Cash and cash equivalents		**128,175**
Liabilities		
Deferred tax liabilities	10	**(6,355)**
Loans and borrowings	20	**(282,103)**
Trade payables	21	**(808,166)**
Other payables	22	**(247,641)**
Contract liabilities	23	**(96,949)**
Current tax liabilities		**(4,182)**
Net assets and liabilities, disposed of		**555,516**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

7 SUBSIDIARIES (CONTINUED)

	2020 RMB'000
Net assets and liabilities, disposed of	**555,516**
Add: Gain on disposal of a subsidiary[(1)]	**53,103**
Less: Realisation of foreign currency translation reserve upon disposal	**(3,276)**
Less: Fair value of the retained interest in Ranken Group as an associated company, post Transaction (Note 8)	**(331,938)**
Add: Provision for contingent liabilities (Note 19(A))	**4,906**
Add: Provision for covered guarantee (Note 19(B))	**1,689**
Cash receivable for the Transaction	**280,000**
Less: Consideration not yet received[(2)]	**(56,000)**
Cash received for the Transaction	**224,000**
Less: Expenses paid	**(595)**
Less: Cash and cash equivalent disposed of	**(128,175)**
Net cash generated from disposal of a subsidiary	**95,230**

(1) A total gain on disposal of RMB53.1 million was recorded in the consolidated statement of comprehensive income arising from the disposal of the Group's 48.77% equity interest in Ranken Group, comprising (a) the gain on disposal of RMB52.7 million being the difference between (i) the aggregate of the fair value of the consideration received and the fair value of the retained interest in Ranken Group, and (ii) the previous carrying amounts of the assets (including goodwill), and liabilities of Ranken Group; and (b) the gain attributable to measure the retained interest in the Ranken Group at its fair value of RMB381,000, respectively. Corporate tax in respect of the Transaction amounting to RMB16.9 million was recorded under "tax expense" (Note 26) was paid subsequent to the balance sheet date.

(2) The final tranche of the Sale Consideration of RMB56 million (see Note 14) and in total RMB280 million has been received by Chengdu KQR subsequent to the balance sheet date, pursuant to completion of the the audit of the financial affairs of Ranken Group for the Audit Period from 1 September 2019 to 31 October 2020 with no losses incurred by Ranken Group by the Investor-appointed auditor in accordance with PRC accounting standards. The RMB56 million is currently held in escrow in the Escrow Account.

Note C: Acquisition of non-controlling interests

Ranken Railway had undergone an internal restructuring ("restructuring") prior to the completion of the Transaction such that Sichuan Yilong Equipment Co., Ltd ("SYE") and Chengdu Jialong Property Service Co., Ltd ("CJPS") became subsidiaries of Chengdu KQR, post-Transaction.

The Transaction excluded the Carved-out Assets of SYE and CJPS, being 100% and 95% owned by Ranken Railway. These two subsidiaries are acquired by the Group and the Executive Chairman at Nil consideration via a capital distribution in proportion to their respective shareholdings in Ranken Railway. In addition, the Group and the Executive Chairman also acquired the remaining 5% equity interest in CJPS from Ranken Railway for an aggregate consideration of RMB94,368, payable by the Group and the Executive Chairman, in proportion to their respective shareholdings in Ranken Railway. Accordingly, it has resulted in an increase in equity attributable to owners of the Company by RMB1.32 million.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

7 SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name	Country of incorporation/ principal place of business	Effective interest held by the Group 2020	2019	Principal activities
Ranken Holding Co., Limited[(1)] and its subsidiaries:	Hong Kong	**100**	100	Investment holding
– Chengdu Kai Qi Rui Business Management Co., Ltd.[(2)] and its subsidiaries:	China	**98**	98	Enterprise management, engineering information and technology consultation
– Sichuan Yilong Equipment Co., Ltd[(2)]	China	**97.6**	97.6	Equipment maintenance and leasing
– Chengdu Jialong Property Service Co., Ltd[(2)]	China	**97.6**	97.1	Property management and consulting services
– Chengdu Kaiwan Enterprise Management Consulting Co., Ltd.[(6)]	China	**58.8**	–	Property management and consulting services
– Ranken Railway Construction Group Co., Ltd.[(3)] and its subsidiaries:	China	**–**	97.6	Engineering, procurement and construction (EPC) for railway, highway, municipal, industrial and civil construction and airports and water conservancy projects
– Sichuan Xinlong Construction Co., Ltd[(3)]	China	**–**	97.6	EPC for railway, highway, municipal, industrial and civil construction and airports and water conservancy projects
– Sichuan Longjian Construction Consultancy Co., Ltd.[(3)]	China	**–**	97.6	Construction consulting, projects management consulting, construction cost consulting, construction design, supervision and bidding agency
– Sichuan Jinlong Labor Service Co., Ltd.[(3)]	China	**–**	87.9	Labour service subcontracting for construction industry; domestic labour dispatching service
– PT Tekgen Indonesia[(4)(5)]	Indonesia	**–**	97.6	Construction of electrical networks and other telecommunication channels
– Chengdu Ranken Railway Construction Group Co., Ltd. Saudi Arabia Branch[(4)(5)]	Saudi Arabia	**–**	97.6	EPC for railway, highway, municipal, industrial and civil construction and airports and water conservancy projects

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

7 SUBSIDIARIES (CONTINUED)

Notes:

(1) Audited by Foo Kon Tan LLP for purpose of consolidation.

(2) Audited by a member firm of HLB International, HLB ThinkBridge Shanghai CPAs for purpose of consolidation.

(3) Audited by ShineWing Certified Public Accountants.

(4) 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.

(5) In the process of being struck off.

(6) Newly incorporated subsidiary during the financial year and dormant.

During the current year, CJPS incorporated a subsidiary, Chengdu Kaiwan Enterprise Management Consulting Co., Ltd. whose principal activities are those involving property management and consulting services.

8 ASSOCIATED COMPANIES

	2020 RMB'000	2019 RMB'000
The Group		
Interests in associated companies	**344,782**	48,726
Group's interest in the net assets of investee		
At 1 January	**48,726**	25,000
Group's contribution during the year	**10,000**	21,250
Group's share of other comprehensive income	**(691)**	–
Group's share of profit	**16,848**	2,476
Effects of deconsolidation of an associate held by a former subsidiary (Note 7(B))	**(62,039)**	–
Fair value of retained interest in a former subsidiary (Note 7(B))	**331,938**	–
At 31 December	**344,782**	48,726

During the year, the Group injected additional RMB10,000,000 (2019 – RMB21,250,000) in cash into the share capital of Chengdu Derun Jinlong Environmental Management Co., Ltd. ("CDJ Environmental Management Co") representing 25% of the additional capital reserves of CDJ.

CDJ Environmental Management Co was held by Ranken Railway and was disposed of as part of the net assets of Ranken Group (see Note 7(B)). The Group's effective retained equity interest in Ranken Railway of 48.82% has been equity-accounted for as an associate in accordance with SFRS(I) 1-28 *Investments in Associates and Joint Ventures*. Included in the Group's share of profit was an amount of RMB3,313,000 million relating to the Group's share of profits in CDJ Environmental Management Co up to the date of disposal of Ranken Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

8 ASSOCIATED COMPANIES (CONTINUED)

Details of the associate are as follows:

Name	Country of incorporation/ principal place of business	Effective interest held by the Group 2020	2019	Principal activities
Ranken Railway Construction Group Co. Ltd and its subsidiaries[(1)]	China	**48.8**	–	EPC for railway, highway, municipal, industrial and civil construction and airports and water conservancy projects and investment holding
Chengdu Derun Jinlong Environmental Management Co., Ltd. [(2)]	China	**–**	25.0	Investment and financing, design, build, operate and transfer works for water conservancy and environment project

Notes:

(1) Audited by ShineWing Certified Public Accountants.

(2) Audited by other auditors. The associate is not significant as defined under Listing Rule 718 of the Singapore Exchange Listing Manual. For this purpose, an associate 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.

All of the above associates are accounted for using the equity method in the Group's consolidated financial statements.

Summarised financial information in respect of the Group's material associates are set out below. The information below reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for any differences in accounting policies between the Group and the associates.

	2020 RMB'000	2019 RMB'000
The Group		
Non-current assets	**360,087**	248
Current assets	**1,818,704**	796,605
Non-current liabilities	**(142,603)**	(468,547)
Current liabilities	**(1,329,668)**	(133,402)
Net assets	**706,520**	194,904
Proportion of the Group's ownership interest in the associate (%)	**48.8**	25.0
Carrying amount of the Group's interest in associate	**344,782**	48,726
Revenue for the period/year	**433,546**[(^)]	682,814
Profit for the period/year	**27,726**[(^)]	9,904
Other comprehensive income	**(1,415)**[(^)]	–
Total comprehensive income for the period/year	**26,311**[(^)]	9,904

(^) – Relates to Ranken Group's revenue and profit for the period, post Transaction (i.e. 1 November 2020 to 31 December 2020)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

8 ASSOCIATED COMPANIES (CONTINUED)

2020

In accordance with the share transfer and capital increase agreement, Chengdu KQR has an outstanding unpaid equity capital of RMB89,335,582 in Ranken Railway as at 31 December 2020. The shareholders of Ranken Railway are required to pay up the outstanding equity capital in tandem and in the same proportions and are to pay up any outstanding share capital obligations by 25 August 2030. This capital commitment has not been recognised in the Group's consolidated financial statements.

Ranken Group does not have any contingent liabilities and commitments.

2019

In accordance with the agreement under which CDJ Environmental Management Co. is established, the Group, Chongqing Derun Environment Co., Ltd., Chengdu Wuhou Industrial Development Investment Management Group Co., Ltd. and Beijing Enterprises Water (China) Investment Limited, who holds 25%, 58%, 10% and 7% of the associate, respectively, have agreed to make additional capital contributions of RMB88,000,000 in proportion to their interests in the associate. The Group's share amounted to RMB22,000,000 and was expected to be injected over the remaining construction period of 1 year. This commitment had not been recognised in the Group's consolidated financial statements.

CDJ Environmental Management Co. was established in 2018 to carry out investment and financing, design, build, operate and transfer works ("DBFOT Works") for the first phase of Chengdu, Wuhou District "Liveable River Bank" project with estimated cost of about RMB1.4 billion (the "Project"). 20% of the project costs will be funded by the shareholders of CDJ Environmental Management Co., via capital contribution and 80% is expected to be funded by project financing from financial institutions.

The DBFOT Works period of the Project is 15 years, which comprises 2 years of construction as well as the operational/ management rights of the building infrastructure along the river bank for a 13-year period.

CDJ Environmental Management Co. has awarded a contract worth approximately RMB832 million relating to the engineering, procurement and construction works for the Project to Ranken Railway Construction Group Co., Ltd., a former subsidiary of the Group.

CDJ Environment Management Co. does not have any contingent liabilities and commitments.

As set out in the Circular dated 9 October 2020, Ranken Railway undertakes that for the first three years post-completion, the cash dividends payable shall be no less than 50% of the distributable profits. Subsequent to the first three years, Ranken Railway undertakes that the cash dividend payable shall be no less than 30% of the distributable profits.

In respect of the fair value of the retained interest in Ranken Group, management had identified that a reasonably possible change in one key assumption could cause the gain attributable to measure the investment retained in Ranken Group to become a loss attributable to measure the investment retained in Ranken Group at the date of remeasurement of the retained interest.

The change in the parameters for the remeasurement gain on retained interest in Ranken Group to remain appropriate is as follows:

A 0.1% increase in the following inputs will lead to a more than significant change in the remeasurement gain recognised in the consolidated statement of comprehensive income:

Gross profit margin	:	9.2%
Terminal growth rate	:	2.0%
Pre-tax discount rate	:	11.8%

A 0.1% decrease in the following input will lead to a more than significant change in the remeasurement gain:

Discount for lack of control	:	24.0%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

9 OTHER INVESTMENTS

	The Group		The Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Non-current investments				
Equity investment – mandatorily at FVTPL	–	4	–	–
	–	4	–	–
Current investment				
Equity investment – mandatorily at FVTPL	**2,316**	3,158	**2,316**	3,158
	2,316	3,162	**2,316**	3,158

10 DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
The Group				
Property, plant and equipment	–	6,653	–	(26)
Investment properties	–	–	–	(673)
Intangible assets	–	–	–	(5,802)
Trade receivables and contract assets	–	5,815	–	–
Others	–	1,118	–	–
	–	13,586	–	(6,501)

Movement in temporary differences during the year

	Balance as at 1 January 2019 RMB'000	Recognised in profit or loss RMB'000 (Note 26)	Balance as at 31 December 2019 RMB'000	Recognised in profit or loss RMB'000 (Note 26)	Disposal of a subsidiary RMB'000 (Note 7(B))	Balance as at 31 December 2020 RMB'000
The Group						
Deferred tax assets						
Property, plant and equipment	8,179	(1,526)	6,653	**(6,653)**	–	–
Trade receivables and contract assets	4,584	1,231	5,815	**461**	**(6,276)**	–
Others	1,208	(90)	1,118	**(886)**	**(232)**	–
	13,971	(385)	13,586	**(7,078)**	**(6,508)**	–
Deferred tax liabilities						
Property, plant and equipment	(27)	1	(26)	**1**	**25**	–
Investment properties	(702)	29	(673)	**24**	**649**	–
Intangible assets	(5,948)	146	(5,802)	**121**	**5,681**	–
	(6,677)	176	(6,501)	**146**	**6,355**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

11 INVENTORIES

	2020 RMB'000	2019 RMB'000
The Group		
Raw materials and consumables	**1,517**	34,945
Inventories recognised in cost of sales	**367,769**	554,379

In October 2020, the Group disposed of its controlling equity interest in Ranken Group and inventories with a carrying amount of RMB15,492,000 were deconsolidated (see Note 7(B)).

12 CONTRACT ASSETS

	2020 RMB'000	2019 RMB'000
The Group		
Rights to consideration for work completed but not billed for construction contracts	**–**	635,423
Retention monies	**6,316**	289,361
	6,316	924,784
Impairment loss	**(45)**	(13,105)
	6,271	911,679

As at 31 December 2020, retention monies of RMB3,699,000 (2019 – RMB86,362,000) are expected to be recovered after twelve months from the end of the current financial year.

In October 2020, the Group disposed of its controlling equity interest in Ranken Group, and contract assets with a carrying amount of RMB1,057,752,000 were deconsolidated (see Note 7(B)).

The Group's exposure to credit risk is disclosed in Note 31 to the financial statements.

13 TRADE RECEIVABLES

	2020 RMB'000	2019 RMB'000
The Group		
Trade receivables	**18,566**	570,078
Impairment loss	**(1)**	(5,161)
	18,565	564,917

At 31 December 2020, trade receivables of the Group with carrying amounts of RMB Nil (2019 – RMB37,373,000) are pledged as security to secure borrowing from a financial institution (Note 20).

In October 2020, the Group disposed of its controlling equity interest in Ranken Group and trade receivables with a carrying amount of RMB288,661,000 were deconsolidated (see Note 7(B)).

The Group's exposure to credit risk is disclosed in Note 31 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

14 OTHER RECEIVABLES

	The Group		The Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables due from third parties	**7,538**	106,693	**139**	146
Amount due from a former subsidiary	**15,571**	15,302	**15,571**	15,302
Impairment loss	**(15,571)**	(15,088)	**(15,571)**	(6,121)
	7,538	106,907	**139**	9,327
Amount due from an associated company	**52,682**	–	**–**	–
Consideration receivable	**56,000**	–	**–**	–
Amounts due from a subsidiary	**–**	–	**–**	1,933
Deposits	**47**	22,854	**47**	49
Financial assets at amortised cost	**116,267**	129,761	**186**	11,309
Other tax recoverable	**90**	21,173	**90**	74
Prepayments	**3,169**	35,489	**148**	143
	119,526	186,423	**424**	11,526

In October 2020, the Group disposed of its controlling equity interest in Ranken Group, and other receivables with a carrying amount of RMB207,597,000 were deconsolidated (see Note 7(B)).

As at 31 December 2020, the amount due from a former subsidiary of RMB 15,571,000 was due from Mancala Holdings Pty Ltd, which ceased to be a subsidiary of the Company following the Group's disposal of the former Mining Service segment in FY2017. The amount representing advances made and payments made on behalf was interest-free, unsecured, repayable on demand and was fully impaired in the current financial year.

Amounts due from an associated company and a subsidiary representing advances made and payments made on behalf are interest-free, unsecured and repayable on demand. The amount due from an associated company of RMB52,682,000 has been set-off against the amount due to the same associated company (Note 22) subsequent to the balance sheet date.

The consideration receivable of RMB56,000,000 from the Investor on the Group's disposal of Ranken Railway has been received subsequent to the balance sheet date (see Note 7(B)).

The Group's and the Company's exposure to credit risk is disclosed in Note 31 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

15 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Non-current:				
– Restricted cash in an Escrowed Account (Note A)	**35,698**	–	**–**	–
Current:				
– Cash and bank balances (Note B)	**170,909**	169,341	**214**	134
– Fixed deposits	**–**	4	**–**	–
Cash and cash equivalents in the statements of financial position	**206,607**	169,345	**214**	134
Fixed deposits pledged	**–**	(4)		
Restricted cash in an Escrowed Account (Note A)	**(35,698)**	–		
Cash and cash equivalents in the statement of cash flows	**170,909**	169,341		

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% (2019 – 0.22%) and 0.01% (2019 – 0.01%) respectively. Interest rates are repriced within one year.

As at 31 December 2019, RMB4,000 were pledged to banks for banking facilities.

As disclosed in the Circular dated 9 October 2020, in order for the Company to not be deemed as a cash company under Rule 1018 of the Listing Manual, the Company has voluntarily undertaken to SGX-ST that upon receipt of the full amount of the Sale Consideration from the Investor, the Company will place the Net Proceeds into the Escrow Account as follows:

Note A: The remaining 35.7% of the Net Proceeds amounting to RMB91,698,000 (of which RMB56,000,000 had not been received and such RMB35,698,000 were escrowed as at 31 December 2020), being the Tranche 2 Escrowed Sum, until (i) certain financial conditions are met and subject to SGX-ST's approval for the Company to cease such escrow arrangement; and

Note B: The Dividend Allocation Sum, being part of the Tranche 1 Escrowed Sum relates to an amount equivalent to 36.3% of the Net Proceeds being RMB93,308,000, which will be allocated for distribution to Shareholders by way of dividends and is included in "cash and cash equivalents".

In the event that SGX-ST does not approve the cessation of the escrow arrangement as mentioned above before the expiry of three (3) years from the date that the shares in Ranken Railway are registered in the name of the Investor, the Company shall distribute the Tranche 2 Escrowed Sum to its Shareholders by way of dividends after a capital reduction exercise (which may not be required) to write off all accumulated losses of the Group after FY2020 (if any).

The SGX-ST will reject the Company's application to withdraw the Tranche 2 Escrowed Sum if the Company's latest audited full year consolidated accounts are subject to an adverse opinion, a qualified opinion, a disclaimer of opinion or the Company's auditors have stated that a material uncertainty related to going concern exists.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

16 SHARE CAPITAL

	2020	2019	2020	2019
	No. of ordinary shares ('000)		RMB'000	RMB'000
Issued and paid up:				
At 1 January	**407,590**	326,072	**466,700**	413,839
Rights issue	**–**	81,518	**–**	52,861
At 31 December	**407,590**	407,590	**466,700**	466,700

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

Rights issue

During 2019, the Company allotted and issued 81,517,978 new ordinary shares in the capital of the Company (the "Rights Shares") at an issue price of S$0.128 for each Rights Share, on the basis of one Rights Share for every four existing ordinary shares in the capital of the Company.

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 non-current borrowings as disclosed in Note 20, 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 2020 and 2019.

17 RESERVES

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

	The Group		The Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Capital reserve	**(7,585)**	(7,585)	**(8,294)**	(8,294)
Fair value reserve	**(14,205)**	(14,205)	**(14,205)**	(14,205)
Other reserves	**(8,968)**	(8,968)	**(8,968)**	(8,968)
Translation reserve	**1,253**	4,559	**11,179**	32,254
Accumulated profits/(losses)	**168,549**	139,219	**(19,992)**	(4,831)
	139,044	113,020	**(40,280)**	(4,044)

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 equity investments designated at FVOCI.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

17 RESERVES (CONTINUED)

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, 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 Holding Co., Limited (Note 7). The following table summarises financial information relating to Ranken Holding Co., Limited and its subsidiaries, modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

	2020 RMB'000	2019 RMB'000
The Group		
Attributable to NCI (2%):		
Profit for the year represents total comprehensive income	**2,304**	531
Non-current assets	**370,563**	298,991
Current assets	**353,438**	1,857,582
Non-current liabilities	**(6,517)**	(110,342)
Current liabilities	**(102,360)**	(1,509,072)
Net assets	**615,124**	537,159
Net assets attributable to NCI	**11,895**	10,906
Cash flows (used in)/generated from operating activities	**(22,352)**	31,243
Cash flows used in investing activities	**(75,936)**	(62,947)
Cash flows generated from financing activities	**5,688**	3,794
Net decrease in cash and cash equivalents	**(92,600)**	(27,910)

19 PROVISIONS

	2020 RMB'000	2019 RMB'000
The Group		
Provision for contingent liabilities (Note (A))	**4,906**	–
Provision for guarantee (Note (B))	**1,611**	–
	6,517	–

(A) Provision for contingent liabilities (Note 7(B))

This relates to the provision for guarantee provided by the Group to the Investor for the recoverability of outstanding receivable balances in Ranken Railway as at 31 August 2019. Should Ranken Railway fail to collect such receivables within five (5) years from the date on which such receivables are due, Ranken Railway shall be entitled to offset such amounts against the dividends payable to Chengdu KQR, and Chengdu KQR shall be liable to reimburse any excess receivables which remain outstanding after the set-off, and upon such reimbursement, the uncollected receivables will be assigned to Chengdu KQR. The estimate has been made by identifying receivables that are credit-impaired and the ECL model was applied to determine the amount of provision required.

A 0.5% increase/decrease in the probability of default used would decrease/ increase the Group's profit before tax by RMB4.9 million.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

19 PROVISIONS (CONTINUED)

(B) Provision for guarantee (Note 7(B))

As at the date of disposal and as at 31 December 2020, the Group, through Chengdu KQR, has provided guarantees for banking facilities of Ranken Railway amounting to an aggregate sum of RMB148 million. The financial guarantee has been initially measured at fair value in accordance with SFRS(I) 9 and subsequently are measured at the higher of the loss allowance determined in accordance with SFRS(I) 9 and the amounts recognised initially less, when appropriate, cumulative amount of income recognised in accordance with the principles of SFRS(I) 15.

A 0.5% increase/ decrease in the probability of default used would decrease/ increase the Group's profit before tax by RMB 0.7 million.

The movement during the year is as follows:

	2020 RMB'000
The Group	
At 1 January	–
Provision recognised (Note 7(B))	**1,689**
Provision reversed (Note 24)	**(78)**
At 31 December	**1,611**

20 LOANS AND BORROWINGS

	The Group		The Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Non-current liabilities				
Secured bank loans	–	98,000	–	–
Lease liabilities	–	5,840	–	–
	–	103,840	–	–
Current liabilities				
Secured bank loans	–	89,000	–	–
Lease liabilities	–	25,776	–	153
Secured borrowing from a financial institution	–	40,000	–	–
	–	154,776	–	153
	–	258,616	–	153

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

20 LOANS AND BORROWINGS (CONTINUED)

Terms and debt repayment schedule

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

	Currency	Nominal Interest Rate	Year of maturity	2020 Face value RMB'000	2020 Carrying amount RMB'000	2019 Face value RMB'000	2019 Carrying amount RMB'000
The Group							
Secured bank loan[1]	RMB	BLR*128.75%	2020	–	–	15,000	15,000
Secured bank loan[1]	RMB	BLR*128.75%	2020	–	–	5,000	5,000
Secured bank loan[1]	RMB	BLR*140%	2020	–	–	19,000	19,000
Secured bank loan[1]	RMB	BLR*138%	2020	–	–	40,000	40,000
Secured bank loan[1]	RMB	BLR*162.5%	2020	–	–	10,000	10,000
Secured bank loan[1]	RMB	BLR*100%	2021	–	–	48,000	48,000
Secured bank loan[1]	RMB	BLR*130.53%	2021	–	–	50,000	50,000
				–	–	187,000	187,000
Secured borrowing from financial institution[2]	RMB	8.50%	2020	–	–	40,000	40,000
Lease liabilities	RMB	120% of BLR*	2020	–	–	5,789	5,703
Lease liabilities	RMB	120% of BLR*	2020	–	–	6,130	6,038
Lease liabilities	RMB	115% of BLR*	2020	–	–	3,915	3,147
Lease liabilities	RMB	115% of BLR*	2021	–	–	14,675	13,241
Lease liabilities	RMB	10%	2020	–	–	3,586	3,487
				–	–	34,095	31,616
				–	–	261,095	258,616
The Company							
Lease liabilities	SGD	10%	2020	–	–	160	153

^ LPR: China's Loan Prime Rate
* BLR: China's Base Lending Rate

Notes:

1. In 2019, these bank loans were secured by personal guarantees by previous beneficial owners of subsidiary, Ranken Holding Co., Limited and building, machineries, investment properties, land-use rights with total carrying amount of RMB89,621,000) (Notes 4 and 6), deposits pledged of RMB4,000 (Note 15) and equity interest in Ranken Railway Construction Group Co., Ltd. (Note 7).

2. In 2019, the borrowing from the financial institution were secured by trade receivables with carrying amounts of RMB37,373,000 (Note 13).

Lease liabilities

The obligations under hire purchase arrangements are for the purchase of plant and equipment, summarised as follows:

	Future minimum lease payments RMB'000	Interest RMB'000	Present value of minimum lease payments RMB'000
The Group			
2019			
Within one year	27,282	(1,506)	25,776
More than one year	6,206	(366)	5,840
	33,488	(1,872)	31,616

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

20 LOANS AND BORROWINGS (CONTINUED)

Lease liabilities (Continued)

As at 31 December 2019, the Group's lease liabilities were secured by the lessors' title to the leased assets.

Total cashflows for all leases in the current financial year amounted to RMB28,646,000 (2019 – RMB45,828,000). Interest expense on lease liabilities of RMB3,219,000 (2019 – RMB5,439,000) is recognised within "finance costs" in the consolidated statement of comprehensive income (Note 25).

As at 31 December 2020, the Group's short-term commitments at the reporting date are not substantially dissimilar to those giving rise to the Group's short-term lease expense for the financial year.

Disposal of a subsidiary

In October 2020, the Group disposed of its controlling equity interest in Ranken Group and loans and borrowings with a carrying amount of RMB282,103,000 comprising (i) secured bank loans of RMB228,914,000; and (ii) lease liabilities of RMB53,189,000, respectively, were deconsolidated (see Note 7(B)).

21 TRADE PAYABLES

	2020 RMB'000	2019 RMB'000
The Group		
Trade payables	**18,058**	954,120
Retention monies	**–**	55,739
	18,058	1,009,859

In October 2020, the Group disposed of its controlling equity interest in Ranken Group and trade payables with a carrying amount of RMB808,166,000 were deconsolidated (see Note 7(B)).

22 OTHER PAYABLES

	The Group		The Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Amounts due to a subsidiary	**–**	–	**1,590**	–
Amounts due to an associated company	**52,537**	–	**–**	–
Employees benefits	**4,830**	20,436	**1,227**	785
Other payables	**13,015**	108,680	**4,245**	2,650
Financial liabilities at amortised cost	**70,382**	129,116	**7,062**	3,435
Deferred income	**–**	157	**–**	–
Other tax payables	**34**	39,788	**–**	–
	70,416	169,061	**7,062**	3,435

Amounts due to a subsidiary and an associated company comprise advances received, are non-trade, unsecured, non-interest bearing and repayable on demand.

Subsequent to the balance sheet date, the amounts due to an associated company have been set-off against the amount due from the same associated company (Note 14).

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

In October 2020, the Group disposed of its controlling equity interest in Ranken Group and other payables with a carrying amount of RMB247,641,000 were deconsolidated (see Note 7(B)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

23 REVENUE

	2020 RMB'000	2019 RMB'000
The Group		
Revenue from contracts with customers	**1,084,963**	1,728,232
Equipment leasing	**6,752**	3,316
	1,091,715	1,731,548
Represented by:		
Continuing operations	**18,299**	10,155
Discontinued operations	**1,073,416**	1,721,393
	1,091,715	1,731,548

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Construction contracts

Nature of goods or services	The Group provides engineering, procurement and construction ("EPC") for railway, highway, municipal, industrial and civil construction and airports and water conservancy projects ("Infrastructures"). These EPC projects are carried out based on specifically negotiated contracts with customers ("Construction Contracts").
When revenue is recognised	The Group has assessed that these Construction Contracts qualify for over time revenue recognition as the Infrastructures have no alternative use for the Group due to contractual restrictions, and the Group generally has enforceable rights to payment for performance completed till date. The stage of completion is assessed by reference to surveys of work performed.
Significant payment terms	Progress billings to the customer are based on a payment schedule in the contract that is dependent on the achievement of specified construction milestones. If the value of the construction services rendered exceeds progress billings from the customer, a contract asset is recognised.

Rendering of services

Nature of goods or services	The Group provides construction design, consulting and supervision based on specifically negotiated contracts with customers.
When revenue is recognised	Revenue is recognised over time based on the percentage of completion reflecting the progress towards complete satisfaction of that PO. The percentage of completion is measured based on surveys of work performed.
Significant payment terms	Invoices are issued on a monthly basis or on a payment schedule in the contract that is dependent on the achievement of specified milestones. For ongoing contracts, the value of the services rendered to date determined by the percentage of completion will be recognised as a contract asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

23 REVENUE (CONTINUED)

Sale of goods

Nature of goods or services	The Group manufactures railway sleepers that are sold for a specific project.
When revenue is recognised	Revenue is recognised when goods are delivered to the customers and all criteria for acceptance have been satisfied.
Significant payment terms	Invoices are issued when goods are delivered to the customers.

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by major products and service lines, geographical markets and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segment (see Note 33).

	Reportable segment Infrastructure	
	2020	**2019**
	RMB'000	**RMB'000**
The Group		
Major products/service lines		
Infrastructure:		
– Construction contracts	**993,443**	1,625,017
– Rendering of services	**77,334**	103,215
– Sale of goods	**14,186**	–
	1,084,963	1,728,232
Primary geographical markets		
China	**1,080,661**	1,714,043
Bangladesh	**–**	3,285
Sri Lanka	**4,302**	10,904
	1,084,963	1,728,232

	Reportable segment Infrastructure	
	2020	**2019**
	RMB'000	**RMB'000**
The Group		
Timing of revenue recognition		
Products transferred at a point in time	**91,520**	103,215
Products and services transferred over time	**993,443**	1,625,017
Revenue from contracts with customers	**1,084,963**	1,728,232

Note: The above excludes revenue from equipment leasing.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

23 REVENUE (CONTINUED)

Contract balances

The following tables provides information about receivables, contract assets and contract liabilities from contracts with customers.

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000	1 January 2019 RMB'000
Contract assets	12	**6,271**	911,679	980,244
Trade receivables	13	**18,565**	564,917	379,457
Contract liabilities		**–**	(160,351)	(215,152)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The contract liabilities primarily relate to the advanced consideration received from customers.

Significant changes in the contract assets and the contract liabilities balances during the year are as follows:

	Contract assets		Contract liabilities	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
The Group				
Revenue recognised that was included in the contract liability balance at the beginning of the year	**–**	–	**(78,118)**	(143,720)
Increases due to cash received, excluding amounts recognised as revenue during the year	**–**	–	**14,716**	111,582
Contract asset reclassified to trade receivables	**(753,834)**	(1,605,382)	**–**	–
Changes in measurement of progress	**915,342**	1,553,759	**–**	–
Modification of contract	**–**	–	**–**	(22,663)
Impairment loss on contract assets	**(9,164)**	(16,942)	**–**	–
Effects of deconsolidation (Note 7(B))	**(1,057,752)**	–	**(96,949)**	–

Transaction price allocated to the remaining performance obligations

As at 31 December 2020, the revenue expected to be recognised in the future related to performance obligations for its construction contracts that are unsatisfied (or partially satisfied) is Nil following the disposal of Ranken Group in October 2020 (2019 – RMB1,400,000,000). In the previous financial year, management expected 75% to 90% of the transaction price allocated to the unsatisfied performance obligations may be recognised as revenue in FY 2020, while the remaining will be recognised in FY 2021. This will be recognised as revenue by reference to surveys of work performed. Variable consideration that is constrained and therefore not included in the transaction price is excluded in the amount presented above.

The Group applies the practical expedient in paragraph 121 of SFRS(I) 15 and does not disclose information about its remaining performance obligations if:

- the performance obligation is part of a contract that has an original expected duration of one year or less; or

- the Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, then it recognises revenue in that amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

24 OTHER INCOME

	2020 RMB'000	2019 RMB'000
The Group		
Interest income from banks	**917**	418
Gain on disposal of property, plant and equipment, net	**232**	2,543
Rental income from investment properties (Note 6)	**3,715**	4,074
Government grants	**1,470**	4,093
Unwinding of discount on long-term receivables	**–**	1,053
Reversal of provision for covered guarantee (Note 19(B))	**78**	–
Exchange gain	**344**	–
Others	**544**	1,319
	7,300	13,500
Represented by:		
Continuing operations	**266**	5,851
Discontinued operations	**7,034**	7,649
	7,300	13,500

25 FINANCE COSTS

	2020 RMB'000	2019 RMB'000
The Group		
Interest expense:		
– lease liabilities	**3,219**	5,439
– secured bonds	**–**	86
– banks and financial institution	**14,740**	16,658
	17,959	22,183
Represented by:		
Continuing operations	**224**	30
Discontinued operations	**17,735**	22,153
	17,959	22,183

26 TAX EXPENSE

	2020 RMB'000	2019 RMB'000
The Group		
Current tax expense		
– Current year	**16,933**	18,225
– Overprovision in respect of prior years	**(2,946)**	–
	13,987	18,225
Deferred tax expense		
Origination and reversal of temporary differences (Note 10)	**6,932**	209
	20,919	18,434
Represented by:		
Continuing operations	**2,470**	509
Discontinued operations	**1,516**	17,925
Discontinued operations – Gain on disposal of a subsidiary (Note 7(B))	**16,933**	–
	20,919	18,434

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

26 TAX EXPENSE (CONTINUED)

Reconciliation of effective tax rate

	2020 RMB'000	2019 RMB'000
The Group		
Profit/(loss) before tax:		
– Continuing operations	**663**	(12,881)
– Discontinued operations	**(2,528)**	58,216
	(1,865)	45,335
Tax using the Singapore tax rate of 17% (2019 – 17%)	**(317)**	7,707
Effect of tax rates in foreign jurisdictions	**93**	4,558
Non-deductible tax expenses	**7,347**	4,740
Tax exempt income	**(540)**	(219)
Deferred tax asset not recognised	**349**	1,648
Overprovision in respect of prior years	**(2,946)**	–
Tax expense on gain on disposal of a subsidiary (Note 7(B))	**16,933**	**–**
	20,919	18,434

Non-deductible expenses relate mainly to impairment losses recognised on trade and other receivables and contract assets.

Income tax recognised in other comprehensive income

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

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

	The Group		The Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Tax losses	**286,447**	284,407	**286,447**	279,908

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.

Unrecognised deferred tax liabilities

At 31 December 2020 and 2019, there was no temporary difference related to investment in subsidiaries recognised because the Group controls the dividend policy of its subsidiaries and is able to veto the payment of dividends of its subsidiaries – i.e. the Group controls the timing of reversal of the related taxable temporary differences and it is satisfied they will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

27 PROFIT FOR THE YEAR

The following items have been included in arriving at profit for the year:

	Note	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
The Group				
Financial year ended 31 December 2020:				
Audit fees paid and payable to:				
– auditors of the Company		**925**	**–**	**925**
– other auditors		**675**	**200**	**875**
Bad debt written off		**–**	**15**	**15**
Inventories written off		**–**	**782**	**782**
Fixed assets written off		**–**	**142**	**142**
Reversal of provision for contingent liabilities	19(B)	**(78)**	**–**	**(78)**
Depreciation of property, plant and equipment	4	**1,266**	**42,704**	**43,970**
Depreciation of investment properties	6	**–**	**2,009**	**2,009**
Directors' remuneration and fees		**2,309**	**–**	**2,309**
Exchange gain, net		**(344)**	**–**	**(344)**
Gain on disposal of property, plant and equipment, net		**(320)**	**88**	**(232)**
Change in fair value of financial asset mandatorily at fair value through profit or loss		**706**	**–**	**706**
Expenses related to short-term leases	4	**–**	**3,286**	**3,286**
Transaction costs on disposal of a subsidiary		**–**	**1,241**	**1,241**
Employee benefits expense:				
– Salaries, bonuses and other costs		**4,968**	**34,591**	**39,559**
– Contributions to defined contribution plans		**649**	**9,115**	**9,764**
		5,617	**43,706**	**49,323**

	Note	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
The Group				
Financial year ended 31 December 2019:				
Audit fees paid and payable to:				
– auditors of the Company		729	–	729
– other auditors		–	850	850
Non-audit fees paid and payable to:				
– other auditors		–	222	222
Bad debt written off		–	317	317
Inventories written off		–	965	965
Depreciation of property, plant and equipment	4	4,709	65,388	70,097
Depreciation of investment properties	6	–	2,410	2,410
Directors' remuneration and fees		1,897	–	1,897
Exchange loss, net		390	–	390
(Gain)/loss on disposal of property, plant and equipment, net		(2,828)	285	(2,543)
Change in fair value of financial asset mandatorily at fair value through profit or loss		2,753	–	2,753
Expenses related to short-term leases	4	–	73,863	73,863
Employee benefits expense:				
– Salaries, bonuses and other costs		3,664	65,572	69,236
– Contributions to defined contribution plans		951	17,018	17,969
		4,615	82,590	87,205

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

28 EARNINGS PER SHARE

The calculation of basic earnings per share ("EPS") for the year ended 31 December 2020 was based on the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding of 407,590,000 (2019 – 373,196,000), calculated as follows:

Profit attributable to ordinary shareholders

	2020 RMB'000	2019 RMB'000
The Group		
(Loss)/profit attributable to ordinary shareholders:		
– Continuing operations	**(3,426)**	(13,376)
– Discontinued operations	**31,441**	39,746
– Continuing and discontinued operations	**28,015**	26,370

Weighted-average number of ordinary shares

	2020 '000	2019 '000
The Group		
Issued ordinary shares at 1 January	**407,590**	326,072
Effect of rights issue	**–**	46,901
Weighted-average number of ordinary shares during the year	**407,590**	372,973

(Loss)/earnings per share

	2020 RMB (cents)	2019 RMB (cents)
The Group		
Continuing operations	**(0.84)**	(3.59)
Discontinued operations	**7.71**	10.66
Continuing and discontinued operations	**6.87**	7.07

In 2020 and 2019, the diluted earnings per share are the same as basic earnings per share as the Group does not have any dilutive equity instruments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

29 LEASES

Leases as lessor

The Group leases out its investment properties (Note 6) and construction equipment. All leases are classified as operating leases from a lessor perspective.

Operating lease

The Group leases out its investment properties and construction equipment. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 6 sets out information about the operating leases of investment properties.

Rental income from equipment leasing; and investment properties, recognised by the Group during 2020 was RMB6,752,000 (2019 – RMB3,316,000) (Note 23); and RMB3,715,000 (2019 – RMB4,074,000) (Note 24), respectively.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2019 RMB'000
The Group	
Operating leases under SFRS(I) 16	
Less than one year	3,652
Between two to five years	3,841
Total	7,493

30 RELATED PARTIES

Transactions with key management personnel

Key management personnel compensation

Key management personnel compensation comprised:

	2020 RMB'000	2019 RMB'000
The Group		
Short-term employee benefits	**5,270**	4,451
Post-employment benefits	**259**	295
	5,529	4,746

Other related party transactions

	2020 RMB'000	2019 RMB'000
The Group		
Associate:		
Revenue from contracts with customer – construction contracts	**262,103**	285,817
Equipment leasing	**7,748**	–
Sale of goods	**5,971**	–

31 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.

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's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The function of the Audit and Risk Committee is set out in the Corporate Governance Report.

Credit risk

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 trade and other receivables and contract assets.

The carrying amounts of financial assets and contract assets represent the maximum credit exposure to credit risk.

Impairment losses on financial assets and contract assets recognised in the statement of comprehensive income were as follows:

	2020 RMB'000	2019 RMB'000
The Group		
Impairment loss on trade and other receivables and contract assets arising from contracts with customer	**37,119**	14,282

Trade receivables and contract assets

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 associated with the industry and country in which customers operate, as these factors may have an influence on credit risk. Details of concentration of revenue are included in Note 33.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Trade receivables and contract assets (Continued)

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.

More than 99% (2019 – 99%) of the Group's customers are in PRC and they are mainly government agencies for infrastructure projects.

The Group does not require collateral in respect of trade and other receivables. The Group does not have trade and other receivable and contract assets for which no loss allowance is recognised because of collateral.

Exposure to credit risk

The exposure to credit risk for trade and other receivables (excluding prepayments and other tax recoverable) and contract assets at the reporting date by geographic region was as follows:

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Singapore	**186**	49	**186**	49
China	**140,917**	1,596,981	**–**	1,933
Australia	**–**	9,327	**–**	9,327
	141,103	1,606,357	**186**	11,309

As at 31 December 2020, the Group does not have a concentration of credit risk as the carrying amount of the financial assets comprising (a) the consideration receivable from the Investor has been received subsequent to the balance sheet date, and (b) the amount due from an associate has been set-off against the balance owing to the same associate as disclosed in Notes 14 and 22, respectively.

As at 31 December 2019, the Group has a concentration of credit risk primarily from two debtors representing approximately 17% of trade and other receivables and contract assets of the Group.

As at 31 December 2020, the Company does not have a concentration of credit risk. As at 31 December 2019, the Company's exposure to credit risk primarily came from one debtors representing approximately 81% of other receivables.

Expected credit loss assessment as at 31 December 2020 and 2019

The Group measures the loss allowances of trade and other receivables using the 'roll rate' method, based on receivables ageing and expected loss rate, and made adjustments for trade receivables from customers to reflect current conditions.

Contract assets relate to unbilled work in progress. The Group measures the loss allowances of contract assets at an amount equal to lifetime ECLs, which is calculated using a simplified approach using a provision matrix, to compute the expected credit loss for retention sum and unbilled receivables from customers. In the provision matrix, the Group uses the actual historical credit loss experience over the past four years, adjusted for forward-looking overlay. Management is of the view that the historical conditions are representative of the conditions prevailing at the reporting date as the customer profile has not changed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Trade receivables and contract assets (Continued)

Expected credit loss assessment as at 31 December 2020 and 2019 (Continued)

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables (excluding prepayments and other tax recoverable) and contract assets as at 31 December 2020:

	Weighted-average loss rate %	Not-credit-impaired RMB'000	Credit-impaired RMB'000	Gross carrying amount RMB'000	Total impairment loss allowance RMB'000	Net RMB'000
The Group						
2020						
Current (not past due)	–	141,103	–	141,103	–	141,103
More than one year past due	100	–	15,617	15,617	(15,617)	–
		141,103	15,617	156,720	(15,617)	141,103
Loss allowance		–	(15,617)			
		141,103	–			

Expected credit loss assessment as at 31 December 2019

	Weighted-average loss rate %	Not-credit-impaired RMB'000	Credit-impaired RMB'000	Gross carrying amount RMB'000	Total impairment loss allowance RMB'000	Net RMB'000
The Group						
2019						
Current (not past due)	1.17	1,601,448	20,229	1,621,677	(19,206)	1,602,471
1 – 90 days past due	11.82	406	–	406	(48)	358
90 – 180 days past due	12.00	75	–	75	(9)	66
270 – 360 days past due	14.30	993	–	993	(142)	851
More than one year past due	84.23	3,255	13,305	16,560	(13,949)	2,611
		1,606,177	33,534	1,639,711	(33,354)	1,606,357
Loss allowance		(9,000)	(24,354)			
		1,597,177	9,180			

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Trade receivables and contract assets (Continued)

Exposure to credit risk

Movements in the allowance for impairment in respect of trade and other receivables and contract assets

The movements in allowance for impairment in respect of trade and other receivables and contract assets during the year was as follows:

	2020 RMB'000	**2019 RMB'000**
The Group		
At 1 January	**33,354**	22,770
Bad debt written off	**–**	(3,837)
Impairment losses recognised	**37,119**	14,282
Effects of deconsolidation	**(55,153)**	–
Effects of functional currency translation	**297**	139
At 31 December	**15,617**	33,354

The following significant changes in the gross carrying amounts of trade and other receivables and contract assets contributed to the changes in the impairment loss allowance during 2020:

- Allowance made on credit-impaired balances in 2020 amounting to RMB12,006,000 relating to Qingdao and Guiyang projects ((2019 – RMB4,927,000 mainly due to Urumqi project) put on hold on prolonged periods with no indication that the project will resume;

- Allowance made on credit-impaired balances due from a former subsidiary arising from uncertainty of collection due to under-performance and unfavourable market conditions of the debtor, amounting to RMB9,153,000 (2019 – RMB6,120,000); and

- The COVID-19 pandemic outbreak in FY 2020 has affected the Group's business which resulted in an increase in the Group's impairment allowances increase in the Group's trade and other receivables and contract assets in 2020 of RMB15,960,000 (2019 – RMB4,300,000).

Cash and cash equivalents

The Group's and the Company's cash and cash equivalents as at 31 December 2020 represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are regulated. Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The amount of the allowance on cash and cash equivalents was negligible.

Amounts due from a subsidiary

As at 31 December 2019, the Company held amounts due from another subsidiary amounting to RMB1,933,000. These balances were amounts extended to the subsidiary to satisfy short term funding requirements which were repaid in the current financial year. Impairment on the balance had been measured on the lifetime expected loss basis. The Company considered that the amount due from a subsidiary had a low credit risk based on the loss pattern of the subsidiary. The amount of the allowance on the amounts due from subsidiary was insignificant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Cash and cash equivalents (Continued)

Other receivables of the Company

As at 31 December 2020, the Company's financial assets included in other receivables amounted to RMB186,000 (2019 – RMB9,376,000), mainly to amounts due from another former subsidiary and rental deposits placed with lessors. Impairment on the balances have been measured on the lifetime expected loss basis. Allowance had been made on credit-impaired balances due from a former subsidiary arising from uncertainty of collection due to under-performance and unfavourable market conditions of the debtor, amounting to RMB15,571,000 (2019 – RMB6,121,000).

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.

Exposure to liquidity risk

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:

		Contractual cash flows		
	Carrying amount RMB'000	**Total RMB'000**	**Less than 1 year RMB'000**	**Within 1 to 5 years RMB'000**
The Group				
As at 31 December 2020				
Non-derivative financial liabilities				
Trade payables (Note 21)	**18,058**	**(18,058)**	**(18,058)**	**–**
Other payables (Note 22)	**70,382**	**(70,382)**	**(70,382)**	**–**
	88,440	**(88,440)**	**(88,440)**	**–**
As at 31 December 2019				
Non-derivative financial liabilities				
Secured bank loans (Note 20)	187,000	(199,766)	(97,321)	(102,445)
Lease liabilities (Note 20)	31,616	(33,488)	(27,282)	(6,206)
Secured borrowing from financial institution (Note 20)	40,000	(42,674)	(42,674)	–
Trade payables (Note 21)	1,009,859	(1,009,859)	(1,009,859)	–
Other payables (Note 22)	129,116	(129,116)	(129,116)	–
	1,397,591	(1,414,903)	(1,306,252)	(108,651)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (Continued)

Exposure to liquidity risk (Continued)

		Contractual cash flows		
	Carrying amount RMB'000	Total RMB'000	Less than 1 year RMB'000	Within 1 to 5 years RMB'000
The Company				
As at 31 December 2020				
Non-derivative financial liabilities				
Other payables (Note 22)	**7,062**	**(7,062)**	**(7,062)**	**–**
As at 31 December 2019				
Non-derivative financial liabilities				
Lease liabilities (Note 20)	153	(160)	(160)	–
Other payables (Note 22)	3,435	(3,435)	(3,435)	–
	3,588	(3,595)	(3,595)	–

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

As at 31 December 2020, the Group and the Company are not exposed to market risk for changes in interest rates. 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

As at 31 December 2019, the interest rate profile of the Group's interest-bearing financial instruments, as reported to the management, was as follows:

	Carrying amount 2019 RMB'000
The Group	
Fixed rate instruments	
Lease liabilities	3,487
Secured borrowings from financial institution	40,000
	43,487
Variable rate instruments	
Lease liabilities	28,129
Secured bank loans	187,000
	215,129

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (Continued)

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**
The Group		
31 December 2019		
Variable rate instruments	(2,151)	2,151

Currency risk

Risk management policy

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which trade and other receivables, cash and cash equivalents and trade and other payables, that are denominated in a currency other than the respective functional currencies of Group entities. The functional currencies of Group entities are primarily the Chinese Renminbi ("RMB") and Singapore dollar ("SGD"). As at 31 December 2019, the currency in which these transactions are primarily denominated in was the Australian dollar ("AUD").

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 at 31 December is as follows:

	The Group		The Company	
	2020 RMB'000	**2019 RMB'000**	**2020 RMB'000**	**2019 RMB'000**
Trade and other receivables ("AUD")	–	9,327	–	9,327

Sensitivity analysis – currency risk

A 10% strengthening of the RMB against the AUD 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.

	The Group Profit or loss		The Company Profit or loss	
	2020 RMB'000	**2019 RMB'000**	**2020 RMB'000**	**2019 RMB'000**
AUD	–	(933)	–	933

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management policy (Continued)

Other market price risk

Risk management policy

Equity price risk arises from equity investments 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.

Sensitivity analysis – Equity price risk

The Group's and Company's equity investments 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 the profit before tax of the Group and the Company by RMB116,000 (2019 – RMB158,000). An equal change in the opposite direction would have decreased the profit before tax of the Group and the Company by RMB116,000 (2019 – RMB158,000). This analysis assumes that all other variables, in particular exchange rates, remain constant.

32 FAIR VALUE MEASUREMENT

Accounting classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value due to their short-term nature and immaterial effect of discounting.

		Carrying amount				Fair value			
	Note	Mandatorily at FVTPL – equity instruments RMB'000	Financial assets at amortised cost RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
The Group									
2020									
Financial assets measured at fair value									
Equity investments – mandatorily at FVTPL	9	2,316	–	–	2,316	2,316	–	–	2,316
Financial assets not measured at fair value									
Contract assets	12	–	6,271	–	6,271				
Trade receivables	13	–	18,565	–	18,565				
Other receivables	14	–	116,267	–	116,267				
Cash and cash equivalents	15	–	206,607	–	206,607				
		–	347,710	–	347,710				
Financial liabilities not measured at fair value									
Trade payables	21	–	–	(18,058)	(18,058)				
Other payables	22	–	–	(70,382)	(70,382)				
		–	–	(88,440)	(88,440)				

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

32 FAIR VALUE MEASUREMENT (CONTINUED)

Accounting classifications and fair values (Continued)

		Carrying amount				Fair value			
	Note	Mandatorily at FVTPL – equity instruments RMB'000	Financial assets at amortised cost RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
The Group									
2019									
Financial assets measured at fair value									
Equity investments – mandatorily at FVTPL	9	3,158	–	–	3,158	3,158	–	–	3,158
Financial assets not measured at fair value									
Contract assets	12	–	911,679	–	911,679				
Trade receivables	13	–	564,917	–	564,917				
Other receivables	14	–	129,761	–	129,761				
Cash and cash equivalents	15	–	169,345	–	169,345				
		–	1,775,702	–	1,775,702				
Financial liabilities not measured at fair value									
Loans and borrowings	20	–	–	(258,616)	(258,616)				
Trade payables	21	–	–	(1,009,859)	(1,009,859)				
Other payables	22	–	–	(129,116)	(129,116)				
		–	–	(1,397,591)	(1,397,591)				

32 FAIR VALUE MEASUREMENT (CONTINUED)

Accounting classifications and fair values (Continued)

	Note	Carrying amount: Mandatorily at FVTPL – equity instruments RMB'000	Carrying amount: Financial assets at amortised cost RMB'000	Carrying amount: Financial liabilities at amortised cost RMB'000	Carrying amount: Total RMB'000	Fair value: Level 1 RMB'000	Fair value: Level 2 RMB'000	Fair value: Level 3 RMB'000	Fair value: Total RMB'000
The Company									
2020									
Financial assets measured at fair value									
Equity investments – mandatorily at FVTPL	9	**2,316**	**–**	**–**	**2,316**	**2,316**	**–**	**–**	**2,316**
Financial assets not measured at fair value									
Other receivables	14	**–**	**186**	**–**	**186**				
Cash and cash equivalents	15	**–**	**214**	**–**	**214**				
		–	**400**	**–**	**400**				
Financial liabilities not measured at fair value									
Other payables	22	**–**	**–**	**(7,062)**	**(7,062)**				
		–	**–**	**(7,062)**	**(7,062)**				
2019									
Financial assets measured at fair value									
Equity investments – mandatorily at FVTPL	9	3,158	–	–	3,158	3,158	–	–	3,158
Financial assets not measured at fair value									
Other receivables	14	–	11,309	–	11,309				
Cash and cash equivalents	15	–	134	–	134				
		–	11,443	–	11,443				
Financial liabilities not measured at fair value									
Loans and borrowings	20	–	–	(153)	(153)				
Other payables	22	–	–	(3,435)	(3,435)				
		–	–	(3,588)	(3,588)				

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

32 FAIR VALUE MEASUREMENT (CONTINUED)

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 6 and the table below.

Valuation techniques

The following table shows the valuation techniques used in measuring Level 3 fair values.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Equity securities	**2020 and 2019:** *Market comparison technique and income approach:* The valuation approach based on (i) market multiples derived from comparable companies' P/E multiple, Forward EV/EBITDA multiple, EV/Revenue multiple and P/S multiple and (ii) the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.	**2020 and 2019:** • Risk-adjusted discount rate • Adjusted market multiple	**2020 and 2019:** • The estimated fair value would increase (decrease) if the risk-adjusted discount rate or adjusted market multiple were higher (lower).

Transfers between Levels 1 and 2

For 2020 and 2019, there were no transfers of financial instruments between Levels 1 and 2.

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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

32 FAIR VALUE MEASUREMENT (CONTINUED)

Level 3 fair values

The following table shows a reconciliation from the opening balances to the ending balances for Level 3 fair values:

	2019 RMB'000
The Group and The Company	
Financial asset designated as fair value through other comprehensive income	
At 1 January	4,966
Total unrealised gains and losses for the year included in OCI	
– net change in fair value of financial asset designated as fair value through other comprehensive income	(4,988)
The effect of changes in foreign exchange rates	22
At 31 December	–

33 OPERATING SEGMENTS

For the year ended 31 December 2020 and 31 December 2019, the Group has only one reportable segment, the infrastructure segment, which includes design, civil engineering and construction for land transport infrastructure and water conservancy and environment projects, major tunnelling works, underground structures, expressways, road and bridges for township development and urbanisation projects. This is the Group's strategic business unit.

The CEO reviews internal management reports at least quarterly.

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.

	Infrastructure	
	2020 RMB'000	2019 RMB'000
The Group		
Revenue and expenses		
External revenues (Note 23)	**1,091,715**	1,731,548
Interest income (Note 24)	**917**	418
Interest expense	**(16,631)**	(22,160)
Depreciation	**45,899**	72,329
Reportable segment profit before tax	**69,098**	58,902
Other segment information		
Reportable segment assets	**730,569**	2,181,921
Capital expenditure (Note 4)	**51,977**	73,726
Reportable segment liabilities	**(108,877)**	(1,619,414)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

33 OPERATING SEGMENTS (CONTINUED)

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

	2020 RMB'000	2019 RMB'000
The Group		
Revenue		
Total revenue for reportable segments (Note 23)	**1,091,715**	1,731,548
Profit or loss		
Total profit before tax for reportable segments	**15,995**	58,902
Post-tax gain on disposal of a subsidiary	**36,170**	–
Unallocated amounts:		
– Other income	**209**	1,943
– Other expense (head office expenses)	**(18,069)**	(15,510)
– Tax expense	**(3,986)**	(18,434)
Consolidated profit for the year	**30,319**	26,901
Assets		
Total assets for reportable segments	**730,568**	2,181,921
Elimination of inter-segment assets	**(1,590)**	–
Other unallocated amounts	**3,010**	30,176
Consolidated total assets	**731,988**	2,212,097
Liabilities		
Total liabilities for reportable segments	**108,877**	1,619,414
Elimination of inter-segment liabilities	**–**	(1,532)
Other unallocated amounts	**5,472**	3,589
Consolidated total liabilities	**114,349**	1,621,471

	Reportable segment total RMB'000	Unallocated amounts RMB'000	Consolidated Total RMB'000
Other material items 2020			
Interest income (Note 24)	**917**	**–**	**917**
Interest expense (Note 25)	**(16,631)**	**(7)**	**(17,959)**
Depreciation and amortisation (Note 27)	**(45,899)**	**(80)**	**(45,979)**
Capital expenditure (Note 4)	**(51,977)**	**–**	**(51,977)**
Other material items 2019			
Interest income (Note 24)	418	–	418
Interest expense (Note 25)	(22,160)	(23)	(22,183)
Depreciation and amortisation (Note 27)	(72,329)	(178)	(72,507)
Capital expenditure (Note 4)	(74,621)	–	(74,621)

Geographical segments

Geographical segments are analysed by the following principal geographical areas: Singapore, China, Bangladesh and Sri Lanka.

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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

33 OPERATING SEGMENTS (CONTINUED)

Geographical segments (Continued)

Geographical information

	Revenue		Non-current assets[1]	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Singapore	**–**	–	**35,754**	221
China	**1,087,413**	1,717,359	**377,130**	327,823
Bangladesh	**–**	3,285	**–**	–
Sri Lanka	**4,302**	10,904	**–**	–
Total	**1,091,715**	1,731,548	**412,884**	328,044

(1) Excludes deferred tax assets

Major customers

Revenue from two (2) customers of the Infrastructure segment (2019 – two (2) customers of the Infrastructure segment) represents approximately 39% (2019 – 25%) of the Group's total revenue.

34 SUBSEQUENT EVENTS

Chengdu Kai Qi Rui Business Management Co., Ltd. ("Chengdu KQR"), has increased the cost of investment in the associate company, Ranken Railway Construction Group Co., Ltd. ("Ranken Railway"), from RMB245,026,942 to RMB277,309,348 by way of capitalisation of dividends of RMB12,282,406 distributed by Ranken Railway and RMB20,000,000 via cash injection from internal resources, in total of RMB32,282,406 ("Increase in Share Capital").

The Executive Chairman of the Group, Mr Cheung Wai Suen, and the Investor has proportionately increased their investment in Ranken Railway in the same manner mentioned above and the percentage of shareholdings by Chengdu KQR in Ranken Railway remains the same after the Increase in Share Capital.

SHAREHOLDINGS STATISTICS

AS AT 22 MARCH 2022

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 22 MARCH 2022

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	1,101	14.40	43,107	0.01
100 – 1,000	1,863	24.37	862,258	0.21
1,001 – 10,000	3,458	45.23	13,453,207	3.30
10,001 – 1,000,000	1,197	15.66	64,057,312	15.72
1,000,001 AND ABOVE	26	0.34	329,174,009	80.76
TOTAL	**7,645**	**100.00**	**407,589,893**	**100.00**

TWENTY LARGEST SHAREHOLDERS

AS AT 22 MARCH 2022

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	OCBC SECURITIES PRIVATE LTD	178,432,034	43.78
2	UOB KAY HIAN PTE LTD	67,698,303	16.61
3	CITIBANK NOMINEES SINGAPORE PTE LTD	12,068,496	2.96
4	NIPPON PAINT (SINGAPORE) COMPANY PRIVATE LIMITED	8,632,111	2.12
5	ENG KOON HOCK	6,088,000	1.49
6	SICHUAN SHUNTONG MINE INDUSTRY GROUP LTD	6,051,388	1.48
7	PHILLIP SECURITIES PTE LTD	5,763,115	1.41
8	RAFFLES NOMINEES (PTE) LIMITED	4,860,622	1.19
9	DBS NOMINEES PTE LTD	4,356,668	1.07
10	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	3,848,702	0.94
11	LOKE GIM TAY	3,788,066	0.93
12	UNITED OVERSEAS BANK NOMINEES PTE LTD	3,391,371	0.83
13	OCBC NOMINEES SINGAPORE PTE LTD	2,919,660	0.72
14	SHIU TAI WAI	2,516,200	0.62
15	MAYBANK SECURITIES PTE. LTD.	2,239,834	0.55
16	SIM TOCK MANG	2,100,000	0.52
17	HSBC (SINGAPORE) NOMINEES PTE LTD	2,043,200	0.50
18	ZHANG ZHIHU	1,958,333	0.48
19	DENNIS OH TIONG JEE	1,951,200	0.48
20	DBSN SERVICES PTE LTD	1,562,466	0.38
	TOTAL	**322,269,769**	**79.06**

SHAREHOLDINGS STATISTICS

AS AT 22 MARCH 2022

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Best Feast Limited	171,495,264	42.08	–	–	171,495,264	42.08
Cheng Du Wu Xing Ke Trading Limited(1)	–	–	171,495,264	42.08	171,495,264	42.08
Ms Wang Heng(2)	625,000	0.15	171,495,264	42.08	172,120,264	42.23
Ou Rui Limited	57,997,667	14.23	–	–	57,997,667	14.23
Mr Li Xiaobo(3)	–	–	57,997,667	14.23	57,997,667	14.23

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 22 March 2022 approximately 44% 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 22 March 2022.

The Company does not have any subsidiary holdings as at 22 March 2022.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty Fifth Annual General Meeting of **SAPPHIRE CORPORATION LIMITED** (the "**Company**") will be convened and held by way of electronic means on Thursday, 28 April 2022 at 10.00 a.m. (Singapore Time) 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 2020 together with the Reports of the Auditors thereon. **(Resolution 1)**

2. To approve the payment of additional Directors' fees of S$74,750 for the financial year ended 31 December 2020 to be paid in cash and/or shares. **(Resolution 2)**

3. To approve the payment of Directors' fees of S$162,620 for the financial year ended 31 December 2021 to be paid in cash and/or shares (2020: S$176,247). **(Resolution 3)**

4. To approve the following re-election of Directors:

   (a) To re-elect Mr Cheung Wai Suen who retires pursuant to Regulation 89 of the Company's Constitution and who, being eligible, offer himself for re-election.

   [See Explanatory Note (i)] **(Resolution 4)**

   (b) To re-elect Mr Tay Eng Kiat Jackson who retires pursuant to Regulation 89 of the Company's Constitution and who, being eligible, offer himself for re-election.

   [See Explanatory Note (ii)] **(Resolution 5)**

   (c) To re-elect Professor Zhang Weiguo 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)**

5. To re-appoint Foo Kon Tan LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

7. Authority to allot and issue shares in the capital of the Company – Share Issue Mandate

   "That, pursuant to Section 161 of the Companies Act 1967 (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

NOTICE OF ANNUAL GENERAL MEETING

(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 per cent (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, 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, 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 (iv)] **(Resolution 8)**

8. Authority to grant awards and issue shares under the Sapphire Share Award Scheme

"That in accordance with the provisions of the Sapphire Share Awards Scheme (the "**Scheme**") and pursuant to Section 161 of the Companies Act 1967 of Singapore, the Directors of the Company be and are hereby authorised to grant share awards ("**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 (v)] **(Resolution 9)**

By Order of the Board
Sapphire Corporation Limited

Wang Heng
Chief Executive Officer and Executive Director
Singapore, 13 April 2022

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:–

(i) Further to the re-election of Mr Cheung Wai Suen pursuant to Ordinary Resolution 4, he will continue to serve as the executive Chairman of the Company.

(ii) Further to the re-election of Mr Tay Eng Kiat Jackson pursuant to Ordinary Resolution 5, he will continue to serve as a Chairman of the Audit and Risk Committee, a member of the Nominating Committee and the Remuneration 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**").

(iii) Further to the re-election of Professor Zhang Weiguo pursuant to Ordinary Resolution 6, he will continue to serve as a Chairman of the Remuneration Committee, a member of the Audit and Risk Committee and the Nominating Committee of the Company and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

(iv) The Ordinary Resolution 8 proposed in item 7 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 8 is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

(v) The Ordinary Resolution 9 proposed in item 8 above, if passed, will empower the Directors of the Company to grant Awards pursuant to the Scheme and to allot and issue shares pursuant to the vesting of the Awards under the Scheme. The Scheme was approved by the shareholders of the Company in the annual general meeting of the Company on 26 April 2018.

Important Notes to Shareholders on arrangements for the AGM:

1. Pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, the Annual General Meeting will be held by way of electronic means on Thursday, 28 April 2022 at 10.00 a.m. (Singapore Time) for the purpose of considering and if thought fit, passing, with or without any modification, the Ordinary Resolutions set out in the Notice of Annual General Meeting dated 13 April 2022.

2. Printed copies of this Notice of Annual General Meeting and the Annual Report for the financial year ended 31 December 2020 (the "**FY2020 Annual Report**") will not be sent to members. Instead, this Notice of Annual General Meeting and the FY2020 Annual Report may be accessed at the Company's website at the URL https://www.sapphirecorp.com.sg. This Notice of Annual General Meeting and the FY2020 Annual Report are also available on SGXNET at the URL https://www.sgx.com/securities/company-announcements.

3. Alternative arrangements relating to attendance at the Annual General Meeting of the Company via electronic means (including arrangements by which the proceedings of the Annual General Meeting of the Company may be electronically accessed via live audio-visual webcast or live audio-only stream), submission of comments, queries and/or questions to the Chairman of the Meeting in advance of the Annual General Meeting of the Company, addressing of substantial and relevant questions at the Annual General Meeting of the Company and voting by appointing the Chairman of the Meeting as proxy at the Annual General Meeting of the Company, are set out in the Company's accompanying announcement dated 13 April 2022. This announcement may be accessed at the Company's website at the URL https://www.sapphirecorp.com.sg. This announcement is also available on SGXNET at the URL https://www.sgx.com/securities/company-announcements.

3. **Due to the current COVID-19 advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore, the Annual General Meeting will be held by way of electronic means and members will not be able to attend the Annual General Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting is such member wishes to exercise his/her/its voting rights at the Annual General Meeting.** The Proxy Form may be accessed at the Company's website at the URL https://www.sapphirecorp.com.sg and is also available on SGXNET at the URL https://www.sgx.com/securities/company-announcements. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

4. The Chairman of the Meeting, acting as proxy, need not be a member of the Company.

5. The Proxy Form must be submitted to the Company in the following manner:

   (a) if submitted by post, be deposited at the Share Registrar's office at 80 Robinson Road, #11-02, Singapore 068898; or

   (b) if submitted electronically, be submitted via email in Portable Document Format (PDF) format to the Share Registrar at sg.is.proxy@sg.tricorglobal.com.

   in either case, by 10.00 a.m. (Singapore Time) on Monday, 25 April 2022 at least 72 hours before the time fixed for holding the Annual General Meeting of the Company and/or any adjournment thereof. A member who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or by scanning and submitting it by way of electronic means via email to the email address provided above. **In view of the current COVID-19 restriction orders and the related safe distancing measures in Singapore which may make it difficult for members to submit the completed Proxy Forms by post, members are strongly encouraged to submit the completed Proxy Forms by way of electronic means via email.**

   Members who hold shares under CPF or SRS, who wish to appoint the Chairman of the Annual General Meeting as their proxy, should approach their Central Provident Fund and SRS Operators Agent Banks (as the case may be) to submit their votes by, 5.00 p.m. (Singapore Time) on Monday, 18 April 2022, being at least seven (7) working days before the Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

PERSONAL DATA PRIVACY

By submitting the Proxy Form appointing the Chairman of the Meeting as proxy to attend, speak and vote at the Annual General Meeting of the Company and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the Meeting as proxy for the Annual General Meeting of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting of the Company (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

APPENDIX A – KEY INFORMATION OF DIRECTORS TO BE RE-ELECTED

AS AT 13 APRIL 2022

Key Information	Name of Director		
	Cheung Wai Suen	**Tay Eng Kiat Jackson**	**Zhang Weiguo**
Date of appointment	16 March 2016	24 October 2019	14 January 2022
Date of last re-appointment	30 April 2019	29 June 2020	Not applicable
Age	58	45	55
Country of principal residence	People's Republic of China	Singapore	Canada
The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations and the search and nomination process)	The Board of Directors, having reviewed the recommendation of Nominating Committee, and the qualifications and working experience of Mr Cheung Wai Suen ("**Mr Cheung**"), is of the view that he has the requisite experience and capabilities to assume the responsibilities as the Chairman and Executive Director of the Company. Accordingly, the Board of Directors has approved the appointment of Mr Cheung as the Chairman and Executive Director of the Company.	The Board of Directors, having considered the recommendation of the Nominating Committee, and having reviewed the qualifications and working experience of Mr Tay Eng Kiat Jackson ("**Mr Tay**"), is of the view that he has the requisite experience and capabilities to assume the responsibilities as an Independent Non-Executive Director of the Company. Accordingly, the Board of Directors has approved the appointment of Mr Tay as an Independent Non-Executive Director of the Company.	The Board of Directors, having considered the recommendation of the Nominating Committee and having reviewed and considered the qualifications, working experience and suitability of Professor Zhang Weiguo ("**Professor Zhang**"), is of the view that Professor Zhang has the requisite experience and capability to assume the responsibility as an Independent Director of the Company. Accordingly, the Board of Directors approved the appointment of Professor Zhang as an Independent Director of the Company.
Whether the appointment is executive and if so, please state the area of responsibility	The appointment is executive and Mr Cheung will continue to serve as an Executive Director of Ranken Railway Construction Group Co., Ltd. ("**Ranken**") and Chengdu Kai Qi Rui Business Management Co., Ltd ("**Chengdu KQR**"). His area of responsibility includes strategic planning for overseas expansion, overseeing key operational matters and marketing strategies, as well as formulating the overall corporate and investment strategies of Ranken and Chengdu KQR.	Non-Executive	Non-Executive

APPENDIX A – KEY INFORMATION OF DIRECTORS TO BE RE-ELECTED

AS AT 13 APRIL 2022

Key Information	Name of Director		
	Cheung Wai Suen	Tay Eng Kiat Jackson	Zhang Weiguo
Job title (e.g. Lead ID, AC Chairman, AC member, etc)	Chairman and Executive Director	Independent Non-Executive Director, Chairman of the Audit and Risk Committee, a member of the Nominating Committee and the Remuneration Committee	Independent Director, the Chairman of the Remuneration Committee, a member of the Audit and Risk Committee, a member of the Nominating Committee
Professional memberships/ qualifications	Bachelor of Law from Renmin University of China Executive MBA from Peking University's Guanghua School of Management	Bachelor of Accountancy (Minor in Marketing) degree from Nanyang Technological University Member of the Institute of Singapore Chartered Accountants Member of the Singapore Institute of Directors	Bachelor of Marine Engineering Management, Dalian Maritime University, China Master's Degree in International Trade, Ocean University of China Master's Degree in Senior Business Administration, Guanghua School of Management, Peking University PhD in Marxism Sinicization studies, School of Humanities and Social Sciences, Dalian Maritime University, China
Working experience and occupation(s) during the past 10 years	1998 – present: Executive Director of Ranken Railway Construction Group Co., Ltd	2019 – Present: Chairman and Independent Director of Sim Leisure Group Limited 2017 – Present: Independent Director of OUE Lippo Healthcare Limited 2015 – 2015: Chief Operating Officer of Hafary Holdings Limited 2015 – 2015: Chief Financial Officer of SingHaiyi Group Ltd. 2009 – 2015: Financial Controller of Hafary Holdings Limited	May 2011 – April 2013: Director and President of Shandong Shipping Corporation April 2013 – October 2015: Professor, Doctoral Supervisor, College of Transportation Management, Dalian Maritime University, China Director of World Maritime Research Center, Dalian Maritime University, China September 2013 – September 2016: Visiting Scholar, Beedie School of Business, Jack Austin Centre for Asia Pacific Business Studies, Simon Fraser University, Canada

APPENDIX A – KEY INFORMATION OF DIRECTORS TO BE RE-ELECTED

AS AT 13 APRIL 2022

Key Information	Name of Director		
	Cheung Wai Suen	**Tay Eng Kiat Jackson**	**Zhang Weiguo**
			2015 – 2017: Researcher at the Institute of Strategic Research, Peking University, China September 2016 – September 2019: Researcher, Beedie School of Business, Jack Austin Centre for Asia Pacific Business Studies, Simon Fraser University, Canada September 2019 – September 2021: Visiting Scholar, Beedie School of Business, Jack Austin Centre for Asia Pacific Business Studies, Simon Fraser University, Canada 2016 – present: Visiting Professor, College of Transportation Management, Dalian Maritime University, China 2016 – present: Chief Researcher of GBIC (Grizzly Bear Institute Centre, Canada)

APPENDIX A – KEY INFORMATION OF DIRECTORS TO BE RE-ELECTED

AS AT 13 APRIL 2022

Key Information	Name of Director		
	Cheung Wai Suen	Tay Eng Kiat Jackson	Zhang Weiguo
Shareholding interest in the Company and its subsidiaries	Mr Cheung owns 2.0% and 0.36% direct interest in Chengdu Kai Qi Rui Business Management Co., Ltd and Ranken Railway Construction Group Co., Ltd, (subsidiaries of the Group for FY2020. Ranken Railway became an associate company instead of a subsidiary post-completion of the Transaction on 27 October 2020 as announced by the Company on 30 October 2020), respectively. Mr Cheung also owns an effective interest of 0.4% in Sichuan Yilong Equipment Co., Ltd. and Chengdu Shengshi Jialong City Management Service Co., Ltd. (formerly known as Chengdu Jialong Property Service Co., Ltd.).	No	No
Any relationship (including immediate family member relationships) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company or any of its principal subsidiaries	No	No	No
Conflict of Interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) submitted to the Company?	Yes	Yes	Yes

APPENDIX A – KEY INFORMATION OF DIRECTORS TO BE RE-ELECTED

AS AT 13 APRIL 2022

Key Information	Name of Director		
	Cheung Wai Suen	**Tay Eng Kiat Jackson**	**Zhang Weiguo**
Other Principal Commitments including Directorships			
Present	Executive Director of Ranken Railway Construction Group Co., Ltd Executive Director of Chengdu Kai Qi Rui Business Management Co., Ltd Chengdu Fulimeng Environmental Protection Big Data Co., Ltd. (Director)	Hafary Holdings Limited, Chief Operating Officer and Company Secretary Sim Leisure Group Limited, Chairman and Independent Director OUE Lippo Healthcare Limited, Independent Director Hafary Pte Ltd, Director Hafary Centre Pte Ltd, Director Hafary Balestier Showroom Pte Ltd, Director Hafary W+S Pte Ltd, Director One Heart Investment Pte Ltd, Director One Heart International Trading Private Ltd, Director Wood Culture Pte Ltd, Director Xquisit Pte Ltd, Director Hap Seng Investment Holdings Pte. Ltd., Director Hap Seng Building Materials Marketing Pte. Ltd., Director HSC Melbourne Holding Pte. Ltd., Director HSC Brisbane Holding Pte. Ltd., Director	2015 – Present: Director – Tedbear Consulting Corporation, BC, Canada 2015 – Present: Director – Archiact Interactive Ltd., BC, Canada 2018 – Present: Director – Zhang Jiawei Research Fund for Niche Behavioral Economics Ltd 2019 – Present: Director – Niche Foundation Ltd

APPENDIX A – KEY INFORMATION OF DIRECTORS TO BE RE-ELECTED

AS AT 13 APRIL 2022

Key Information	Name of Director		
	Cheung Wai Suen	**Tay Eng Kiat Jackson**	**Zhang Weiguo**
		HSC Manchester Holding Pte. Ltd., Director HSC London Holding Pte. Ltd., Director HSC Leeds Holding Pte. Ltd., Director HSC Bristol Holding Pte. Ltd., Director HSC Nottingham Holding Pte. Ltd., Director MML Marketing Pte. Ltd., Director Hafary Crescent Pte. Ltd., Director	
Past (in the last 5 years)	Nil	Nil	Nil
General Statutory Declaration of Directors			
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No

APPENDIX A – KEY INFORMATION OF DIRECTORS TO BE RE-ELECTED

AS AT 13 APRIL 2022

Key Information	Name of Director		
	Cheung Wai Suen	**Tay Eng Kiat Jackson**	**Zhang Weiguo**
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No

APPENDIX A – KEY INFORMATION OF DIRECTORS TO BE RE-ELECTED

AS AT 13 APRIL 2022

Key Information	Name of Director		
	Cheung Wai Suen	Tay Eng Kiat Jackson	Zhang Weiguo
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No

APPENDIX A – KEY INFORMATION OF DIRECTORS TO BE RE-ELECTED

AS AT 13 APRIL 2022

Key Information	Name of Director		
	Cheung Wai Suen	Tay Eng Kiat Jackson	Zhang Weiguo
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–			
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No

APPENDIX A – KEY INFORMATION OF DIRECTORS TO BE RE-ELECTED

AS AT 13 APRIL 2022

Key Information	Name of Director		
	Cheung Wai Suen	Tay Eng Kiat Jackson	Zhang Weiguo
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere	No	No	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?			
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No

APPENDIX A – KEY INFORMATION OF DIRECTORS TO BE RE-ELECTED

AS AT 13 APRIL 2022

Key Information	Name of Director		
	Cheung Wai Suen	**Tay Eng Kiat Jackson**	**Zhang Weiguo**
Prior Experience as a Director of a Listed Company on the Exchange			
Any prior experience as a director of an issuer listed on the Exchange?	Not applicable.	Not applicable.	No.
Attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange?	Not applicable.	Not applicable.	The director was appointed on 14 January 2022 and has declared that the director does not have prior experience as a director of an issuer listed on the Exchange. The director will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable.	Not applicable.	Not applicable.

SAPPHIRE CORPORATION LIMITED
盛世企业有限公司
Company Registration No. 198502465W

IMPORTANT:

1. The Annual General Meeting ("**AGM**") is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. The Notice of AGM may be accessed at (a) the Company's website at http://sapphirecorp.listedcompany.com/home.html; and (b) on the SGX website at https://www.sgx.com/securities/company-announcements.
3. Arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the accompanying Company's announcement dated 13 April 2022. This announcement may be accessed at the Company's website at http://sapphirecorp.listedcompany.com/home.html, and will also be made available on the SGX website at https://www.sgx.com/securities/company-announcements.
4. Due to the current COVID-19 advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore, the AGM will be held by way of electronic means and members of the Company will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/ its voting rights at the AGM. Notwithstanding that a member is unable to vote in person, a member may attend the AGM in the manner as set out in the accompanying Company's announcement dated 13 April 2022.
5. CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. (Singapore Time) on Monday, 18 April 2022, being at least seven (7) working days before the date of the AGM.
6. By submitting this proxy form, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 13 April 2022.
7. **Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the Meeting as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.**

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ... (name) ....(NRIC/Passport/Company Registration Number*) of .... (address)

being a member/members* of **Sapphire Corporation Limited** (the "**Company**"), hereby appoint the Chairman of the Annual General Meeting of the Company ("**AGM**") as my/our* proxy to attend, speak and vote for me/us* on my/our* behalf at the AGM to be convened and held by way of electronic means on Thursday, 28 April 2022 at 10.00 a.m. (Singapore Time) and at any adjournment thereof.

I/We* direct the Chairman of the AGM to vote for or against, or abstain from voting on, the resolutions to be proposed at the AGM as indicated hereunder. **In absence of specific instructions as to voting, or abstentions from voting, in respect of a resolution, the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.**

No.	Ordinary Resolutions relating to:	Number of Votes For#	Number of Votes Against#	Number of Votes Abstain#
1.	To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2020 together with the Reports of the Auditors thereon.			
2.	To approve the payment of additional Directors' fees of S$74,750 for the financial year ended 31 December 2020 to be paid in cash and/or shares.			
3.	To approve the payment of Directors' fees of S$162,620 for the financial year ended 31 December 2021 to be paid in cash and/or shares.			
4.	To re-elect Mr Cheung Wai Suen as Director of the Company.			
5.	To re-elect Mr Tay Eng Kiat Jackson as Director of the Company.			
6.	To re-elect Professor Zhang Weiguo as Director of the Company.			
7.	To re-appoint Foo Kon Tan LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.			
8.	To approve to the Directors to allot and issue shares in the capital of the Company – Share Issue Mandate.			
9.	To approve the authority for Directors to grant awards and issue shares under the Sapphire Share Award Scheme.			

* Delete as appropriate.
\# If you wish to appoint the Chairman of the Meeting as your proxy to cast all your votes "For" or "Against" a resolution, please mark an "X" within the box provided in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box in respect of that resolution. If you wish to appoint the Chairman of the Meeting as your proxy to abstain from voting on a resolution, please mark a "√" in the "Abstain" box in respect of that resolution. Alternatively, please indicate the number of shares that the Chairman of the Meeting, as your proxy, is directed to abstain from voting in the "Abstain" box in respect of that resolution. In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Meeting as your proxy for that resolution will be treated as invalid.

Dated this .... day of 2022

Total Number of Shares Held

....

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. Printed copies of this Notice of Annual General Meeting and the Annual Report for the financial year ended 31 December 2020 (the "**FY2020 Annual Report**") will not be sent to members. Instead, this Notice of Annual General Meeting and the FY2020 Annual Report may be accessed at the Company's website at http://sapphirecorp.listedcompany.com/home.html. This Notice of Annual General Meeting and the FY2020 Annual Report are also available on SGXNET at https://www.sgx.com/securities/company-announcements.

2. Alternative arrangements relating to attendance at the Annual General Meeting of the Company via electronic means (including arrangements by which the proceedings of the Annual General Meeting of the Company may be electronically accessed via live audio-visual webcast or live audio-only stream), submission of comments, queries and/or questions to the Chairman of the Meeting in advance of the Annual General Meeting of the Company, addressing of substantial and relevant questions at the Annual General Meeting of the Company and voting by appointing the Chairman of the Meeting as proxy at the Annual General Meeting of the Company, are set out in the Company's accompanying announcement dated 13 April 2022. This announcement may be accessed at the Company's website at http://sapphirecorp.listedcompany.com/home.html. This announcement is also available on SGXNET at https://www.sgx.com/securities/company-announcements.

3. Please insert the total number of shares held by you. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If no number is inserted, this Proxy Form shall be deemed to relate to all the shares held by you.

4. **Due to the current COVID-19 advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore, the Annual General Meeting will be held by way of electronic means and member will not be able to attend the Annual General Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting is such member wishes to exercise his/her/its voting rights at the Annual General Meeting.** The Proxy Form for the Annual General Meeting of the Company may be accessed at the Company's website at http://sapphirecorp.listedcompany.com/home.html and is also available on SGXNET at https://www.sgx.com/securities/company-announcements. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

5. The Chairman of the Meeting, as proxy, need not be a member of the Company.

6. The Proxy Form must be submitted to the Company in the following manner:

   (a) if submitted by post, be deposited at the Share Registrar's office at 80 Robinson Road, #11-02, Singapore 068898; or

   (b) if submitted electronically, be submitted via email in Portable Document Format (PDF) format to the Share Registrar at sg.is.proxy@sg.tricorglobal.com.

   in either case, by 10.00 a.m. (Singapore Time) on Monday, 25 April 2022 which is at least 72 hours before the time fixed for holding the Annual General Meeting of the Company and/or any adjournment thereof. A member who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or by scanning and submitting it by way of electronic means via email to the email address provided above. **In view of the current COVID-19 advisories issued by the relevant authorities and the related safe distancing measures in Singapore, members are strongly encouraged to submit the completed Proxy Forms by way of electronic means via email.**

7. Members who hold shares under CPF or SRS, who wish to appoint the Chairman of the Annual General Meeting as their proxy, should approach their Central Provident Fund and SRS Operators Agent Banks (as the case may be) to submit their votes by, 5.00 p.m. (Singapore Time) on Monday, 18 April 2022, being at least seven (7) working days before the Annual General Meeting.

8. Where the Proxy Form is executed by an individual, it must be executed under the hand of the individual or his attorney duly authorized. Where the proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorized.

9. 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.

10. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act 1967 of Singapore.

11. Any amendments or modifications made in a Proxy Form must be initialled by the person who signs the Proxy Form.

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 Annual General Meeting, 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 Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the Annual General Meeting.

PERSONAL DATA PRIVACY:

By submitting the Proxy Form appointing the Chairman of the Meeting as proxy to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the Meeting as proxy for the Annual General Meeting of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting of the Company (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any AGM laws, listing rules, take-over rules, regulations and/or guidelines.

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 Jackson Tay Eng Kiat
Professor Zhang Weiguo

AUDIT AND RISK COMMITTEE
Mr Jackson Tay Eng Kiat (Chairman)
Mr Oh Eng Bin
Professor Zhang Weiguo

NOMINATING COMMITTEE
Mr Oh Eng Bin (Chairman)
Ms Wang Heng
Mr Jackson Tay Eng Kiat
Professor Zhang Weiguo

REMUNERATION COMMITTEE
Professor Zhang Weiguo (Chairman)
Mr Oh Eng Bin
Mr Jackson Tay Eng Kiat

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

PARTNER-IN-CHARGE
Mr Kong Chih Hsiang Raymond
(Partner from Financial Year Ended 2020)

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www.sapphirecorp.com.sg