SAPPHIRE
盛世企业

STRENGTHENING OUR FOCUS

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CORPORATE PROFILE

Sapphire Corporation Limited ("Sapphire" or the "Group") is an investment management and holding company with a business model aligned towards urbanisation trends. Particularly, the Group is principally engaged in the engineering, procurement and construction ("EPC") business related to the land transport infrastructure and water conservancy and environmental projects in China.

Sapphire is incorporated in Singapore and has been listed on the Mainboard of the Singapore Exchange since 1999. The Group owns a 100% stake in China-based EPC business Ranken Holding Co., Limited ("Ranken") and its subsidiaries, which it acquired on 1 October 2015 as part of a new growth strategy via earnings-accretive investment.

Founded in 1998, Ranken is incorporated in Hong Kong and based in Chengdu. It is a full-fledged EPC firm and one of the largest privately owned integrated urban rail transport infrastructure groups in China. Ranken holds full Triple-A qualifications and licences for design, supervision, construction and project consultation in the urban rail sector. Ranken'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.

In 2019, Ranken was awarded a certification from the Science and Technology Bureau of Sichuan Province for its achievement in "Intelligent Project Management Cloud Platform for BIM Technology" and a business award from Chengdu Wuhou Business Association.

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。集团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。

盛世在新加坡注册，于1999年在新加坡交易所主板上市。集团持有中国公司--中铁隆控股有限公司(“中铁隆”)100%的股权，中铁隆及其下属子公司以EPC业务为主，2015年10月1日被成功并入盛世集团，丰厚的投资业绩使它成为了集团战略增长的主要部分。

成立于1998年，中铁隆在香港注册，总部设在成都。它是一家成熟的EPC公司，同时也是中国最大的民营城市轨道交通建设集团之一。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。

2019年中铁隆获得四川省科学技术厅颁发的”基于BIM技术的智慧工程项目管理云平台”的科学技术成果证书和成都市武侯区工商业联合会颁发的光彩事业优秀企业。

CORPORATE DEVELOPMENT

2019

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

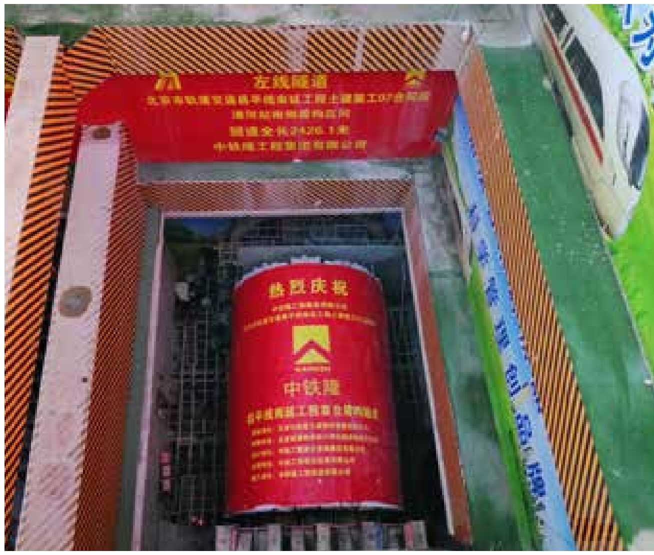
NOVEMBER 2019

- 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)

Beijing Metro's Changping Line



2018

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

CORPORATE DEVELOPMENT

Hangzhou Project

2017

MAY 2017

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

AUGUST 2017

- 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)

2016

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)

2015

SEPTEMBER 2015

- EGM – Obtained shareholders' approval for Acquisition of Ranken

OCTOBER 2015

- Completion of Acquisition of Ranken

DECEMBER 2015

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

Livable River Bank Project in Chengdu

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 2019 ("FY2019").

With a business model aligned towards China's macro urbanisation trends and environmental policies under the country's 2016-2020 13th Five-Year Plan, the Group continue to focus on harnessing opportunities in new and adjacent growth platforms as an established integrated infrastructure design and construction group in China.

Adopting a two-prong strategy, the Group has identified new business opportunities within China's urbanisation trends as follows:

1. Urban railway transit related projects, including traditional engineering, procurement and construction ("EPC") projects and, potentially design, construction and operations in Transit-Oriented Development ("TOD") projects; and
2. Environmental conservation and water environmental improvement projects

To have the financial flexibility to continue our growth momentum by seizing new business opportunities related to our two-prong strategy, the Group completed a non-renounceable non-underwritten rights issue ("Rights Issue") of 81,517,978 new ordinary shares in the capital of the Company 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.

As a result, the Company raised net proceeds of approximately S$9.98 million from the Rights Issue.

With a larger equity base and stronger financial foundation, the Group has focused on executing our two-prong strategy over the past year and I shall leave it to our Executive Director and Chief Executive Officer, Ms Wang Heng, to share more details of our corporate progress in the next few pages.

REVIEW OF FY2019 FINANCIAL PERFORMANCE

In FY2019, the Group recorded revenue of approximately RMB1.73 billion with gross profit rising by RMB20.1 million to RMB154.0 million. Overall, the Group's gross profit margin in FY2019 improved to 8.9% as compared to 7.5% in FY2018, which was due to higher margin achieved for the Group's "Livable River Bank" project in Chengdu.

The Group's selling and distribution costs fell by RMB4.1 million to approximately RMB6.5 million in FY2019, mainly due to lower travelling expenses and effective costs control. Separately, the Group's administrative expenses rose by RMB10.3 million to approximately RMB68.5 million, mainly due to higher staff costs incurred by Ranken.

各位股东：

我很荣幸代表董事会全体董事，提交盛世集团2019年度的年度报告和经审计的财务报表。

在中国2016-2020年“十三五”规划、宏观城市化趋势和环境政策改革的大环境影响下，集团的战略模式一直与国家政策保持一致。作为一家在中国设立的综合性基础设施设计和建设集团，我们将继续专注于开发新的增长平台，不断发掘新的商机。

集团采取“双主业”战略，在中国城市化趋势中，集团的业务包括：

1. 与城市轨道交通相关的项目，包括传统的EPC项目，以及潜在的以地铁站点周边综合开发为主的TOD项目的设计、建设和运营；
2. 环境保护和水环境治理项目。

为了在双主业战略上及时抓住商机，保持企业经济增长，集团需要更多的财务灵活性。因此，集团实施了不可撤销的非包销供股，在现有股本的基础上，以新币0.128元每股的价格发行了81,517,978股普通股。

最终，公司通过供股筹集了约新币998万元。

在过去的一年里，更大的股本基础和更强的财务实力使我们拥有足够的财务灵活性来支撑双主业战略的发展。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的细节。

2019年度财务业绩回顾

2019财年，集团实现收入约人民币17.3亿元，毛利润增长了人民币2,010万元，至人民币1.54亿元。总体而言，集团在2019财年的毛利率从2018财年的7.5%提高到8.9%，主要基于集团在成都的”宜居水岸”项目实现的更高毛利率。

集团在2019财年的销售和分销成本下降了人民币410万元，降至约人民币650万元，主要是由于更低的差旅费用和有效的成本控制。另外，集团的管理费用增加了人民币1030万元，达到约人民币6,850万元，这主要是由于中铁隆的人工成本增加。

CHAIRMAN'S MESSAGE

The Group's finance costs rose by RMB1.8 million to approximately RMB22.2 million in FY2019, mainly due to higher interest expense incurred for banks and financial institution offset by lower interest expense for corporate bonds and finance leases.

Overall, the Group's net profit attributable to shareholders increased by 61.1% to approximately RMB26.4 million in FY2019. More details of the Group's Audited Financial Statements for FY2019 can be found within this annual report.

With a conservative financial management policy, the Group's total assets increased to approximately RMB2.2 billion as at 31 December 2019, of which current assets accounted for the majority component at approximately RMB1.9 billion that includes contract assets (RMB911.7 million), trade receivables (RMB564.9 million), other receivables (RMB186.4 million), cash and cash equivalents (RMB169.3 million), inventories (RMB34.9 million) and other investment (RMB3.2 million).

As at end December 2019, the Group's total liabilities decreased to approximately RMB1.6 billion, which was mainly due to the lower contract liabilities and loans and borrowings.

As at 31 December 2019, the Group's shareholders' equity increased to approximately RMB579.7 million, while net asset value per share stood at RMB142.23 cents.

CORONAVIRUS DISEASE 2019 ("COVID-19")

Due to the COVID-19 outbreak in China, the Group's subsidiary, Ranken, resumed operations on 9 February 2020 but employees have been encouraged to work from home unless otherwise required.

In March 2020, some of the work sites in relation to the Group's ongoing urban railway projects have progressively started work and as of the date of this report, all construction operations and activities have resumed.

The prolonged delay in resumption of normal operations has impacted the Group's financial results in the new year and at this juncture, it is difficult to ascertain the full financial impact of the COVID-19 on the financial performance of the Group for the financial year ending on 31 December 2020.

NOTE OF APPRECIATION

The work that we do are essential components of livable cities and we are proud to play a key role in improving the quality of life of citizens and making a positive impact to communities.

As such, on behalf of the Board, I would like to express our heartfelt thanks to our employees as it would not have been possible without their collective teamwork, passion and professionalism.

During the year, we welcome Mr Tay Eng Kiat Jackson as the Company's non-executive independent director. Separately, Mr Zhai Guiwu and Professor Chew Yong Tian had stepped down as non-executive independent director.

Please join me in giving thanks to Mr Zhai and Professor Chew for their professionalism and dedication during their tenure in our Company. We wish them the very best in their future endeavors.

In closing, I would like to take this opportunity to express our heartfelt thanks to all our shareholders, business partners and bankers for their continual confidence, support and trust in us.

Working in close collaboration with industry leaders in our targeted markets, we look forward to achieve new milestones and drive growth for our shareholders in 2020 and beyond.

CHEUNG WAI SUEN
Executive Chairman

集团在2019财年的融资成本增加了人民币180万元至约人民币2,220万元，尽管公司债券和融资租赁的利息支出有所减少，但是银行和金融机构的利息支出有更大幅度的增加。

总体而言，集团2019财年的归母净利润增长了61.1%，达到约人民币2,640万元。关于集团2019财年经审计财务报表的更多细节可以在本年度报告中找到。

在保守的财务管理原则下，2019年12月31日集团总资产增至约人民币22亿元，其中流动资产占大多数，大约为人民币19亿元，包括合同资产(9.117亿)、应收账款(5.649亿)、其他应收款(1.864亿)、现金和现金等价物(1.693亿)、存货(3,490万)和其他投资(320万)。

截至2019年12月31日，集团总负债下降至约人民币16亿元，主要是由于合同负债、贷款和借款的下降。

截至2019年12月31日，集团股东权益增至约人民币5.797亿元，每股净资产为人民币1.4223元。

2019年冠状病毒病 ("COVID-19")

由于2019年冠状病毒在中国爆发，集团的子公司中铁隆在2020年2月9日恢复正常运营，但仍鼓励员工除特殊情况外尽量在家工作。

在2020年3月，集团未完工项目中的某些工地已逐步恢复开工运营。截至本报告发布之日，所有施工业务和活动已完全恢复。

项目的延迟开工对集团新一年的财务业绩有一定的影响，但目前，很难预测此次疫情对集团2020财年的财务数据的影响。

感谢辞

我们的工作是宜居城市的重要组成部分，对提高公民生活质量和社区积极影响有着至关重要的作用。为此，我们感到无比自豪。

在此，我谨代表董事会向我们的员工表示衷心的感谢，因为没有他们的集体合作、激情和专业精神，这一切都是不可能的。

在过去的一年里，郑英杰先生出任集团的独立非执行董事。翟贵武先生和周永祥教授辞去了独立非执行董事的职务。

让我们一起感谢翟先生和周教授在集团任职期间的敬业精神和奉献精神。祝愿他们在未来的努力中一切顺利。

最后，我想借此机会，向所有股东、业务伙伴及债务人表示衷心的感谢，感谢他们一直以来对我们的信心、支持及信任。

在2020年及更远的未来，我们希望能够与目标市场的行业领导者合作，不断创造新的业绩里程碑，为我们的股东带来持续的收益与增长。

张伟瑄
执行主席

CEO'S REVIEW

DEAR SHAREHOLDERS,

Amidst weakening market conditions in the domestic economy and the uncertainty of the global economy, particularly with the US-China trade tensions, China's economy grew by 6.1% in 2019, which was the lowest annual growth rate for 29 years.

To boost slowing economic growth, the Chinese government has unveiled a package of policies and measures.

Domestically, China's urbanisation has accelerated the growth and expansion of its urban railway transportation system, which has become one of the most popular and convenient mode of transport.

Separately, China is maintaining its environmental protection goals in 2020 despite slowing economic growth. China will also officially launch its national green development fund in 2020, amid efforts to improve the economic policy system for ecological and environmental protection.

Aligned with these macro trends under China's 2016-2020 13th Five-Year Plan, we strongly believe that Sapphire will be well-positioned to benefit with our two-prong strategy given that our EPC business, Ranken Infrastructure Limited ("Ranken"), is one of China's largest private urban rail engineering companies and Ranken has also built up a growing track record in water environmental improvement projects.

As at 31 December 2019, the Group has an order book of RMB1.4 billion.

Under this two-prong strategy to target urban railway transit related projects and water environmental improvement projects, the Group is aiming for larger projects and to balance our risks, we are working in collaboration with well-known industry partners whom bring their own industry expertise, technical knowledge and financial resources to these projects.

As such, there is strong potential for the Group to build long-term competitive advantages and sustainable growth with new revenue streams.

EXPANDING OUR TRACK RECORD IN URBAN RAILWAY TRANSIT RELATED PROJECTS

With more urban cities in China receiving approvals for urban railway developments, urban railway construction activities are expected to increase progressively. New urban railway stations generally lead to the development of new urban clusters comprising retail, hotels, office towers and residential developments.

各位股东：

在国内经济市场疲软和全球经济不确定性，特别是中美贸易紧张的情况下，中国经济在2019年增长了6.1%，这是29年来最低的年增长率。

为了提振放缓的经济增长，中国政府出台了一系列政策和措施。

国内的城市化进程加快了城市轨道交通系统的发展和扩张，地铁成为了最受欢迎、最便捷的交通方式之一。

尽管经济增长放缓，中国在2020年依然坚持之前所定下的环境保护目标。中国还将在2020年正式启动国家绿色发展基金，不断完善生态环境保护的经济政策体系。

我们的EPC业务公司——中铁隆工程建设有限公司（“中铁隆”）是中国最大的私营城市轨道交通工程公司之一，在中国2016-2020年“十三五”规划的宏观趋势影响下，我们坚信盛世的双主业战略将很好地从这些宏观趋势中受益。

截至2019年12月31日，集团的合同订单约为14亿元人民币。

集团在双主业战略下推行的项目规模都很大，与业内知名的伙伴合作将有助于平衡公司的风险与商业机会。合作伙伴也会将自己的行业专长、技术知识和财务资源引到这些项目中。

由此，集团将会继续加强业务基础，创造新的收入来源，发挥长期竞争优势，寻求可持续增长。

发掘城市铁路运输项目相关的机遇

随着中国越来越多的省市获得城市轨道交通建设的批准，城市轨道交通建设活动预计将会逐步增加。新建的城市火车站通常会带动新的城市集群发展，包括零售、酒店、办公大楼和住宅开发项目。

CEO'S REVIEW

According to the Ministry of Transport of the People's Republic of China, RMB800 billion has been earmarked for railway investment in 2020, roughly in line with the previous three years. The total investment in all of China's railway network will top 4 trillion yuan (US$583 billion) between 2016 and 2020, higher than 3.5 trillion yuan outlined in the five-year development plan.

The first part of our two-prong strategy is focused on urban railway transit related projects, including traditional engineering, procurement and construction ("EPC") projects and, potentially design, construction and operations in Transit-Oriented Development ("TOD") projects.

Combining the progressive integration of China's railway transportation system with the growing needs of urbanisation, it is projected that there will be higher levels of utilisation rates, thereby increasing user dependency on this transportation system. As a result, there will be more investments in railway infrastructure construction, which lead to new opportunities in the market in which we operate.

Notably, Ranken has a strong operating track record of urban railway infrastructure projects in China. With projects across 18 Chinese cities, the geographical coverage of our business presence firmly puts us in the first place among private companies involved in railway infrastructure construction in China.

As a testament to our engineering and design capabilities, 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 in 2019. The Group also entered into a strategic collaboration with Alibaba Cloud Computing to digitise and enhance Ranken's project management capabilities.

In addition, Sapphire has been monitoring the emerging market segment of Transit-Oriented Development ("TOD") model – a strategy that promotes dense, mixed-use, and walkable development near transit stations – that has gained momentum in urban cities in China due to road congestion, air pollution and traffic safety issues.

To explore more opportunities in the TOD industry, the Group has signed a strategic partnership with LWK + PARTNERS in 2019, 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 TOP industry.

STRONG PROSPECTS IN THE PPP PROJECTS RELATED TO ENVIRONMENTAL CONSERVATION AND WATER ENVIRONMENTAL IMPROVEMENT PROJECTS IN CHINA

China is heading into the seventh year of its "war on pollution" and on the back of increasingly stringent environmental protection regulations in China, investments in environmental conservation and water environmental improvement projects in China is expected to reach RMB3.3 trillion under China's 13th Five-Year Plan.

About 3 years ago, the Group outlined the environmental conservation and water environmental improvement market in China as another key component of our business model.

With minimal capital commitment, the Group targets to be a strategic shareholder with the first mover advantage to secure large-scale EPC contract and operations management contract related to these environmental conservation and water environmental improvement Public-Private Partnership ("PPP") projects in China.

中华人民共和国交通运输部数据统计显示，2020年，国内铁路投资将达到8,000亿元，与前三年基本持平。2016年到2020年，中国铁路网总投资将超过4万亿元(5,830亿美元)，这一数字已经超过五年发展规划中提到的3.5万亿元。

集团双主业战略的第一部分集中在城市轨道交通相关的项目建设上，包括传统的工程、采购和建设(“EPC”)项目，以及潜在的以交通为导向项目的设计、施工和运营(“TOD”)。

结合中国铁路运输系统的逐步整合和日益增长的城市化需求，预计会有更高的交通使用率，从而增加用户对这一运输系统的依赖。因此，城市轨道交通建设将会有更多的投资，这将为我们所经营的市场带来新的机遇。

值得注意的是，中铁隆在城市轨道交通建设方面有着良好的运营记录。我们的项目遍布中国18个城市，业务覆盖的地理范围使我们在参与城市轨道交通建设的私营企业中稳居首位。

中铁隆设计院设计的北京地铁8号线，在2019年被英国皇家特许测量师学会列为年度建设项目，这是对我们工程设计能力的证明与认可。中铁隆还与阿里云计算有限公司签署了框架合作协议，携手共建中铁隆数字化引擎。

此外，我们也注意到以交通为导向的新兴发展市场(“TOD”)——即在地铁中转站附近可步行的地域内进行密集的综合开发。由于道路拥堵、空气污染和交通安全问题，这一战略在中国城市发展进程中逐渐被重视。

为了在TOD行业探索更多的机会，在2019年，公司和梁黄顾建筑设计公司签署了一项战略合作协议。梁黄顾建筑设计公司的总部设在香港，在全球拥有11个办事处，公司致力于开发新的设计解决方案，并在行业中分享行业顶级设计经验和知识。

中国环境保护和污水处理相关的PPP项目潜力巨大

中国正进入反污染战争的第七个年头，在中国环境保护法规执行力度日益严格的背景下，根据中国“十三五”规划，环境保护和水环境改善项目的投资预计将达到3.3万亿元人民币。

大概3年前，集团就将环境保护和水环境改善市场定义为我们战略模式的另一个关键组成部分。

集团的目标是成为具有先发优势的战略股东，通过较低的资本投入，在中国获得与这些环境保护和水环境改善PPP项目相关的大型EPC合同和运营管理合同。

CEO'S REVIEW

A PPP project is generally defined as a long-term contract between a government agency and private organisation(s) for the construction and operation of economic and social infrastructure (such as water treatment facilities, utilities and public transport systems). The PPP model has been utilised for many public infrastructure projects and it has been used in many countries.

Securing our maiden 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, this strategy has led to the Group's largest single EPC contract win of RMB832 million in recent years.

The revenue from this PPP project will be derived from government subsidies and operational/management rights of the building infrastructures along the river bank for a 13-year period, whereby the consortium partners are looking to develop new recreational amenities, F&B retail and lifestyle concepts (such as gymnasium) to generate long-term recurring revenue for the Group and consortium partners.

With the completion of the demonstration phase related to first phase of this project in June 2019, the Group is working towards the completion of this project by end of 2020.

Apart from the potential of long-term revenue contribution from the PPP project, the Group will be directly involved in the entire spectrum of the PPP project, thereby accumulating new valuable knowledge and operating experience in the PPP industry and it will be very useful as we scale up our ambitions in the PPP industry.

The Group will continue to pursue strategic collaborations such as the cooperation agreement signed with Hong Kong mainboard-listed Beijing Enterprises Water Group Co., Ltd. in May 2017, and may also evaluate industry consortiums through which to participate, construct and operate large-scale infrastructure projects on a PPP basis.

Partnering with local and international partners, the Group is well-positioned to harness new promising business opportunities as China's progress towards green economic growth.

AN ENTREPRENEURIAL CULTURE

As highlighted by our Chairman on the impact that may be caused by COVID-19, we continue to forge ahead while maintaining the entrepreneurial culture and innovative spirit that has driven our achievements to date.

I remain grateful to our Board of Directors, management team and employees and they are the source of my own confidence about Sapphire's future as we forge ahead with our two-prong strategy to strengthen our business fundamentals and market position within China's infrastructure market.

In closing, I want to thank shareholders for your continued trust and support, and I look forward to share more milestones in the coming year.

Regards,

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

PPP项目一般被定义为政府机构和私人企业之间的长期合同，用于建设运营经济和社会基础设施(如水处理设施、公用事业和公共交通系统)。PPP模式已在许多国家的多个公共基础设施项目中得到应用。

2018年11月，中铁隆与行业知名合作伙伴一起赢得了集团的首个PPP项目——中国四川省成都市武侯区"宜居水岸"一期PPP项目，使得集团获得了近年来最大的单笔EPC合同，总金额达8.32亿元人民币。

这个PPP项目的收入将来自政府补贴，以及在河边建造公益及商业化运营设施的为期13年的运营和管理权。目前我们正在积极寻找新的合作伙伴，共同规划该项目下的运营设施，计划包括：开发新的娱乐设施、餐饮零售店铺和其他产生长期经常性收入的生活方式概念（比如健身设施）。

集团已于2019年6月完成该项目第一阶段的相关建设工作，目前正努力在2020年底前完成项目的所有建设。

PPP项目将给集团的长期营收做出潜在贡献，除此之外，集团全流程参与项目，积累了许多PPP项目的相关经验，这将有助于集团扩大在PPP行业的市场份额。

在水务项目上，集团打算继续寻求战略合作。2017年5月，集团与香港主板上市的北京北控水务集团有限公司签署了战略合作协议，共同探讨评估PPP模式下，有关环境保护和水资源管理项目的参与、建设和运营。

随着中国在绿色经济发展方面的不断进步，以及与当地和国际合作伙伴的亲密合作，集团将会积极寻求新的机会，充分利用新的商机。

企业文化

正如我们的主席在前文所强调的那样，新冠疫情可能会对集团造成一定的负面影响。但是，我们将继续开拓进取，坚持推动我们不断发展的企业文化和创新精神。

我要感谢我们的董事、管理团队和员工，他们在推进企业战略、奠定集团业务基础和市场地位方面发挥了重要的作用，是我对盛世未来充满信心的力量源泉。

最后，我要感谢股东们对我的信任和支持，我期待着我们共同实现更多的企业目标。

谢谢。

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, during which he advised Ranken Railway on key operational matters, marketing strategies and overseas expansions. He currently assists with the formulation of Ranken Railway's corporate and investment strategies.

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

Mr Cheung was last elected as a Director of the Company on 30 April 2019.

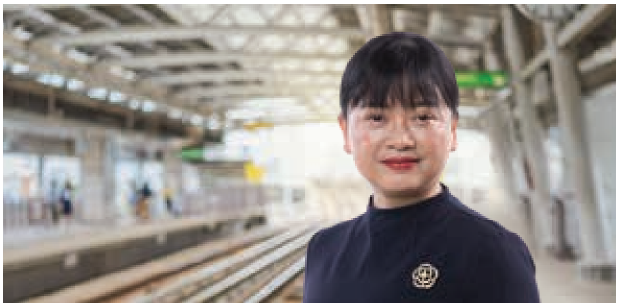
张伟瑄先生
执行主席

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，负责 Ranken Railway 的运营、市场战略和海外拓展。他目前负责中铁隆公司战略和投资战略的规划。

张先生是中国人民大学法学学士和北京大学光华管理学院工商管理硕士。

张先生于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 28 years, and has accumulated a wealth of experience in urban mass transit. She specializes in strategic management, market expansion and resource integration. Under her leadership, Ranken Railway has a presence in 18 cities and ranks among the top Chinese private enterprises in urban rail transit.

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

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

Ms. Wang was last elected as a Director of the Company on 26 April 2018.

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二十八年的工作经历，在城市轨道交通及其关联领域拥有丰富的经验和资源，擅长于战略管理、市场拓展和资源整合。在她的领导下，中铁隆目前已经进入中国18个城市参与城市轨道交通建设，在中国从事城市轨道交通建设的民营企业中名列前茅。

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

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

王恒女士于2018年4月26日再次当选为公司董事。

BOARD OF DIRECTORS & KEY EXECUTIVES

MR OH ENG BIN
Non-Executive Lead Independent Director

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

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

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

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

Mr Oh was last elected as a Director of the Company on 26 April 2018.

胡荣明先生
非执行首席独立董事

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

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

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

胡先生持有新加坡国立大学法律学士学位（荣誉），获得新加坡执业律师资格。

胡先生于2018年4月26日再次当选为公司董事。

MR DUAN YANG
Non-Executive Independent Director

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

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

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

Mr Duan was last elected as a Director of the Company on 30 April 2019.

段杨先生
非执行独立董事

段先生于2017年3月24日获委任为非执行独立董事。

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

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

段先生于2019年4月30日再次当选为公司董事。

BOARD OF DIRECTORS & KEY EXECUTIVES

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 17 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.

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17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。

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

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

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

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

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

丁睿先生
首席技术官（非董事局成员）

丁先生于2018年02月28日获委任为首席技术官。

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

丁先生曾担任中铁系统技术中心副主任，中铁系统成渝客专指挥部副指挥长。

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

BOARD OF
DIRECTORS & KEY EXECUTIVES

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.

符永湍先生
企业首席企业官(非董事会成员)

符永湍先生于2018年6月28日被委任为集团的首席运营官(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，同时还兼任了部分临时过渡委员会的工作，在新董事被选举任命后，才被暂停了其临时过渡委员会成员的工作职能和权力。

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、医疗和环保等多个行业，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。

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)

2019	**1,731,548**
2018	1,796,982
2017#^	1,308,719
2016#	1,078,209
2015#	282,052

GROSS PROFIT (RMB'000)

2019	**154,046**
2018	133,989
2017#^	153,554
2016#	131,136
2015#	32,356

PROFIT (RMB'000)

2019	**26,370**
2018	16,364
2017^	31,775
2016	46,834
2015	29,534

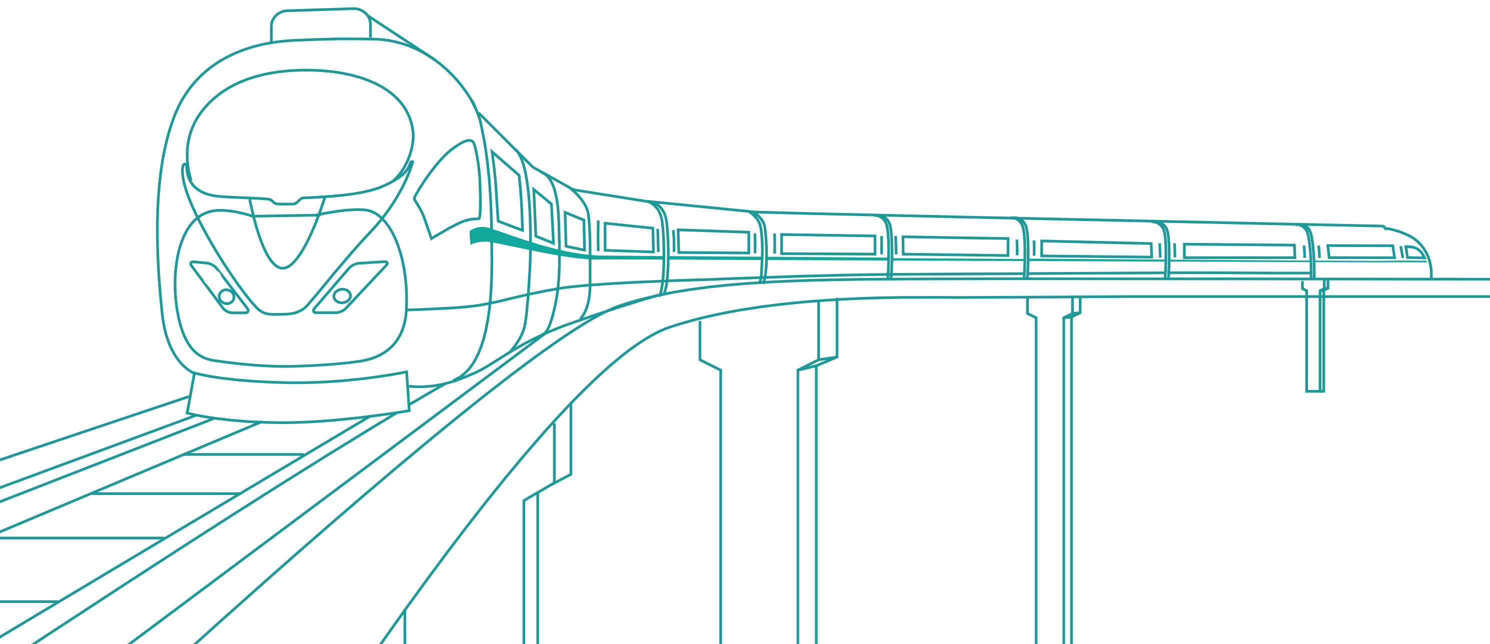
SHAREHOLDERS' FUNDS (RMB'000)

2019*	**579,720**
2018	505,917
2017^	500,003
2016^	468,311
2015	414,693

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

^ 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

- Improved gross profit by RMB20.1 million or 15.0% with higher profit attributable to owners of the Company by RMB10.0 million or 61.1%.
- The Group further invested RMB21.3 million for its 25% shareholding in Chengdu Derun Jinlong Environmental Management Co., Ltd. (the "Associated Company"), a company incorporated for water and environmental management ("WEM") in Chengdu, Sichuan Province, China.
- The Group's recorded a profit of RMB2.5 million from its share of results from the Associated Company and is exploring further opportunities in other WEM Projects.

RESULTS

	Group	
	FY2019 RMB'000	FY2018 RMB'000
Revenue	1,731,548	1,796,982
Cost of sales	(1,577,502)	(1,662,993)
Gross profit	**154,046**	**133,989**
Other income	13,500	9,359
Selling and distribution costs	(6,470)	(10,545)
Administrative expenses	(68,458)	(58,149)
Impairment losses on trade and other receivables and contract assets	(14,282)	(15,447)
Other expenses	(13,294)	(8,634)
Profit from operating activities	**65,042**	**50,573**
Finance costs	(22,183)	(20,421)
Share of profit of equity-accounted investees (net of tax)	2,476	–
Profit before tax	**45,335**	**30,152**
Tax expense	(18,434)	(13,329)
Profit for the year	**26,901**	**16,823**
Profit attributable to:		
Owners of the Company	26,370	16,364
Non-controlling interest	531	459
Profit for the year	**26,901**	**16,823**

GROSS PROFIT 15.0% TO
RMB154 MILLION

Revenue
Fell by RMB65.4 million to RMB1,731.5 million mainly due to lower number of on-going projects and no sale of railway sleepers.

Gross profit
Rose by RMB20.1 million to RMB154.0 million. Overall gross profit margin in FY2019 was 8.9% as compared to 7.5% in FY2018. Improvement in gross profit margin in FY2019 was mainly due to higher margin achieved for the "Livable River Bank" project in Chengdu.

Other income
Rose by RMB4.1 million to RMB13.5 million mainly due to higher government grants and gain on disposal of property, plant and equipment, offset by absence of fair value gain of financial asset.

Selling and distribution costs
Fell by RMB4.1 million to RMB6.5 million, mainly due to lower travelling expenses and effective costs control.

Administrative expenses
Rose by RMB10.3 million to RMB68.5 million, mainly due to higher staff costs incurred by Ranken.

Impairment losses on trade and other receivables and contract assets
Fell by RMB1.2 million to RMB14.3 million mainly due to higher impairment loss made by Ranken in FY2018 for projects termination in Sri Lanka. The decrease is offset by 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
Rose by RMB4.7 million to RMB13.3 million, mainly due to fair value loss on financial assets and inventories and bad debts written off.

Finance costs
Rose by RMB1.8 million to RMB22.2 million mainly due to higher interest expense incurred for banks and financial institution offset by lower interest expense for corporate bonds and finance leases.

Share of profit of equity-accounted investees (net of tax)
Relates to the Group's share of profits generated by its associated company, Chengdu Derun Jinlong Environmental Management Co., Ltd.

Tax expense
Rose by RMB5.1 million to RMB18.4 million, due to higher taxable profits for Ranken's operations.

OPERATIONAL AND FINANCIAL REVIEW

OTHER COMPREHENSIVE INCOME

	Group FY2019 RMB'000	Group FY2018 RMB'000
Profit for the year	**26,901**	**16,823**
Other comprehensive income		
Items that will not be reclassified to profit and loss		
Equity investments at fair value through other comprehensive income – net change in fair value	(4,988)	(7,701)
Items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation differences	1,751	1,821
Other comprehensive income for the year, net of tax	**(3,237)**	**(5,880)**
Total comprehensive income for the year	**23,664**	**10,943**
Total comprehensive income attributable to:		
Owners of the Company	23,133	10,484
Non-controlling interest	531	459
Total comprehensive income for the year	**23,664**	**10,943**

- **Equity investments at fair value through other comprehensive income – net change in fair value**
  Due to the 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.

PROFIT
61.1% TO
RMB26.4 MILLION

Invested addition **RMB21.3 MILLION** in associated company in water and environmental management ("WEM"). Recorded its share of profit of RMB2.5 million. Exploring further opportunities in other WEM Projects.

OPERATIONAL AND FINANCIAL REVIEW

FINANCIAL POSITION

Total Assets	Group 31.12.2019 RMB'000	31.12.2018 RMB'000
Assets		
Property, plant and equipment	184,623	170,634
Intangible assets and goodwill	42,417	70,453
Investment properties	52,274	54,684
Associated company	48,726	25,000
Other investments	4	4,970
Other receivables	–	14,153
Deferred tax assets	13,586	13,971
Total non-current assets	**341,630**	**353,865**
Other investments	3,158	5,815
Inventories	34,945	23,432
Contract assets	911,679	980,244
Trade receivables	564,917	379,457
Other receivables	186,423	229,143
Cash and cash equivalents	169,345	203,949
Total current assets	**1,870,467**	**1,822,040**
Total assets	**2,212,097**	**2,175,905**

CASH BALANCE
RMB169 MILLION

Property, plant and equipment
Rose by RMB14.0 million mainly due reclassification of land use rights within intangible assets to property, plant and equipment as right-of-use assets, arising from the adoption of changes in accounting standards, SFRS(I) 16 Leases, offset by depreciation.

Intangible assets and goodwill
Fell by RMB28.0 million mainly due to reclassification of land use rights within intangible assets to property, plant and equipment as right-of-use assets, with balance relating to goodwill on acquisition of Ranken.

Investments properties
Fell by RMB2.4 million due mainly to depreciation. Comprised certain units in commercial buildings of Ranken (receiving rental income).

Associated company
Rose by RMB23.7 million mainly due to addition capital injection and share of profit for the year. This relates to the Group's 25% shareholding in Chengdu Derun Jinlong Environmental Management Co., Ltd., a company incorporated for WEM in Chengdu, Sichuan Province, China.

Long term other investments
Fell by RMB5.0 million due to decrease in fair value of 19% stake in a former subsidiary company ("Mancala") held at fair value to other comprehensive income.

Long term other receivables
Fell by RMB14.2 million mainly due to impairment losses made arising from uncertainty of collection due to under-performance and unfavorable market conditions of the debtor and reclassification to current assets.

Short term other investments
Fell by RMB2.7 million mainly due to decrease in fair value of quoted shares classified as financial assets at fair value.

Inventories
Rose by RMB11.5 million for on-going construction projects.

Contract assets
Fell by RMB68.6 million mainly due to billings made during the year.

Trade receivables
Rose by RMB185.5 million. Trade debtor's turnaround time rose to 119 days.

Other receivables
Fell by RMB42.7 million related mainly to Ranken's materials procured on behalf of project owners and refundable security deposits placed with the project owners.

99% of trade and other receivables and contracts were not overdue.

Cash and cash equivalents
Fell by RMB34.6 million mainly due to cash outflow arising from investing activities: (a) purchase of plant and equipment for its on-going projects and (b) capital injection into the associated company.

OPERATIONAL AND FINANCIAL REVIEW

Total Equity and Liabilities	Group 31.12.2019 RMB'000	Group 31.12.2018 RMB'000
Equity		
Share capital	466,700	413,839
Reserves	113,020	92,078
Equity attributable to owners of the Company	**579,720**	**505,917**
Non-controlling interests	10,906	10,219
Total equity	**590,626**	**516,136**
Liabilities		
Loan and borrowings	103,840	27,829
Deferred tax liabilities	6,501	6,677
Total non-current liabilities	**110,341**	**34,506**
Trade payables	1,009,859	970,570
Other payables	169,061	175,084
Contract liabilities	160,351	215,152
Loan and borrowings	154,776	253,968
Current tax liabilities	17,083	10,489
Total current liabilities	**1,511,130**	**1,625,263**
Total liabilities	**1,621,471**	**1,659,769**
Total equity and liabilities	**2,212,097**	**2,175,905**

Equity
Rose by RMB73.8 million due to earnings of RMB26.4 million, net proceeds from the rights issue of RMB50.7 million and foreign currency translation gain of RMB1.7 million, offset by loss in fair value of equity investment at FVOCI of RMB5.0 million.

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

Total current and long-term loan and borrowings
Fell by RMB23.2 million due mainly to repayment of short term bond, offset by refinancing of bank loans and finance lease liabilities recognised arising from adoption of changes in accounting standards, SFRS(I) 16 Leases.

Trade payables
Rose by RMB39.3 million related to Ranken's projects.

Other payables
Fell by RMB6.0 million mainly due to lower payables to third parties.

Contract liabilities
Fell by RMB54.8 million mainly due to lower advanced payments from customers.

Current tax liabilities
Rose by RMB6.6 million mainly due to higher taxable profit.

NET ASSETS PER SHARE
RMB142.23 CENTS
OR
SGD 27.46 CENTS

OPERATIONAL AND FINANCIAL REVIEW

CASH FLOW

	Group	
	FY2019 RMB'000	FY2018 RMB'000
Cash flows from operating activities		
Operating profit before working capital changes	151,852	126,100
Changes in working capital	(107,581)	102,982
Cash flows generated from operations	**44,271**	**229,082**
Tax paid	(11,631)	(22,385)
Net cash generated from operating activities	**32,640**	**206,697**
Cash flows from investing activities		
Net cash used in investing activities	**(62,947)**	**(83,616)**
	(62,947)	(83,616)
Cash flows from financing activities		
Net cash generated from/(used in) financing activities	**1,989**	**(44,123)**
	1,989	(44,123)
Cash and cash equivalents at end of the year	**169,341**	**196,040**

COMPLETED RIGHTS ISSUE WITH NET PROCEEDS OF
RMB50.7 MILLION

Net cash generated from operating activities

- Fell by RMB174.1 million after accounting for (i) operating profit before working capital changes of RMB151.9 million and (ii) net working capital changes of RMB107.6 million, net of tax payment of RMB11.6 million.

Net cash used in investing activities

- Fell by RMB20.7 million to RMB62.9 million, mainly due to lower investment in associated company and higher proceeds from disposal of property, plant and equipment.

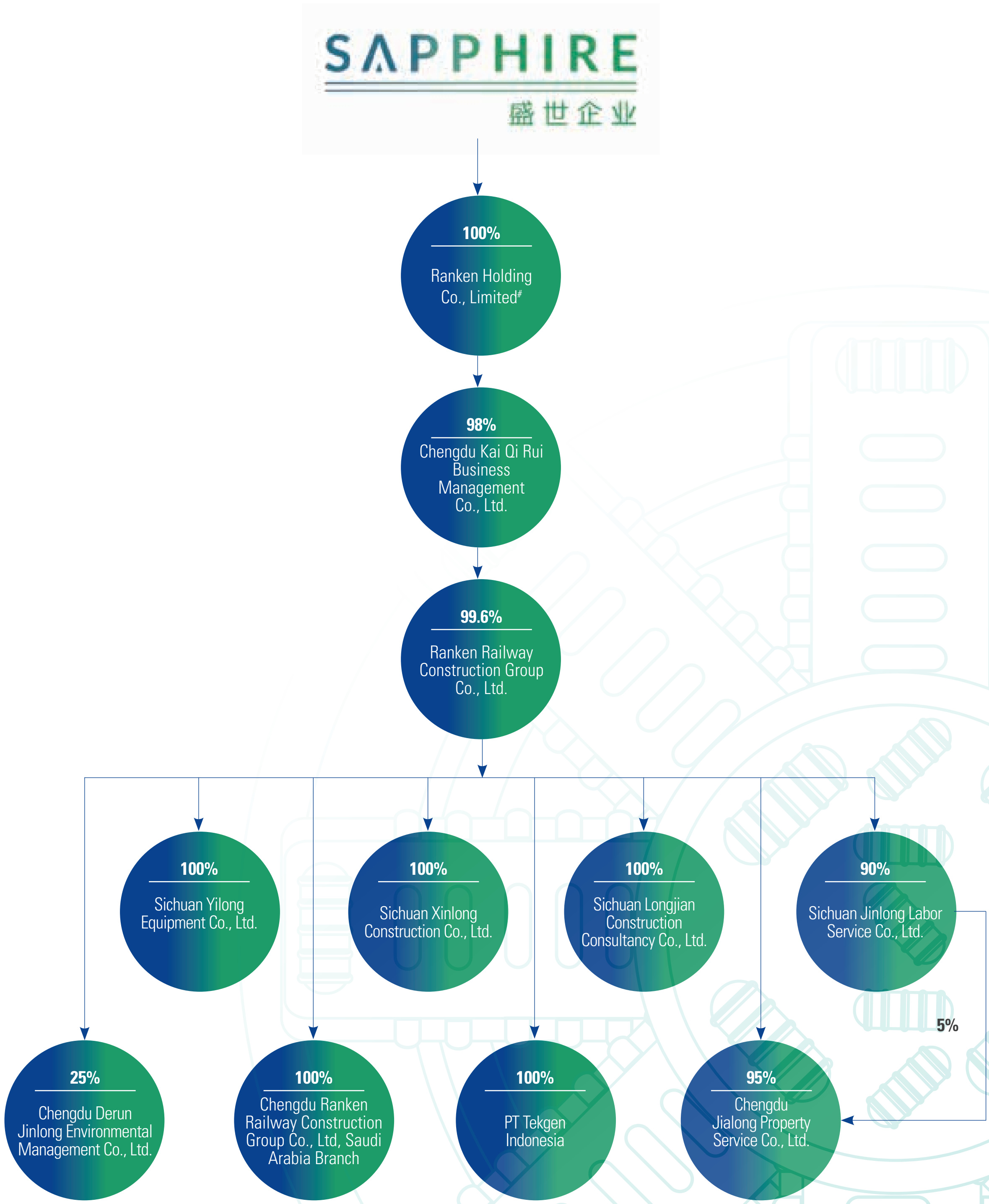
Net cash generated from/(used in) financing activities

- Net cash generated from financing activities were mainly due to proceeds from bank loans and rights issue, offset by repayment of bank loans, bond issued, lease liabilities and interest paid.

Overall

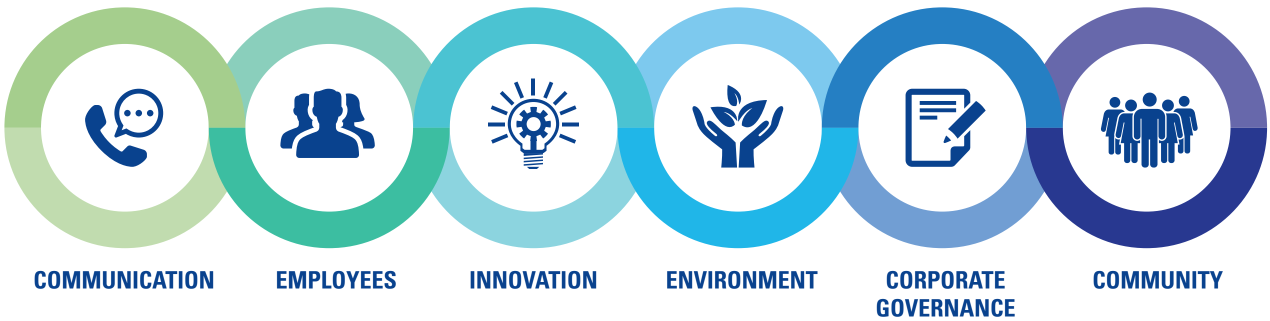
- Cash and cash equivalents fell by RMB26.7 million (net of fixed deposits pledged) during FY2019.

CORPORATE STRUCTURE



Ranken Infrastructure Limited changed its name to Ranken Holding Co., Limited, with effect from 20 September 2019.

SUSTAINABILITY REPORT



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

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

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 (excluding the associated company) disclosed in the Corporate Structure on page 19 of the Annual Report. The Sustainability Report covers the fiscal period from 1 January 2019 to 31 December 2019. 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.

OTHER BUSINESS INFORMATION

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

ASSOCIATION MEMBERSHIP

Ranken is a member of the below associations:

– China Civil Engineering Society (中国土木工程学会)

– China National Association of Engineering Consultants (中国工程质询协会)

– China Association of International Engineering Consultants (中国国际工程质询协会)

– Architectural Society of China (中国建筑学会)

– China Society of Explosives and Blasting (中国爆破行业协会)

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

– China Geotechnical and Anchoring Association (中国岩土锚固工程协会)

– China Association of Railway Engineering Construction (中国铁道工程建设协会)

– China Association of Construction Enterprise Management (中国施工企业管理协会)

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

SUSTAINABILITY REPORT

REVENUE

The Group provided construction and services (design, supervision and consultancy), equipment leasing and sale of railway sleepers, during the year (see Note 22 of Financial Statements) with percentage of revenue as follows:

	2019	2018
Construction contracts	93.8%	88.3%
Rendering of services	6.0%	4.4%
Equipment leasing	0.2%	0.4%
Sale of railway sleepers	–	6.9%
Total	**100%**	**100%**

The Group's revenue was derived primarily from China with the percentage breakdown as follows (see Note 22 of Financial Statements):

	2019	2018
China	99.2%	98.1%
Other countries (Bangladesh, India and Sri Lanka)	0.8%	1.9%
Total	**100%**	**100%**

ISO CERTIFICATES

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

ISO Number	Description
ISO 9001: 2015	Engineering Construction Organisation Quality Management System
ISO14001: 2015	Environmental Management System
OHSAS 18001: 2007	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.

SUSTAINABLE BUSINESS EXPANSION

With strong fundamental capabilities in Engineering, Procurement and Construction ("EPC"), the Group expended its business and was awarded an EPC contact for the first phase of Chengdu, Wuhou District "Liveable River Bank" project (the "Project") (announced in January 2019). The Project is a testament to the successful execution of the Group's two-prong business strategy for sustainable growth. The project has positively contributed to the Group's revenue and gross profit for FY2019.

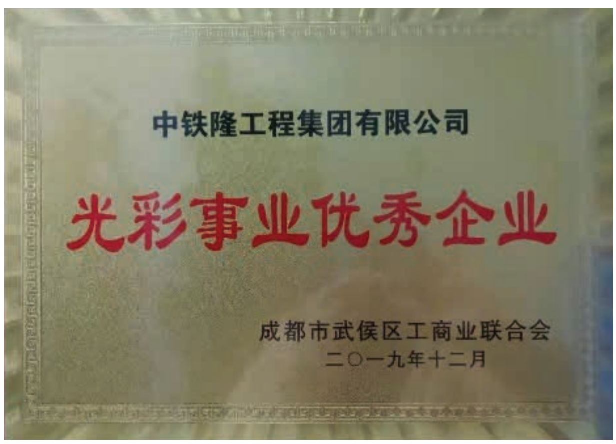
To-date, the Group has invested RMB46.3 million for its 25% shareholding in Chengdu Derun Jinlong Environmental Management Co., Ltd. (the "Associated Company"), a company incorporated for water and environmental management ("WEM") in Chengdu, Sichuan Province, China. The Group's recorded a profit of RMB2.5 million from its share of results from the Associated Company and is exploring further opportunities in other WEM Projects.

The Group has been monitoring the emerging market segment of Transit-Oriented Development ("TOD") model – a strategy that promotes dense, mixed-use, and walkable development near transit stations – that has gained momentum in urban cities in China due to road congestion, air pollution and traffic safety issues.

To explore more opportunities in the TOD industry, the Group has signed a strategic partnership with LWK + PARTNERS in 2019, 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.

AWARDS

In 2019, Ranken was awarded a certification from the Science and Technology Bureau of Sichuan Province for its achievement in "Intelligent Project Management Cloud Platform for BIM Technology" and a business award from Chengdu Wuhou Business Association.



"Business award from Chengdu Wuhou Business Association"

SUSTAINABILITY REPORT

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 28 to 53)

This Sustainability Report, together with the Corporate Governance Report on pages 28 to 53, 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.

Female project manager for the "Livable River Bank" project in Chengdu

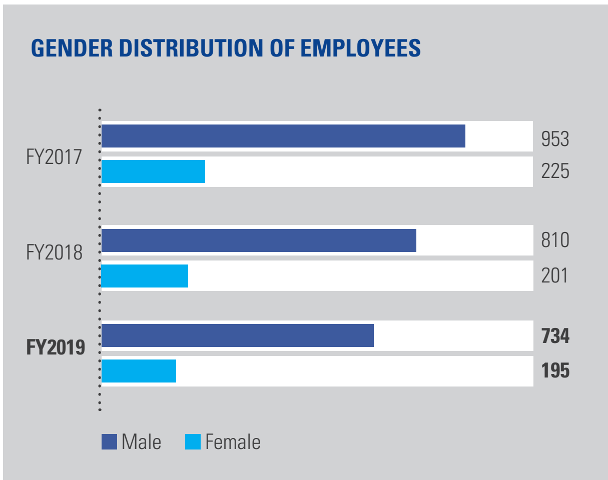
FAIR AND STANDARD EMPLOYMENT

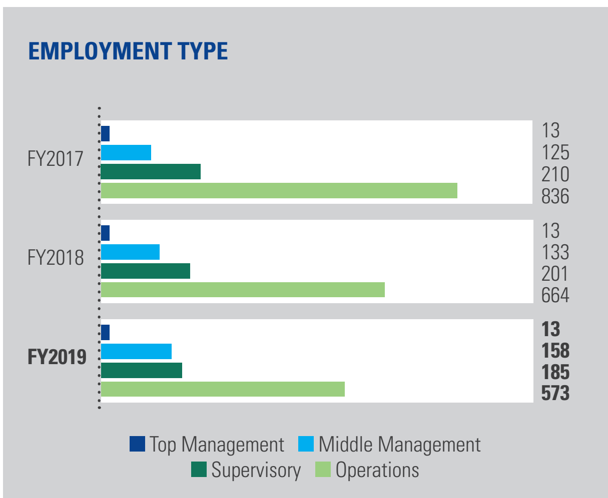
The Group practices fair hiring without prejudice, regardless of age, gender, religion and ethnicity. The Group does not and strictly forbids its labour sub-contractors to hire child labour, in accordance with the People's Republic of China's ("PRC") Labour Law and the Law on Protection of Minors (《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 2019, the Group had approximately 929 employees, the majority of whom are stationed in the PRC. Approximately 21% of the Group's workforce and 30% of top management is female. The Group also employs minority ethnic people and they comprise 1% of the Group's workforce.

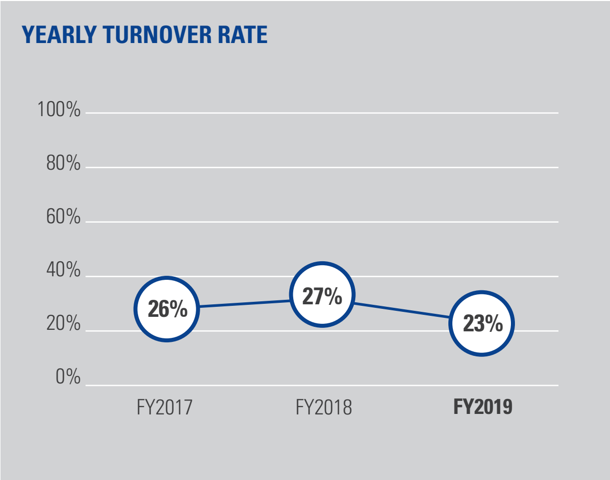
The Group provides reasonable incentives and competitive salaries. All employees are entitled to annual leave depending on their grade and there is no differentiation of pay packages between male and female employees. The Group also pays employees adequate social insurance and housing funds to protect employees' interests.

Information for chart:





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 2019, the Group invested approximately RMB267,000 in training with total training hours of 13,838 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.

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.

Celebrating Youth Day with fun activities

SUSTAINABILITY REPORT

Organised 8km run event in Taiyuan, Shanxi province.

Covid-19

The Group actively support each country'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 extended the Chinese New Year break to 9 February 2020 and progressively resumed operations in a controlled manner. The Group began with encouraging employees to work from home whilst securing sufficient and necessary protective gears and safeguard materials. Workers returning from high risks provinces are placed on home quarantine for 14 days. The Group disinfected the office and all worksites before resuming work and construction activities in late February/early March. After resuming operations, the Group continued to check the temperature of all persons entering the office premise and work sites, provided employees with face masks, practice staggering of meal times and encouraged regular washing of hands, good ventilation in work places, wearing of masks and less gatherings (多洗手、多通风、戴口罩、少聚集).

The Group together with contributions from management and employees contributed approximately RMB2.2 million to Chengdu Charitable Federation (成都市慈善总会). These funds will be directed to West China Hospital of Sichuan University (四川大学华西医院), where its medical staff have been on the front line of the epidemic prevention and control in Wuhan and had made a significant contribution to the prevention and control of epidemic situation in Sichuan and Chengdu.

The Company will be holding its Annual General Meeting by way of electronic means amid social distancing, travel and visitor restrictions during the global Covid-19 outbreak.

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.

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

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.

Certificates and Awards

The Group now has 20 safety engineers registered with the Ministry of Human Resources and Social Security of the PRC and 132 full-time work safety management staff. There are three categories of construction work safety certificates (建安证) ("**Work Safety Certificate**") issued by the Ministry of Housing and Urban – Rural Development in the PRC, namely Category A, B and C. Of the Company's work safety management staff, 7, 59 and 66 staff hold Work Safety Certificates in Categories A, B and C, respectively.

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

Disinfecting work site office before resumption of operations

Temperature check before entering work site

SUSTAINABILITY REPORT

ENVIRONMENT

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

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

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

The Group has been certified compliant with ISO14001: 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.

The Group continued to participate in charitable donation activities including the continuing collaborative activities with various villages in the township of Baiyü County (白玉县), a county in China's far western Sichuan province which borders the Tibet Autonomous Region with a view to elevate poverty in the region.

Donation of education materials and daily necessities

INNOVATION

The Group believes that innovation is one of the core pillars of sustainability and a key aspect of corporate growth. In 2019, the Group submitted and was awarded 9 patents for its innovation. The Group currently has 40 patents of which 16 are inventions and 24 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 Group had 5 urban rail transit engineering methods (involving, ultra-deep shaft rapid excavation, polymer self-adhesive film waterproofing, hard rock tunnel, water rich red clay tunnel, drilling and casting) reviewed by experts and the Committee of Housing and Urban-Rural Development of Sichuan Province and recognised as Sichuan Provincial level construction work procedures and law.

– the Group was awarded as a finalist by Royal Institution of Chartered Surveyors (RICS) for the Group's underwater excavation and sealing method applied in Beijing Metro Line 8 outside Yongding Station. Yongdingmen Outer Station is the first subway station constructed by "underwater excavation" method in China.

– the Group signed a cooperation agreement with Alibaba Cloud Computing Co., Ltd. ("Alibaba Cloud") to build a Data Platform. Through the integration of engineering construction data resources and the use of artificial intelligence technology, the Data Platform seeks to improve construction quality and management levels and create a benchmark for the digital transformation of large-scale engineering construction industries.

Award by RICS

SUSTAINABILITY REPORT

Signing of cooperation agreement with Alibaba Cloud at the Alibaba headquarters in Hangzhou

CEO Ms Wang Heng discussion with shareholders at AGM break

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.

During the year, the Group was diligent in disclosing its quarterly results to the financial community in Singapore, where it is listed on the SGX Mainboard. At the FY2018 AGM and EGM for the Rights Issue held on the same day on 30 April 2019, the CEO Ms Wang Heng and the CCO Mr Foo Yong How presented the merits of the Rights Issue and held a lengthy and meaningful discussion with shareholders.

CCO Mr Foo Yong How presentation at the EGM

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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 2019 ("**FY2019**"), 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 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;

CORPORATE GOVERNANCE REPORT

- to establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;
- to review and monitor the performance of management;
- to identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;
- to 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 Singapore Exchange Securities Trading Limited (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)

During FY2019 on 24 October 2019, Mr Jackson Tay Eng Kiat was appointed as an independent Director of the Company. Mr Tay had prior experience as a director of an issuer listed on the SGX-ST. As such, Mr Tay was not required to undergo training specifically in relation to the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST.

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.

CORPORATE GOVERNANCE REPORT

The Board decides on matters that require its approval and clearly communicates this to the Management in writing. Types of material transactions that require Board's 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.

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 four 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 via circulating board resolutions. The independent directors of the Company ("**Independent Directors**") also meet on an as-needed basis without the presence of the management to discuss matters such as the Group's financial performance, management leadership and management performance.

CORPORATE GOVERNANCE REPORT

In FY2019, the Board held 4 meetings. The attendance of the Directors at meetings of the Board and Board Committees during FY2019 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(1)	1	1	1	1	–	–	–	–
Mr Duan Yang, Julien	4	4	4	4	1	1	1	1
Professor Chew Yong Tian(2)	4	4	4	4^	1	1	1	1^
Mr Zhai Guiwu(3)	3	2	3	2	1	1	1	1

Notes:

^ By invitation

(1) Mr Tay Eng Kiat Jackson was appointed to the Board as an Independent Non-Executive Director, the chairman of the NC, and a member of the ARC and RC on 24 October 2019.

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

(3) Mr Zhai Guiwu resigned as an Independent Non-Executive Director with effect from 24 October 2019.

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

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.

CORPORATE GOVERNANCE REPORT

The Board has separate and independent access to the Senior Management and the Company Secretary at all times. The Board will consult independent professional advice where appropriate. The Company Secretary attends all board meetings and most committee meetings and is responsible 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 Manual) 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.

The Board as at the date of this annual report comprises:

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 Duan Yang, Julien (Independent Non-Executive Director)
5. Mr Tay Eng Kiat Jackson (Independent Non-Executive Director) (appointed on 24 October 2019)

During FY2019, the Board comprised 6 Directors, 4 of which are Independent Directors and 2 are Directors of the Company who perform an executive function ("**Executive Directors**"). Provision 2.1

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 judgment of the Group's affairs with a view to the best interests of the Company. Listing Rule Rule 210(5)(d)(i) and Rule 210(5)(d)(ii)

In determining Directors' independence, the Board further considers the new Rule 210(5)(d)(i) and Rule 210(5)(d)(ii) of the Listing Manual, which took effect on 1 January 2019. Pursuant to Rule 210(5)(d)(i) and Rule 210(5)(d)(ii) of the Listing Manual, 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) director who has an immediate family member who is, or has been in any of the past three financial years, employed by the Company or any of its related corporations and whose remuneration is determined by the RC.

CORPORATE GOVERNANCE REPORT

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 FY2019. Accordingly, the Board is able to exercise objective judgment on corporate affairs independently and constructively challenge key decisions and strategies taking into consideration the long term interests of the Group and its shareholders. Provision 2.2

In addition, Non-Executive Directors make up a majority of the Board. All Independent Directors are Non-Executive Directors, who also aid in the development of strategic proposals and oversee the effective implementation by Management to achieve set objectives. Provision 2.3

The Board is of the view that the current board size of 5 Directors is 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 have 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.

The Board is also supported by the Board Committees. The composition of the Board Committees in FY2019 was as follows:

Board Composition and Committees

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

Notes:

C: Chairman

M: Member

(1) Mr Tay Eng Kiat Jackson was appointed to the Board as an Independent Non-Executive Director, the chairman of the NC, and a member of the ARC and RC on 24 October 2019.

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

(3) Mr Zhai Guiwu resigned as an Independent Non-Executive Director, the chairman of the NC, and a member of the ARC and RC with effect from 24 October 2019.

CORPORATE GOVERNANCE REPORT

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 is carefully managed to ensure that there is equitable distribution of responsibilities among the Board members. This is to maximise the effectiveness of the Board and to foster active participation and contribution from the Board Committee members. Diversity of experience, knowledge, competencies and appropriate skills of the composition of Board Committees are also considered.

The 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.

With both the Chairman and CEO as Executive Directors and co-founders of Ranken Railway Construction Group Co., Ltd ("**Ranken**") (a major subsidiary of the Group), they will play a key role in developing the business of the Group and provide the Group with strong leadership and vision. All major proposals and decisions made by the Executive Chairman and CEO are discussed and reviewed by the Lead Independent Director and the Board.

The 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 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 CFO was inappropriate or inadequate. Provision 3.3

CORPORATE GOVERNANCE REPORT

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, comprises the following 4 Directors, of which 3 are Independent Directors, as at the date of this Annual Report: Provision 4.2

Mr Tay Eng Kiat Jackson	–	Chairman of NC, Independent Non-Executive Director
Mr Duan Yang, Julien	–	Independent Non-Executive Director
Mr Oh Eng Bin	–	Lead Independent Non-Executive Director
Ms Wang Heng	–	CEO and Executive Director

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, 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)

CORPORATE GOVERNANCE REPORT

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 AGM of the Company. Ms Wang Heng and Mr Oh Eng Bin will be retiring by rotation at the forthcoming AGM pursuant to Regulation 89. Ms Wang Heng and Mr Oh Eng Bin have each consented to offer themselves for re-election at the forthcoming AGM.

In addition, Regulation 88 of the Constitution of the Company provides that a newly appointed Director must retire and submit himself for re-election at the next AGM following his appointment. Thereafter, he is subject to be re-elected at least once every three years. In accordance with Regulation 88 of the Constitution of the Company, Mr Tay Eng Kiat Jackson will be retiring and has 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.

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

The NC is responsible for and reviews the independence of each Director annually. The NC adopts the Code and Listing Manual's 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 Manual. The Company's current Independent Directors, namely Mr Oh Eng Bin, Mr Duan Yang, Julien and Mr Tay Eng Kiat Jackson 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 FY2019 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

CORPORATE GOVERNANCE REPORT

In FY2019, 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 FY2019	Position	Listed on
Mr Cheung Wai Suen	Ranken Railway Construction Group Co., Ltd	Director	–
	Chengdu Kai Qi Rui Business Management Co., Ltd	Director	–
Ms Wang Heng	Ranken Railway Construction Group Co., Ltd	Director	–
	Best Feast Limited	Director	–
	Ranken Holding Co., Limited	Director	–
Mr Oh Eng Bin	Dentons Rodyk & Davidson LLP's Corporate Practice Group, China Practice and Indonesia 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	–
Mr Tay Eng Kiat Jackson	Hafary Holdings Limited Group	Chief Operating 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	–
	Wood Culture Pte Ltd	Director	–
	Xquisit Pte Ltd	Director	–
Mr Duan Yang, Julien	Fascinating HK Ltd	Director	–
	Beijing Nufront Ltd	Director	–

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 FY2019, 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 FY2019. No external facilitator was used in the evaluation process.

(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 as at the date of this Annual Report: Provision 6.2

Mr Oh Eng Bin – Chairman of RC, Lead Independent Non-Executive Director

Mr Duan Yang, Julien – Independent Non-Executive Director

Mr Tay Eng Kiat Jackson – Independent Non-Executive Director

The RC is regulated by a set of written terms of reference. The RC's main functions are including but not limited to the following: 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.

CORPORATE GOVERNANCE REPORT

The RC will seek independent professional advice in discharging its functions, if necessary. No external remuneration consultants were engaged in FY2019. Provision 6.4

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 the past financial year. The Company will also consider the use of contractual provisions in the service contracts to enable the Company to reclaim incentive components of remuneration in exceptional circumstances.

The 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 and 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 of the Company. 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 FY2019 received in all forms is as follows:

Name	Remuneration Band $	Salary %	Bonus %	Other Benefits %	Directors' Fees %	Total %
Present and Past Directors						
Ms Wang Heng	0 to 199,999	72	17	11	–	100
Mr Cheung Wai Suen	0 to 199,999	76	13	11	–	100
Mr Oh Eng Bin	70,000 to 79,999	–	–	–	100(1)	100
Professor Chew Yong Tian	60,000 to 69,999	–	–	–	100(1)	100
Mr Duan Yang, Julien	30,000 to 39,999	–	–		100(1)	100
Mr Tay Eng Kiat Jackson	10,000 to 19,999	–	–	–	100(2)	100
Mr Zhai Guiwu(3)	20,000 to 29,999	–	–	–	100(1)	100
Key Executives(4)						
Mr Ng Hoi-Gee Kit	200,000 to 399,999	87	7	6	–	100
Mr Foo Yong How	200,000 to 399,999	87	7	6	–	100
Mr Ding Rui	0 to 199,999	71	17	12	–	100

Notes:

(1) The fees for FY2019 had been approved at the AGM of the Company on 30 April 2019.

(2) The fees are subject to approval at the coming AGM. On 24 October 2019, Mr Tay Eng Kiat Jackson was appointed to the Board as an Independent Non-Executive Director, the Chairman of the NC, and a member of the ARC and RC and his Director's fees are pro-rated based on his appointed with effect from 24 October 2019.

(3) Mr Zhai Guiwu retired with effect from 24 October 2019 and his Director's fees are pro-rated based on his appointed up to 24 October 2019.

(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 the bands no wider than $250,000, and in the aggregate the total remuneration paid. In FY2019, the Company had 3 key executives.

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 annual aggregate remuneration paid to Directors and key executives for FY2019 is disclosed in Note 29 of the Notes to Financial Statements.

There are no employees of the Group who are immediate family members of any Director or the CEO in FY2019. Provision 8.2

CORPORATE GOVERNANCE REPORT

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.

During FY2019, no Shares were awarded under the 2018 Scheme.

(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

CORPORATE GOVERNANCE REPORT

Arising from the risk assessments performed, the management of the Group 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 Chief Financial Officer ("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)

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

CORPORATE GOVERNANCE REPORT

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, Ranken.

The Board is aware of the operational risks, which may adversely affect Ranken 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 – Ranken's financial performance and position are heavily reliant on public sector demand and government initiatives in increasing infrastructure spending for the land transport infrastructure sectors and water conservancy projects particularly in China and other countries in which Ranken undertakes on significant projects. Any slowdown, delay or reduction in such investment initiatives may adversely affect the financial performance and financial position of Ranken.

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

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

High turnaround time for trade and other receivables and contract assets – Ranken'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 the Group and higher financing costs or if Ranken fails to secure working capital financing at commercially acceptable rates and/or secure adequate working capital loans for its operations, its financial performance and financial position will be adversely affected.

High reliance on key personnel and qualified workers – Ranken's business operations depend significantly on the technical expertise of its management team and qualified workers to operate in the infrastructure 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 – Ranken's operations depend heavily on its ability to secure banking facilities and/or its ability to secure such facilities at commercially acceptable costs of fund for its working capital requirement. Failure in securing such facilities as needed, will adversely affect the Group's operations and thus its financial performance and position.

CORPORATE GOVERNANCE REPORT

Major disruption of operations – Ranken's operations are exposed to various operational risks relating, but not limited, to equipment failure, accidents, industrial disputes and natural disasters. While Ranken has taken necessary and important measures to mitigate such operational risks, and, if practicable, insure against these risks, they cannot completely remove all such possible risks or in certain cases, insurance premium costs could be high in insuring the identified operational risks. Significant compensation claims, warranty claims, liquidated damages (relating to delays in projects completion, accident or unexpected incidents) will adversely affect the Group's reputation and thus, its financial performance and position.

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

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

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

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

PRINCIPLE 10: AUDIT COMMITTEE

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

The ARC comprises the following 3 Independent Non-Executive Directors as at the date of this Annual Report: Provision 10.2

Mr Duan Yang, Julien – Chairman of ARC, Independent Non-Executive Director

Mr Oh Eng Bin – Lead Independent Non-Executive Director

Mr Tay Eng Kiat Jackson – Independent Non-Executive Director

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.

CORPORATE GOVERNANCE REPORT

The ARC has written terms of reference. The ARC met four times in FY2019 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 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 applicable) 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.

In line with the requirements of the SGX-ST, the Board confirmed that, in relation to interim financial results, to the best of its knowledge, nothing had come to the attention of the Board which would render the Company's quarterly results released in FY2019 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 FY2019.

CORPORATE GOVERNANCE REPORT

FINANCIAL REPORTING AND SIGNIFICANT FINANCIAL ISSUES

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

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

Matters considered	Action
Revenue recognition (Note 22 to the financial statements)	The ARC reviewed the methodology and gained comfort in this area through discussion with management in relation to revenue recognition based on percentage of work completed with reference to surveyor's report and contractual terms of the construction contracts, the status of the projects, as well as the procedures applied for revenue cut off. 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 as recorded in the financial statements.
Impairment of non-financial assets (Note 4 and 5 to the financial statements)	The ARC reviewed the forecast and reasonableness of the key assumptions used including projected revenue growth, terminal growth rate and discount rate, used in the discounted cash flow computation to determine the recoverable amount for the cash-generating unit ("CGU"), through discussion with management. The ARC also obtained an understanding on the work performed by the external auditors. As a result of the above procedures, the ARC was satisfied that there is no impairment of non-financial assets.
Impairment of trade receivables and contract assets (Note 12 and 13 to the financial statements)	The ARC reviewed the identification of trade 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 receivables and contract assets is reasonable.
Classification and measurement of assets and liabilities held for sale (Note 32 to the financial statements)	The ARC was periodically updated on progress of the proposed transaction and note Management's assessment that as at 31 December 2019, the sale was not highly probable as the negotiation was still at initial stage and approvals from the relevant authorities had not been obtained. The ARC also discussed with external auditors and note their concurrence. As a result of the above procedures, the ARC was satisfied that the classification of Ranken not as asset held for sale to be appropriate.

CORPORATE GOVERNANCE REPORT

NON-AUDIT FEES

The audit fees paid to the external auditors of the Company for FY2019 was approximately $314,000. (FY2018: $283,000).

The non-audit fees paid to the external auditors of the Company for FY2019 was approximately $12,000. (FY2018: Nil).

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

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

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

The ARC has appointed Yang Lee & Associates ("**YLA**") as the internal auditor of the Group to perform internal audit work under an approved internal audit plan 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 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 Audit Committee has reviewed the internal auditors' qualifications, experience, activities, resources and standing in the Company, on a yearly basis. The ARC has reviewed the internal audit reports and based on the controls in place, is satisfied that the internal audit function of the Group is effective, adequately resourced, has appropriate standing within the company, and is independent of the activities it audits.

The Company confirms that it has complied with SGX Listing Rules 712 and 715 for FY2019.

The ARC met with the external auditors and internal auditors, without the presence of Management, at least once a year. The ARC reviews the findings from the external auditors and internal auditors and the assistance given to them by the management to ensure that full cooperation has been extended. 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 in the newspapers, the Company's announcements via SGXNet and the Company's website. All shareholders will receive the notice of AGM by post and through notices published in the newspapers with the requisite notice period. General meetings are usually held at venues within the central business district and which are easily accessible by the shareholders.

Notices of general meetings were issued in compliance with the Companies Act, Listing Manual and the Constitution. Shareholders were given opportunity to participate effectively in and vote in the meetings and were informed of the rules governing the general meetings.

The forthcoming AGM will be held by way of electronic means in compliance with the Accounting and Corporate Regulatory Authority (ACRA), the Monetary Authority of Singapore (MAS) and Singapore Exchange Regulation (SGX RegCo) checklist ("**Checklist**") to guide listed entities on the conduct of general meetings during the period when elevated safe distancing measures are in place.

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 Company's AGM physically to 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 Manual 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.

CORPORATE GOVERNANCE REPORT

The Directors' attendance at the general meetings of the Company held in FY2019 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 Duan Yang, Julien	1	1	1	1
Mr Tay Eng Kiat Jackson(1)	N.A.	N.A.	N.A.	N.A.
Professor Chew Yong Tian(2)	1	–	1	–
Zhai Guiwu(3)	1	–	1	–

Notes:

(1) Mr Tay Eng Kiat Jackson was appointed to the Board as an Independent Non-Executive Director, the chairman of the NC, and a member of the ARC and RC on 24 October 2019.

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

(3) Mr Zhai Guiwu resigned as an Independent Non-Executive Director with effect from 24 October 2019.

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

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 was prepared by the Company, and made available to Shareholders upon their request in accordance with applicable laws. Provision 11.5

The Company will publish the minutes of the forthcoming Annual General Meeting of the Company on the Company's website and on SGXNET within one month after the Annual General Meeting of the Company in compliance with the Checklist.

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 FY2019, as Ranken Railway Construction Group Co., Ltd ("Ranken") needs to further contribute RMB22,000,000 into the share capital of Chengdu Derun Jinlong Environmental Management Co., Ltd. ("CDJ Environmental Management Co.") representing 25% of the unpaid capital reserves of CDJ Environmental Management Co., the details of which were disclosed in the Company's announcement dated 19 November 2018, 30 December 2018 and 14 January 2019, 15 August 2019 and 26 December 2019.

The Group is exploring further opportunities in water and environmental management projects ("WEM Projects") and sufficient funding will be crucial in allowing it to respond in a timely manner to opportunities as and when such opportunities present themselves through strategic investments into and the development of such WEM projects. Furthermore, the Group requires working capital to fund its existing order book of RMB1.4 billion as at 31 December 2019.

CORPORATE GOVERNANCE REPORT

Furthermore, the COVID-19 outbreak in China has resulted in prolonged delay in resumption of normal operations which has resulted in project delays and increase in project costs, with consequential erosion of profit margins and stress the Group's cash flows.

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) quarterly financial results and other financial announcements as required;

(c) other announcements on important developments; and

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

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 quarterly and full year results are released through SGXNET and made available on the Company's website. A copy of the Annual Report and Notice of AGM will be sent to every shareholder. The Company also released announcements in relation to corporate development via SGXNET and the Group's website (www.sapphirecorp.com.sg) to keep shareholders updated on the developments and the Group. Provision 12.2 Provision 12.3

The Group engages Waterbrooks Consultants ("**Waterbrooks**"), an Investor Relationship ("**IR**") consultant, dedicated to support the Board in connection with communication on corporate developments to the media and shareholders, including institutional and retail investors.

During the year under review, the Group was diligent in disclosing its quarterly results to the financial community in Singapore where it is listed on the SGX Mainboard. In addition to the AGM, the Group seeks to understand the views of the shareholders and other stakeholders through IR engagements and other forms of communication 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.

CORPORATE GOVERNANCE REPORT

(E) 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

DEALINGS IN SECURITIES

In FY2019, the Company had in place a policy prohibiting share dealings by Directors and employees of the Group during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements. Directors and employees are also prohibited to deal in the Company's securities on short-term considerations, and are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading periods. The incumbent employees are also required to report to the Directors whenever they deal in the Company's shares.

INTERESTED PERSON TRANSACTIONS

The Company has in place a policy in respect of any transactions with interested persons and has established procedures for review and approval of the interested person transactions entered into by the Group. In FY2019, there were no interested person transactions (including transactions less than $100,000).

The information required pursuant to Listing Rules 907 and 1207(17) of the Listing Manual is set out below:

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

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

CORPORATE GOVERNANCE REPORT

MATERIAL CONTRACTS

There were no material contracts involving the Group with the CEO, Directors, Controlling Shareholders or their associates during FY2019.

USE OF RIGHTS ISSUE PROCEEDS

Rule 1207(20) of the Listing Rules

Pursuant to the Company's Rights Issue, the Company received gross proceeds of approximately S$10.44 million (the "Proceeds"). The Proceeds had been fully utilised as announced to SGXNET on 12 November 2019.

Please refer to the Company's circular dated 15 April 2019 and announcements made on 25 June 2019, 7 August 2019 and 12 November 2019, for more details.

DIRECTORS' STATEMENT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2019.

In our opinion:

(a) the financial statements set out on pages 62 to 145 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2019 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, Chapter 50 and Singapore Financial Reporting Standards (International);

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

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

DIRECTORS

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

Mr Cheung Wai Suen	(Chairman and Executive Director)
Ms Wang Heng	(Chief Executive Officer and Executive Director)
Mr Oh Eng Bin	(Lead Independent Non-Executive Director)
Mr Duan Yang, Julien	(Independent Non-Executive Director)
Mr Tay Eng Kiat Jackson	(Independent Non-Executive Director) (Appointed on 24 October 2019)

DIRECTORS' INTERESTS

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

	Direct		Deemed	
Name of director and corporation in which interests are held	**Holdings at beginning of the year**	**Holdings at end of the year**	**Holdings at beginning of the year**	**Holdings at end of the year**
Company				
Ordinary shares				
Wang Heng	500,000	625,000	91,171,293	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 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 2020.

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

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
Tay Eng Kiat Jackson	Independent Non-Executive Director (Appointed on 24 October 2019)
Zhai Guiwu	Independent Non-Executive Director (Resigned on 24 October 2019)

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.

DIRECTORS' STATEMENT

(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.

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**
Duan Yang, Julien	Chairman of the ARC/Independent Non-Executive Director
Oh Eng Bin	Lead Independent Non-Executive Director
Tay Eng Kiat Jackson	Independent Non-Executive Director (Appointed on 24 October 2019)
Zhai Guiwu	Independent Non-Executive Director (Resigned on 24 October 2019)

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).

DIRECTORS' STATEMENT

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, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

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

AUDITORS

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

On behalf of the Board of Directors

Wang Heng
Director

Cheung Wai Suen
Director

2 June 2020

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY SAPPHIRE CORPORATION LIMITED

Report on 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 2019, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 62 to 145.

In our opinion, the accompanying consolidated financial statements of the Group and the statements of financial position and changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (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 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

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

Key audit matters

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

Revenue recognition
(Refer to Note 22 to the financial statements)

Risk:

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.

The contracts are usually long term in nature and may involve significant variations to the original contracts due to cost overruns and work variations which may require further negotiations and agreement with customers. As a result, the amount and timing of revenue to be recognised for each performance obligation involves significant management judgement and estimates.

How the matter was addressed in our audit:

In assessing the reasonableness of the revenue recognised, we checked the revenue computations to the contractual terms of the construction contracts. 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.

Our findings:

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

INDEPENDENT AUDITORS' REPORT

Impairment of non-financial assets (including property, plant and equipment and goodwill)
(Refer to Notes 4 and 5 to the financial statements)

Risk:

The net asset position of the Group of RMB591 million was higher than the market capitalisation of RMB116 million as at 31 December 2019, indicating that non-financial assets could be overstated.

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

How the matter was addressed in our audit:

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

Our findings:

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

Impairment of trade receivables and contract assets
(Refer to Notes 12 and 13 to the financial statements)

Risk:

As at 31 December 2019, the Group has trade receivables and contract assets amounting to RMB564,917,000 and RMB911,679,000 respectively.

At each reporting date, the Group identifies trade receivables and contract assets that are credit-impaired and measures loss allowance at an amount equal to lifetime expected credit losses ("**ECL**") using a provision matrix.

Judgement is required in making assumptions about the risk of default and expected loss rates to determine if adequate loss allowance is made to account for those exposures.

How the matter was addressed in our audit:

We reviewed management's identification of trade receivables and contract assets that are credit-impaired. We also evaluated the appropriateness of the ECL model. We reviewed the reasonableness of the underlying assumptions used by comparing them against market observable data and other information.

Our findings:

Based on our tests, we found management's assessment of the loss allowance to be reasonable.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY SAPPHIRE CORPORATION LIMITED

Classification and measurement of assets and liabilities held for sale
(Refer to Note 32 to the financial statements)

Risk:

During the financial year, the Group had received unsolicited bid from a potential buyer to purchase 50% of the Group's interest in Railway Construction Group Co., Ltd. and its subsidiaries ("Ranken").

As at 31 December 2019, the Group did not classify Ranken as assets held for sale as the Group has determined that certain criteria as set out in SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* were not fulfilled. In particular, the Group has assessed that as at 31 December 2019. the sale was not highly probable as the negotiation was still at initial stage and approvals from the relevant authorities had not been obtained.

The determination as to whether the criteria for classification as assets held for sale are met is a critical accounting judgement and could have a significant impact to the performance and financial position of the Group.

How the matter was addressed in our audit:

We have reviewed management's assessment on the criteria as set out in SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations*. We obtained an understanding from management on the progress of the negotiation between Ranken and the potential buyer, and the status of the relevant approvals required for the completion of this transaction.

Our findings:

We found management's assessment not to classify Ranken as asset held for sale to be appropriate.

Other information

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

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

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

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

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), 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 AUDITORS' REPORT

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.

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditors' report is Teo Han Jo.

kpmg llp

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
2 June 2020

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group 2019 RMB'000	Group 2018 RMB'000	Company 2019 RMB'000	Company 2018 RMB'000
Assets					
Property, plant and equipment	4	**184,623**	170,634	**221**	93
Intangible assets and goodwill	5	**42,417**	70,453	**–**	–
Investment properties	6	**52,274**	54,684	**–**	–
Subsidiaries	7	**–**	–	**451,205**	387,151
Associate	8	**48,726**	25,000	**–**	–
Other investments	9	**4**	4,970	**–**	4,966
Other receivables	14	**–**	14,153	**–**	14,153
Deferred tax assets	10	**13,586**	13,971	**–**	–
Total non-current assets		**341,630**	353,865	**451,426**	406,363
Other investments	9	**3,158**	5,815	**3,158**	5,815
Inventories	11	**34,945**	23,432	**–**	–
Contract assets	12	**911,679**	980,244	**–**	–
Trade receivables	13	**564,917**	379,457	**–**	–
Other receivables	14	**186,423**	229,143	**11,526**	6,829
Cash and cash equivalents	15	**169,345**	203,949	**134**	251
Total current assets		**1,870,467**	1,822,040	**14,818**	12,895
Total assets		**2,212,097**	2,175,905	**466,244**	419,258
Equity					
Share capital	16	**466,700**	413,839	**466,700**	413,839
Reserves	17	**113,020**	92,078	**(4,044)**	1,822
Equity attributable to owners of the Company		**579,720**	505,917	**462,656**	415,661
Non-controlling interests	18	**10,906**	10,219	**–**	–
Total equity		**590,626**	516,136	**462,656**	415,661
Liabilities					
Loans and borrowings	19	**103,840**	27,829	**–**	–
Deferred tax liabilities	10	**6,501**	6,677	**–**	–
Total non-current liabilities		**110,341**	34,506	**–**	–
Trade payables	20	**1,009,859**	970,570	**–**	–
Other payables	21	**169,061**	175,084	**3,435**	3,597
Contract liabilities	22	**160,351**	215,152	**–**	–
Loans and borrowings	19	**154,776**	253,968	**153**	–
Current tax liabilities		**17,083**	10,489	**–**	–
Total current liabilities		**1,511,130**	1,625,263	**3,588**	3,597
Total liabilities		**1,621,471**	1,659,769	**3,588**	3,597
Total equity and liabilities		**2,212,097**	2,175,905	**466,244**	419,258

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RMB'000	Group 2018 RMB'000
Revenue	22	**1,731,548**	1,796,982
Cost of sales		**(1,577,502)**	(1,662,993)
Gross profit		**154,046**	133,989
Other income	23	**13,500**	9,359
Selling and distribution costs		**(6,470)**	(10,545)
Administrative expenses		**(68,458)**	(58,149)
Impairment losses on trade and other receivables and contract assets		**(14,282)**	(15,447)
Other expenses		**(13,294)**	(8,634)
Profit from operating activities		**65,042**	50,573
Finance costs	24	**(22,183)**	(20,421)
Share of profit of equity-accounted investees (net of tax)		**2,476**	–
Profit before tax		**45,335**	30,152
Tax expense	25	**(18,434)**	(13,329)
Profit for the year	26	**26,901**	16,823
Profit attributable to:			
Owners of the Company		**26,370**	16,364
Non-controlling interests		**531**	459
Profit for the year		**26,901**	16,823
Earnings per share	27		
Basic (cents)		**7.07**	5.02
Diluted (cents)		**7.07**	5.02

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2019

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Profit for the year	**26,901**	16,823
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)**	(7,701)
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences	**1,751**	1,821
Other comprehensive income for the year, net of tax	**(3,237)**	(5,880)
Total comprehensive income for the year	**23,664**	10,943
Total comprehensive income attributable to:		
Owners of the Company	**23,133**	10,484
Non-controlling interests	**531**	459
Total comprehensive income for the year	**23,664**	10,943

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

		Attributable to owners of the Company								
	Note	Share capital RMB'000	Capital reserve RMB'000	Fair value reserve RMB'000	Other reserves RMB'000	Translation reserve RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Group										
At 1 January 2018		413,839	(7,585)	(1,516)	(6,777)	987	98,051	496,999	9,760	506,759
Total comprehensive income for the year										
Profit for the year		–	–	–	–	–	16,364	16,364	459	16,823
Other comprehensive income										
Foreign currency translation differences		–	–	–	–	1,821	–	1,821	–	1,821
Net change in fair value – equity investments at fair value through other comprehensive income		–	–	(7,701)	–	–	–	(7,701)	–	(7,701)
Total other comprehensive income		–	–	(7,701)	–	1,821	–	(5,880)	–	(5,880)
Total comprehensive income for the year		–	–	(7,701)	–	1,821	16,364	10,484	459	10,943
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owner										
Dividends declared	17	–	–	–	–	–	(1,566)	(1,566)	–	(1,566)
Total contributions by and distributions to owners		–	–	–	–	–	(1,566)	(1,566)	–	(1,566)
At 31 December 2018		413,839	(7,585)	(9,217)	(6,777)	2,808	112,849	505,917	10,219	516,136

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

	Note	Attributable to owners of the Company								
		Share capital RMB'000	Capital reserve RMB'000	Fair value reserve RMB'000	Other reserves RMB'000	Translation reserve RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Group										
At 1 January 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 owner										
Contributions by non-controlling interests		–	–	–	–	–	–	–	156	156
Rights issue, net of expenses	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 accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

	Note	Share capital RMB'000	Capital reserve RMB'000	Fair value reserve RMB'000	Other reserve RMB'000	Translation reserve RMB'000	Accumulated profits/ (losses) RMB'000	Total equity RMB'000
Company								
At 1 January 2018		413,839	(8,294)	(1,516)	(6,777)	7,456	11,495	416,203
Total comprehensive income								
Loss for the year		–	–	–	–	–	(3,904)	(3,904)
Other comprehensive income								
Foreign currency translation differences		–	–	–	–	12,629	–	12,629
Net change in fair value – equity investments at fair value through other comprehensive income		–	–	(7,701)	–	–	–	(7,701)
Total other comprehensive income		–	–	(7,701)	–	12,629	–	4,928
Total comprehensive income for the year		–	–	(7,701)	–	12,629	(3,904)	1,024
Transactions with owners, recognised directly in equity								
Contributions by and distributions to owner								
Dividends declared	17	–	–	–	–	–	(1,566)	(1,566)
Total contributions by and distributions to owners		–	–	–	–	–	(1,566)	(1,566)
At 31 December 2018		413,839	(8,294)	(9,217)	(6,777)	20,085	6,025	415,661

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

STATEMENT OF
CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

	Note	Share capital RMB'000	Capital reserve RMB'000	Fair value reserve RMB'000	Other reserve RMB'000	Translation reserve RMB'000	Accumulated profits/ (losses) RMB'000	Total equity RMB'000
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	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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019

	2019 RMB'000	2018 RMB'000
Cash flows from operating activities		
Profit before tax	**45,335**	30,152
Adjustments for:		
Allowance for impairment losses on doubtful receivables and contract assets	**14,282**	15,447
Amortisation of intangible assets	**–**	681
Change in fair value of financial asset mandatorily at fair value through profit or loss	**2,753**	(1,115)
Inventories written off	**965**	–
Depreciation of property, plant and equipment	**70,097**	59,343
Depreciation of investment properties	**2,410**	2,410
Interest income	**(418)**	(363)
Interest expense	**22,183**	20,421
(Gain)/Loss on disposal of property, plant and equipment, net	**(2,543)**	36
Other investment written off	**–**	150
Bad debt written off	**317**	–
Share of profit of equity-accounted investees, net of tax	**(2,476)**	–
Unwinding of discount on long-term receivables	**(1,053)**	(1,062)
Operating profit before working capital changes	**151,852**	126,100
Changes in:		
Inventories	**(12,478)**	9,171
Contract assets	**60,552**	(39,470)
Contract liabilities	**(54,801)**	(133,285)
Trade and other payables	**34,832**	331,930
Trade and other receivables	**(135,686)**	(65,364)
Cash flows generated from operations	**44,271**	229,082
Tax paid	**(11,631)**	(22,385)
Net cash generated from operating activities	**32,640**	206,697
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(71,942)**	(60,178)
Investment in associate	**(21,250)**	(25,000)
Interest received	**418**	363
Proceeds from sale of property, plant and equipment	**29,827**	1,199
Net cash used in investing activities	**(62,947)**	(83,616)

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019

	Note	2019 RMB'000	2018 RMB'000
Cash flows from financing activities			
Interest paid		**(21,240)**	(16,835)
Repayment to a previous shareholder of Ranken's subsidiary		**–**	(6,920)
Proceeds from bank loans		**187,000**	129,000
Proceeds from secured borrowing from financial institution		**40,000**	45,000
Proceeds from rights issue		**52,861**	–
Payment of transaction cost relating to rights issue		**(2,191)**	–
Payment of lease liabilities (2018: finance lease liabilities)		**(40,502)**	(35,837)
Repayment of bank loans		**(142,000)**	(142,000)
Repayment of secured borrowing from financial institution		**(45,000)**	–
Repayment of bond issued		**(35,000)**	(15,000)
Release of fixed deposits pledged, net		**7,905**	35
Contribution by non-controlling interests		**156**	–
Dividends paid to owners of the Company		**–**	(1,566)
Net cash generated from/(used in) financing activities		**1,989**	(44,123)
Net (decrease)/increase in cash and cash equivalents		**(28,318)**	78,958
Cash and cash equivalents at 1 January		**196,040**	117,729
Effect of exchange rate fluctuations on cash held		**1,619**	(647)
Cash and cash equivalents at 31 December	15	**169,341**	196,040

Significant non-cash transactions

During the financial year, the Group acquired plant and equipment with an aggregate cost of RMB74,621,000 (2018: RMB92,880,000) of which RMB2,679,000 (2018: RMB32,702,000) were acquired by means of lease (2018: finance lease) arrangements.

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 2 June 2020.

1. DOMICILE AND ACTIVITIES

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

The financial statements of the Group as at and for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "**Group**" and individually as "**Group entities**") and the Group's interest in equity-accounted investee.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("**SFRS(I)**").

This is the first set of the Group's annual financial statements in which SFRS(I) 16 Leases has been applied. The related changes to significant accounting policies are described in note 2.5.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

The functional currency of the Company is in Singapore dollars. 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 management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Information about critical judgement in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following note:

- Note 22 – Identifying performance obligations and measuring progress

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- Note 4 – Valuation of property, plant and equipment
- Note 5 – Valuation of goodwill
- Note 22 – Revenue recognition for construction contracts/measurement of provision for onerous contracts
- Note 30 – Valuation of trade and other receivables and contract assets

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 30.

2.5 Changes in accounting policies

New standard and amendments

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
- (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I) 1-19)

Other than SFRS(I) 16, the application of these SFRS(I), amendments to standards and interpretations does not have a material effect on the financial statements.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Changes in accounting policies (Continued)

SFRS(I) 16 Leases

The Group applied SFRS(I) 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under SFRS(I) 1-17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SFRS(I) 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in SFRS(I) 16.

On transition to SFRS(I) 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied SFRS(I) 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed for whether there is a lease under SFRS(I) 16. Therefore, the definition of a lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

As a lessee, the Group leases many assets including land and building and plant and machinery. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

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 price. However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under SFRS(I) 1-17

Previously, the Group classified property leases as operating leases under SFRS(I) 1-17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the respective lessee entities' incremental borrowing rates applicable to the leases as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all other leases.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONTINUED)

2.5 Changes in accounting policies (Continued)

As a lessee (Continued)

Leases classified as operating leases under SFRS(I) 1-17 (Continued)

The Group used a number of practical expedients when applying SFRS(I) 16 to leases previously classified as operating leases under SFRS(I) 1-17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

Leases classified as finance leases under SFRS(I) 1-17

The Group leases a number of items of plant and machineries. These leases were classified as finance leases under SFRS(I) 1-17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under SFRS(I) 1-17 immediately before that date.

As a lessor

The Group leases out its investment property, including own property and right-of-use assets. The Group has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to SFRS(I) 16 for leases in which it acts as a lessor.

The Group has applied SFRS(I) 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

Impact on financial statements

Impact on transition

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using the applicable incremental borrowing rates at 1 January 2019. The effective interest rate applied is 10%.

	1 January 2019 RMB'000
Operating lease commitments at 31 December 2018 under SFRS(I) 1-17 in the Group's consolidated financial statements	**9,369**
Discounted using the incremental borrowing rate at 1 January 2019	**8,703**
Finance lease liabilities as at 31 December 2018	**60,620**
Lease liabilities at 1 January 2019 (disclosed as loans and borrowing on the balance sheet)	**69,323**

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONTINUED)

2.5 Changes in accounting policies (Continued)

Impact on financial statements (Continued)

Impact on transition (Continued)

The Group has reclassified land use rights within intangible assets on the balance sheet of RMB28,036,000 as at 1 January 2019 to property, plant and equipment as right-of-use assets.

There is no impact on the opening balance of equity.

The following table summarises the impacts of the adoption of SFRS(I) 16 on the Group's and Company's consolidated statement of financial position:

Group	Carrying amount at 31 December 2018 RMB'000	Capitalisation of operating lease contracts RMB'000	Re-classification RMB'000	Carrying amount at 1 January 2019 RMB'000
Property, plant and equipment	170,634	8,703	28,036	**207,373**
Intangible assets and goodwill	70,453	–	(28,036)	**42,417**
Others	112,778	–	–	**112,778**
Total non-current assets	353,865	8,703	–	**362,568**
Total current assets	1,822,040	–	–	**1,822,040**
Total assets	2,175,905	8,703	–	**2,184,608**
Loans and borrowings	27,829	2,518	–	**30,347**
Others	6,677	–	–	**6,677**
Total non-current liabilities	34,506	2,518	–	**37,024**
Loans and borrowings	253,968	6,185	–	**260,153**
Others	1,371,295	–	–	**1,371,295**
Total current liabilities	1,625,263	6,185	–	**1,631,448**
Total liabilities	1,659,769	8,703	–	**1,668,472**

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONTINUED)

2.5 Changes in accounting policies (Continued)

Impact on financial statements (Continued)

Impact on transition (Continued)

Company	Carrying amount at 31 December 2018 RMB'000	Capitalisation of operating lease contracts RMB'000	Carrying amount at 1 January 2019 RMB'000
Property, plant and equipment	93	296	**389**
Others	406,270	–	**406,270**
Total non-current assets	406,363	296	**406,659**
Total current assets	12,895	–	**12,895**
Total assets	419,258	296	**419,554**
Loans and borrowings	–	149	**149**
Total non-current liabilities	–	149	**149**
Loans and borrowings	–	147	**147**
Others	3,597	–	**3,597**
Total current liabilities	3,597	147	**3,744**
Total liabilities	3,597	296	**3,893**

For the impact of SFRS(I) 16 on profit or loss for the period, see note 28. For the impact of SFRS(I) 16 on segment information, see note 31. For the details of accounting policies under SFRS(I) 16 and SFRS(I) 1-17, see note 3.7.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

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,

3. **SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

3.1 **Basis of consolidation** (Continued)

Business combinations (Continued)

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 profit or loss.

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

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

NCI 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 NCI 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.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Acquisitions before 1 January 2017

As part of transition to SFRS(I), the Group 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 FRS framework as at the date of transition.

Subsidiaries

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Investment in associate (equity-accounted investee)

Associate is an entity 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.

Investment in associate is 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 OCI of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

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

Transactions eliminated on consolidation

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

Subsidiaries and associate in the separate financial statements

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency (Continued)

Foreign currency transactions (Continued)

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 profit or loss. 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 Chinese Renminbi at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Chinese Renminbi 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 profit or loss 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 profit or loss.

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.

3.3 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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 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.

NOTES TO THE
FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

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 profit or loss.

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 profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss 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 profit or loss.

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 profit or loss. Directly attributable transaction costs are recognised in profit or loss 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 profit or loss. These financial liabilities comprised bank loans, bond, bank overdrafts, and trade and other payables.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(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 profit or loss.

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment

Recognition and measurement

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

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

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

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

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

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

Subsequent costs

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

Depreciation

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

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (Continued)

Depreciation (Continued)

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

Right-of-use asset is depreciated over the unexpired term of lease.

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

No depreciation is provided on assets under construction.

3.5 Intangible assets and goodwill

Goodwill

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

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

Other intangible assets

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

Subsequent expenditure

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Intangible assets and goodwill (Continued)

Amortisation

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

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

- Land use rights – 50 years

Due to the initial application of SFRS(I) 16, land use right has been reclassified to property, plant and equipment.

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

3.6 Investment properties

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

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

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each item of investment properties. The estimated useful lives of investment properties are 30 – 50 years. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.7 Leased assets

The Group has applied SFRS(I) 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under SFRS(I) 1-17 and SFRS(I) INT 4. The details of accounting policies under SFRS(I) 1-17 and SFRS(I) INT 4 are disclosed separately.

Policy applicable from 1 January 2019

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. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SFRS(I) 16.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leased assets (Continued)

Policy applicable from 1 January 2019 (Continued)

This policy is applied to contracts entered into, on or after 1 January 2019.

(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 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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leased assets (Continued)

Policy applicable from 1 January 2019 (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 profit or loss 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.

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'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leased assets (Continued)

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and

- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

(i) As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(ii) As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

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

Income from equipment leasing is recognised as 'revenue' on a straight-line basis over the term of the lease. Rental income from investment properties and sub-leased property are recognised as 'other income' on a straight-line basis over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Inventories

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

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

3.9 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 3.10) 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.

3.10 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment (Continued)

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

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. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improve 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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment (Continued)

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

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.

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

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

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 profit or loss. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Employee benefits

Defined contribution plans

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

Short-term employee benefits

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

Share-based payment transactions

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

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

3.12 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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 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 the output method based on direct measurements of the value of services delivered or surveys of work performed.

When the outcome of the contract cannot be reasonable measured but the Group expects to recover the costs incurred in satisfying the PO, revenue is recognised only to the extent of contract costs incurred that are expected to 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Revenue (Continued)

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 profit or loss, using the effective interest method.

3.14 Government grant

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

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

3.15 Finance costs

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Tax

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 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.

3.18 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.

3.19 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019 and earlier application is permitted, however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

- *Amendments to Reference to Conceptual Framework in SFRS(I) Standards*
- *Definition of a Business (Amendments to SFRS(I) 3)*
- *Definition of Material (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)*
- *SFRS(I) 17 Insurance Contracts.*

NOTES TO THE FINANCIAL STATEMENTS

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
Group								
Cost								
At 1 January 2018	11,315	911	109,335	5,075	100,718	7,130	11,479	245,963
Additions	–	–	36,829	2,447	36,854	5,554	11,196	92,880
Disposals/write-off	–	(24)	(1,286)	(566)	–	(1,239)	–	(3,115)
Transfer	–	–	65	–	–	(65)	–	–
Effect of movements in exchange rates	–	26	–	16	–	4	–	46
At 31 December 2018	11,315	913	144,943	6,972	137,572	11,384	22,675	335,774
At 1 January 2019	**11,315**	**913**	**144,943**	**6,972**	**137,572**	**11,384**	**22,675**	**335,774**
On initial application of SFRS(I) 16 (see note 2.5):								
Recognition of right-of-use	**296**	**–**	**8,407**	**–**	**–**	**–**	**–**	**8,703**
Reclassification of land use rights from intangible assets	**30,250**	**–**	**–**	**–**	**–**	**–**	**–**	**30,250**
Adjusted balance 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**
Accumulated depreciation								
At 1 January 2018	822	898	46,566	2,234	54,276	2,839	–	107,635
Depreciation	293	4	13,121	1,880	42,315	1,730	–	59,343
Disposals/write-off	–	(18)	(370)	(317)	–	(1,175)	–	(1,880)
Transfer	–	–	65	–	–	(65)	–	–
Effect of movements in exchange rates	–	29	–	9	–	4	–	42
At 31 December 2018	1,115	913	59,382	3,806	96,591	3,333	–	165,140
At 1 January 2019	**1,115**	**913**	**59,382**	**3,806**	**96,591**	**3,333**	**–**	**165,140**
On initial application of SFRS(I) 16 (see note 2.5):								
Reclassification of land use rights from intangible assets	**2,214**	**–**	**–**	**–**	**–**	**–**	**–**	**2,214**
Adjusted balance 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**
Carrying amounts								
At 1 January 2018	10,493	13	62,769	2,841	46,442	4,291	11,479	138,328
At 31 December 2018	10,200	–	85,561	3,166	40,981	8,051	22,675	170,634
At 31 December 2019	**45,205**	**–**	**80,515**	**3,920**	**27,753**	**8,812**	**18,418**	**184,623**

NOTES TO THE FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Building RMB'000	Renovation RMB'000	Furniture, fittings and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Company					
Cost					
At 1 January 2018	–	911	498	591	2,000
Additions	–	–	7	–	7
Disposals/write-off	–	(24)	(50)	(595)	(669)
Effect of movements in exchange rates	–	26	16	4	46
At 31 December 2018	–	913	471	–	1,384
At 1 January 2019	**–**	**913**	**471**	**–**	**1,384**
On initial application of SFRS(I) 16 (see note 2.5)					
Recognition of right-of-use	**296**	**–**	**–**	**–**	**296**
Adjusted balance 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**
Accumulated depreciation					
At 1 January 2018	–	898	373	591	1,862
Depreciation	–	4	23	–	27
Disposals/write-off	–	(18)	(27)	(595)	(640)
Effect of movements in exchange rates	–	29	9	4	42
At 31 December 2018/1 January 2019	**–**	**913**	**378**	**–**	**1,291**
Depreciation	**155**	**–**	**23**	**–**	**178**
Effect of movements in exchange rates	**4**	**25**	**6**	**–**	**35**
At 31 December 2019	**159**	**938**	**407**	**–**	**1,504**
Carrying amounts					
At 1 January 2018	–	13	125	–	138
At 31 December 2018	–	–	93	–	93
At 31 December 2019	**145**	**–**	**76**	**–**	**221**

During the year, depreciation of RMB66,217,000 (2018: RMB56,537,000) and RMB3,880,000 (2018: RMB2,806,000) were charged to cost of goods sold and other operating expenses, respectively.

Land and building include land use rights for the Group of RMB27,355,000 (2018: Nil).

Leased plant and machinery (classified as finance lease under SFRS(I) 1-17)

The Group leases plant and machinery under a number of finance leases. The leased plant and machinery secure lease obligations. At 31 December 2018, the net carrying amount of leased plant and machinery was RMB59,910,000.

Security

At 31 December 2019, land and building of the Group with carrying amount of RMB37,262,000 (2018: RMB10,200,000) respectively are pledged as securities to secure bank loans (Note 19).

NOTES TO THE FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Source of estimation uncertainty

Impairment assessment of property, plant and equipment

The property, plant and equipment are reviewed for impairment whenever there is indication that the assets are impaired. The impairment assessment involves estimating the recoverable amount (i.e. higher of the fair value less cost to sell and value-in-use) of the allocated cash-generating unit to determine the impairment loss.

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

Depreciation of property, plant and equipment

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.

5. INTANGIBLE ASSETS AND GOODWILL

	Land use rights RMB'000	Goodwill RMB'000	Total RMB'000
Group			
Cost			
At 1 January 2018 and 31 December 2018	30,250	42,417	72,667
On initial application of SFRS(I) 16 (see note 2.5)			
Reclassification of land use rights to plant, property and equipment	(30,250)	–	(30,250)
At 31 December 2019	**–**	**42,417**	**42,417**
Accumulated amortisation and impairment loss			
At 1 January 2018	1,533	–	1,533
Amortisation	681	–	681
At 31 December 2018	2,214	–	2,214
On initial application of SFRS(I) 16 (see note 2.5)			
Reclassification of land use rights to plant, property and equipment	(2,214)	–	(2,214)
At 31 December 2019	**–**	**–**	**–**
Carrying amounts			
At 1 January 2018	28,717	42,417	71,134
At 31 December 2018	28,036	42,417	70,453
At 31 December 2019	–	**42,417**	**42,417**

5. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Security

At 31 December 2018, the Group's land use rights with carrying amount of RMB28,036,000 are pledged to a bank for banking facilities (Note 19).

During the year ended 31 December 2018, the amortisation of land use rights is included in other operating expenses.

Impairment testing for CGUs containing goodwill

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

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Infrastructure	**42,417**	42,417

Infrastructure

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

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

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	**2018**
Period of cash flow projections	**2020 – 2024**	2019 – 2023
Pre-tax discount rate	**17%**	17%
Terminal value growth rate	**4%**	4%

The cash flow projections were based on financial forecasts prepared by the management and included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make. The discount rate applied to the 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 (2018: RMB65,000,000). Management has 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.

NOTES TO THE FINANCIAL STATEMENTS

5. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Impairment testing for CGUs containing goodwill (Continued)

Infrastructure (Continued)

	Change required for carrying amount to equal the recoverable amount	
	2019	**2018**
	%	**%**
Pre-tax discount rate	**2%**	2%
Terminal value growth rate	**(1%)**	(2%)

Source of estimation uncertainty

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

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

6. INVESTMENT PROPERTIES

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Cost		
At 1 January/31 December	**62,763**	62,763
Accumulated depreciation		
At 1 January	**8,079**	5,669
Depreciation	**2,410**	2,410
At 31 December	**10,489**	8,079
Carrying amount		
At 31 December	**52,274**	54,684
Fair value		
At 31 December	**77,685**	74,334

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 28 for further information.

6. INVESTMENT PROPERTIES (CONTINUED)

Security

At 31 December 2019, investment properties of the Group with carrying amounts of RMB52,274,000 (2018: RMB54,684,000) are pledged as security to secure bank loans (Note 19).

Major properties held for investment

Location	Description	Existing use	Tenure of land	Remaining term of lease
Ranken Building No.189 Wukexi Second Road Wuhou District, Chengdu City, Sichuan Province, 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, RMB4,074,000 (2018: RMB3,768,000) was recognised as rental income in profit or loss by the Group. Depreciation expenses included in other operating expenses amounted to RMB2,410,000 (2018: RMB2,410,000).

Measurement of fair value

Fair value hierarchy and valuation technique

The fair value of 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 will engage 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 of RMB77,685,000 (2018: RMB74,334,000) have been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see Note 2.4).

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENT PROPERTIES (CONTINUED)

Valuation technique and significant unobservable inputs

The following table shows the Group's valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Income approach – term and reversion method: Rental income is derived from the existing leases with due allowance for the reversionary income potential of the leases, which are then capitalised into the value at appropriate rates.	Ranken Building: • Average monthly market rent: RMB36sq.m (2018: RMB34sq.m) • Market yield: 7% (2018: 6.75%) Sichuan International Building: • Average monthly market rent: RMB52/sq.m (2018: RMB52/sq.m) • Market yield: 7% (2018: 7%)	The estimated fair value would increase (decrease) if: • average monthly market rent was higher (lower) • market yield was (lower) higher

7. SUBSIDIARIES

	Company 2019 RMB'000	Company 2018 RMB'000
Equity investments at cost		
At 1 January	**387,151**	375,420
Additional investment in subsidiaries	**52,306**	–
Effect of movements in exchange rates	**11,748**	11,731
At 31 December	**451,205**	387,151

During the current year, the Company increased its investment in the share capital of its wholly-owned subsidiary, Ranken Holding Co., Limited, (formerly known as Ranken Holdings Infrastructure Limited) by subscribing for an additional 1,000 shares in cash amounting to an aggregate consideration of RMB52,306,000.

NOTES TO THE FINANCIAL STATEMENTS

7. **SUBSIDIARIES** (CONTINUED)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Principal place of business/ Country of incorporation	Effective equity interest held by the Group 2019 %	2018 %
Ranken Holding Co., Limited (formerly known as Ranken Infrastructure Limited)[(1)] and its subsidiaries:	Investment holding	Hong Kong	**100**	100
– Chengdu Kai Qi Rui Business Management Co., Ltd.[(1)] and its subsidiaries:	Enterprise management, engineering information and technology consultation	China	**98**	98
– Ranken Railway Construction Group Co., Ltd.[(1)(4)] and its subsidiaries:	Engineering, procurement and construction (EPC) for railway, highway, municipal, industrial and civil construction and airports and water conservancy projects and investment holding	China	**97.6**	97.6
– Sichuan Xinlong Construction Co., Ltd[(1)]	EPC for railway, highway, municipal, industrial and civil construction and airports and water conservancy projects	China	**97.6**	97.6
– Sichuan Longjian Construction Consultancy Co., Ltd.[(1)]	Construction consulting, projects management consulting, construction cost consulting, construction design, supervision and bidding agency	China	**97.6**	97.6
– Sichuan Jinlong Labor Service Co., Ltd.[(1)]	Labor service subcontracting for construction industry; domestic labor dispatching service	China	**87.9**	87.9
– Chengdu Jialong Property Service Co., Ltd[(1)]	Property management and consulting services	China	**97.1**	97.1
– PT Tekgen Indonesia[(2)(3)]	Construction of electrical networks and other telecommunication channels	Indonesia	**97.6**	97.6
– Chengdu Ranken Railway Construction Group Co., Ltd. Saudi Arabia Branch[(2)(3)]	Engineering, procurement and construction (EPC) for railway, highway, municipal, industrial and civil construction and water conservancy projects	Saudi Arabia	**97.6**	97.6
– Sichuan Yilong Equipment Co., Ltd[(1)]	Equipment maintenance and leasing	China	**97.6**	97.6

Notes:

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

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

(3) In the process of being struck off.

(4) 200 million of the existing 600 million shares of Ranken Railway Construction Group Co., Ltd. are pledged to two (2) guarantee companies as security for (a) a bank loan; and (b) project guarantees undertaken by Ranken Railway.

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FINANCIAL STATEMENTS

8. ASSOCIATE

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Interests in associate	**48,726**	25,000
Group's interest in the net asset of investee		
At 1 January	**25,000**	–
Group's contribution during the year	**21,250**	25,000
Group's share of profit	**2,476**	–
At 31 December	**48,726**	25,000

During the year, the Group, injected additional 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 Environmental Management Co..

Details of the associate are as follows:

Name of associate	Nature of relationship with the Group	Principal activities	Principal place of business/ Country of incorporation	Effective equity interest held by the Group 2019 %	2018 %
Chengdu Derun Jinlong Environmental Management Co., Ltd.[1]	Associate of the Group is a contractor to the engineering, procurement and construction works for the project	Investment and financing, design, build, operate and transfer works for water conservancy and environment project	China	**25**	25

Note:

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

8. ASSOCIATE (CONTINUED)

The following summarises the financial information of the associate based on its financial statements:

	2019 RMB'000	2018 RMB'000
Revenue	**682,814**	60,050
Profit for the year and total comprehensive income	**9,689**	1
Non-current assets	**248**	60,050
Current assets	**796,605**	100,001
Non-current liabilities	**(468,547)**	–
Current liabilities	**(133,617)**	(60,050)
Net assets	**194,689**	100,001

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 amounts to RMB22,000,000 and is expected to inject over the remaining construction period of 1 year. This commitment has 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 subsidiary of the Group.

In both 2019 and 2018, the associate does not have any contingent liabilities and commitments.

9. OTHER INVESTMENTS

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Non-current investments				
Equity investment – at FVOCI	–	4,966	–	4,966
Equity investment – mandatorily at FVTPL	**4**	4	–	–
	4	4,970	–	4,966
Current investment				
Equity investment – mandatorily at FVTPL	**3,158**	5,815	**3,158**	5,815
	3,162	10,785	**3,158**	10,781

NOTES TO THE FINANCIAL STATEMENTS

9. OTHER INVESTMENTS (CONTINUED)

Equity investment designated as at FVOCI

Group and Company

	Fair value at		Dividend income recognised during	
	31 December 2019 RMB'000	31 December 2018 RMB'000	2019 RMB'000	2018 RMB'000
Investment in Mancala Holdings Limited and its subsidiaries	**–**	4,966	**–**	–

During the financial year, the Group has fully written down the fair value of investment in Mancala Holdings Limited and its subsidiaries to nil.

No strategic investments were disposed off during 2019, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

10. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
Group	**2019 RMB'000**	**2018 RMB'000**	**2019 RMB'000**	**2018 RMB'000**
Property, plant and equipment	**6,653**	8,179	**(26)**	(27)
Investment properties	**–**	–	**(673)**	(702)
Intangible assets	**–**	–	**(5,802)**	(5,948)
Trade receivables and contract assets	**5,815**	4,584	**–**	–
Others	**1,118**	1,208	**–**	–
	13,586	13,971	**(6,501)**	(6,677)

NOTES TO THE FINANCIAL STATEMENTS

10. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Movement in temporary differences during the year

	Balance as at 1 January 2018 RMB'000	Recognised in profit or loss RMB'000	Balance as at 31 December 2018 RMB'000	Recognised in profit or loss RMB'000	Balance as at 31 December 2019 RMB'000
Group					
Deferred tax assets					
Property, plant and equipment	9,635	(1,456)	8,179	(1,526)	**6,653**
Trade receivables and contract assets	4,434	150	4,584	1,231	**5,815**
Others	750	458	1,208	(90)	**1,118**
	14,819	(848)	13,971	(385)	**13,586**
Deferred tax liabilities					
Property, plant and equipment	(28)	1	(27)	1	**(26)**
Investment properties	(731)	29	(702)	29	**(673)**
Intangible assets	(6,093)	145	(5,948)	146	**(5,802)**
	(6,852)	175	(6,677)	176	**(6,501)**

11. INVENTORIES

	Group 2019 RMB'000	Group 2018 RMB'000
Raw materials and consumables	**34,945**	23,432
Inventories recognised in cost of sales	**554,379**	579,887

12. CONTRACT ASSETS

	Group 2019 RMB'000	Group 2018 RMB'000
Rights to consideration for work completed but not billed for construction contracts	**635,423**	710,473
Retention monies	**289,361**	278,700
	924,784	989,173
Impairment loss	**(13,105)**	(8,929)
	911,679	980,244

The retention monies of RMB86,362,000 (2018: RMB61,881,000) are expected to be recovered after twelve months from the end of the current financial year.

At 31 December 2019, contract assets of the Group with carrying amounts of RMB Nil (2018: RMB106,364,000) are pledged as security to secure borrowing from a financial institution (Note 19).

NOTES TO THE FINANCIAL STATEMENTS

13. TRADE RECEIVABLES

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Trade receivables	**570,078**	390,436
Impairment loss	**(5,161)**	(10,979)
	564,917	379,457

At 31 December 2019, trade receivables of the Group with carrying amounts of RMB37,373,000 (2018: RMB26,314,000) are pledged as security to secure borrowing from a financial institution (Note 19).

14. OTHER RECEIVABLES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Non-current				
Other receivable due from former subsidiary	**–**	14,153	**–**	14,153
Current				
Other receivables due from third parties	**106,693**	94,804	**146**	139
Amount due from former subsidiary	**15,302**	–	**15,302**	–
Impairment loss	**(15,088)**	(2,862)	**(6,121)**	–
	106,907	91,942	**9,327**	139
Other tax recoverable	**21,173**	18,629	**74**	69
Amounts due from subsidiary	**–**	–	**1,933**	6,250
Deposits	**22,854**	29,539	**49**	288
Prepayments	**35,489**	89,033	**143**	83
	186,423	229,143	**11,526**	6,829
	186,423	243,296	**11,526**	20,982

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

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Cash and bank balances	**169,341**	196,040	**134**	251
Fixed deposits	**4**	7,909	**–**	–
Cash and cash equivalents in the statements of financial position	**169,345**	203,949	**134**	251
Fixed deposits pledged	**(4)**	(7,909)		
Cash and cash equivalents in the statement of cash flows	**169,341**	196,040		

Fixed deposits amounting to RMB4,000 (2018: RMB7,909,000) were pledged to banks for banking facilities at the end of the reporting period.

The weighted average effective interest rates per annum relating to cash and cash equivalents at the reporting date for the Group and the Company were 0.22% (2018: 0.18%) and 0.01% (2018: 0.01%) respectively. Interest rates are repriced within one year.

NOTES TO THE FINANCIAL STATEMENTS

16. SHARE CAPITAL

	2019		2018	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
Issued and fully paid ordinary shares, with no par value:				
At 1 January	**326,072**	**413,839**	326,072	413,839
Rights issue	**81,518**	**52,861**	–	–
At 31 December	**407,590**	**466,700**	326,072	413,839

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

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

Rights issue

During the current year, 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 19, issued capital, reserves and retained earnings. The Group's current borrowings are largely for working capital needs and hence not considered as the Group's capital.

The Group is not subjected to externally imposed capital requirements during the financial years ended 31 December 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS

17. RESERVES

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Capital reserve	**(7,585)**	(7,585)	**(8,294)**	(8,294)
Fair value reserve	**(14,205)**	(9,217)	**(14,205)**	(9,217)
Other reserves	**(8,968)**	(6,777)	**(8,968)**	(6,777)
Translation reserve	**4,559**	2,808	**32,254**	20,085
Accumulated profits	**139,219**	112,849	**(4,831)**	6,025
	113,020	92,078	**(4,044)**	1,822

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.

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.

Dividends

No dividend has been declared/recommended for both financial years ended 31 December 2019 and 2018.

The directors proposed a tax-exempt (one-tier) final dividend of 0.1 Singapore cents per ordinary share to be paid to shareholders for the financial year ended 31 December 2017. This dividend was approved at the Annual General Meeting on 26 April 2018 and paid on 20 July 2018.

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.

	2019 RMB'000	2018 RMB'000
Attributable to NCI:		
Profit for the year represents total comprehensive income	**531**	459
Non-current assets	**298,991**	292,235
Current assets	**1,857,582**	1,811,794
Non-current liabilities	**(110,342)**	(34,506)
Current liabilities	**(1,509,072)**	(1,613,843)
Net assets	**537,159**	455,680
Net assets attributable to NCI	**10,906**	10,219
Cash flows generated from operating activities	**31,243**	200,117
Cash flows used in investing activities	**(62,947)**	(83,704)
Cash flows generated from/(used in) financing activities	**3,794**	(35,663)
Net (decrease)/increase in cash and cash equivalents	**(27,910)**	80,750

19. LOANS AND BORROWINGS

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Non-current liabilities				
Secured bank loans	**98,000**	–	**–**	–
Lease liabilities (2018: finance lease liabilities)	**5,840**	27,829	**–**	–
	103,840	27,829	**–**	–
Current liabilities				
Secured bank loans	**89,000**	141,201	**–**	–
Secured bond	**–**	34,976	**–**	–
Lease liabilities (2018: finance lease liabilities)	**25,776**	32,791	**153**	–
Secured borrowing from financial institution	**40,000**	45,000	**–**	–
	154,776	253,968	**153**	–
	258,616	281,797	**153**	–

NOTES TO THE FINANCIAL STATEMENTS

19. 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	2019 Face value RMB'000	2019 Carrying amount RMB'000	2018 Face value RMB'000	2018 Carrying amount RMB'000
Group							
Secured bank loan(1)	RMB	140% of BLR*	2019	–	–	10,000	10,000
Secured bank loan(1)	RMB	140% of BLR*	2019	–	–	15,000	15,000
Secured bank loan(1)	RMB	140% of BLR*	2019	–	–	5,000	5,000
Secured bank loan(1)	RMB	162.5% of BLR*	2019	–	–	10,000	10,000
Secured bank loan(1)	RMB	140% of BLR*	2019	–	–	28,000	28,000
Secured bank loan(1)	RMB	140% of BLR*	2019	–	–	15,000	15,000
Secured bank loan(1)	RMB	150% of BLR*	2019	–	–	10,000	10,000
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	0.45%+LPR^	2019	–	–	30,000	29,448
Secured bank loan(1)	RMB	0.45%+LPR^	2019	–	–	19,000	18,753
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**	–	–
Secured borrowing from financial institution(3)	RMB	9.50%	2019	–	–	45,000	45,000
Secured borrowing from financial institution(3)	RMB	8.50%	2020	**40,000**	**40,000**	–	–
Secured bond(2)	RMB	7.30%	2019	–	–	35,000	34,976
Lease liabilities (2018: finance lease liabilities)	RMB	120% of BLR*	2020	**5,789**	**5,703**	17,859	16,823
Lease liabilities (2018: finance lease liabilities)	RMB	120% of BLR*	2020	**6,130**	**6,038**	18,910	17,806
Lease liabilities (2018: finance lease liabilities)	RMB	115% of BLR*	2020	**3,915**	**3,147**	5,616	5,123
Lease liabilities (2018: finance lease liabilities)	RMB	115% of BLR*	2021	**14,675**	**13,241**	23,826	20,868
Lease liabilities (2018: finance lease liabilities)	RMB	10%	2020	**3,586**	**3,487**	–	–
				261,095	**258,616**	288,211	281,797
Company							
Lease liabilities (2018: finance lease liabilities)	SGD	10%	2020	**160**	**153**	–	–

^ LPR: China's Loan Prime Rate
* BLR: China's Base Lending Rate

Notes:

1. These bank loans are secured by personal guarantees by previous beneficial owners of subsidiary, Ranken Holding Co., Limited (formerly known as Ranken Holdings Infrastructure Limited) and building, machineries, investment properties, land use rights with total carrying amount of RMB89,621,000 (2018: RMB92,920,000) (Notes 4, 5 and 6), deposits pledged of RMB4,000 (2018: RMB7,909,000) (Note 15) and equity interest in Ranken Railway Construction Group Co., Ltd. (Note 7).
2. The bond was secured by investment properties with carrying amount of Nil (2018: RMB1,581,000) (Note 6), joint guarantee provided by a financial institution and directors of the subsidiary.
3. The borrowing from the financial institution is secured by contract assets and trade receivables with carrying amounts of Nil (2018: RMB106,364,000) and RMB37,373,000 (2018: RMB26,314,000) respectively (Notes 12 and 13).

19. LOANS AND BORROWINGS (CONTINUED)

Lease liabilities (2018: finance lease liabilities)

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

	Future minimum lease payments RMB'000	Interest RMB'000	Present value of minimum lease payments RMB'000
Group			
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**
2018			
Within one year	36,626	(3,835)	32,791
More than one year	29,585	(1,756)	27,829
	66,211	(5,591)	60,620

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

	Bank loans RMB'000	Bond payables RMB'000	Borrowing from financial institution RMB'000	Lease liabilities RMB'000	Total RMB'000
Balance as at 1 January 2019	**141,201**	**34,976**	**45,000**	**60,620**	**281,797**
Recognition of lease on initial application of SFRS(I) 16	**–**	**–**	**–**	**8,703**	**8,703**
Balance as at 1 January 2019	**141,201**	**34,976**	**45,000**	**69,323**	**290,500**
Proceeds	**187,000**	**–**	**40,000**	**–**	**227,000**
Repayment	**(142,000)**	**(35,000)**	**(45,000)**	**(40,502)**	**(262,502)**
Interest paid	**(12,646)**	**(62)**	**(3,206)**	**(5,326)**	**(21,240)**
Total changes from financing cash flows	**32,354**	**(35,062)**	**(8,206)**	**(45,828)**	**(56,742)**
Other changes					
New finance leases	**–**	**–**	**–**	**2,679**	**2,679**
Currency translation	**–**	**–**	**–**	**(4)**	**(4)**
Interest expense recognised for the year	**13,445**	**86**	**3,206**	**5,446**	**22,183**
Total other changes	**13,445**	**86**	**3,206**	**8,121**	**24,858**
Balance as at 31 December 2019	**187,000**	**–**	**40,000**	**31,616**	**258,616**

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19. LOANS AND BORROWINGS (CONTINUED)

Lease liabilities (2018: finance lease liabilities) (Continued)

	Bank loans RMB'000	Bond payables RMB'000	Borrowing from financial institution RMB'000	Lease liabilities RMB'000	Amount due to a previous shareholder of Ranken's subsidiary (Note 21) RMB'000	Total RMB'000
Balance as at 1 January 2018	152,928	48,822	–	62,596	6,920	271,266
Proceeds	129,000	–	45,000	–	–	174,000
Repayment	(142,000)	(15,000)	–	(35,837)	(6,920)	(199,757)
Interest paid	(8,436)	(3,068)	(1,069)	(4,262)	–	(16,835)
Total changes from financing cash flows	(21,436)	(18,068)	43,931	(40,099)	(6,920)	(42,592)
Other changes						
New finance leases	–	–	–	32,702	–	32,702
Interest expense recognised for the year	9,709	4,222	1,069	5,421	–	20,421
Total other changes	9,709	4,222	1,069	38,123	–	53,123
Balance as at 31 December 2018	141,201	34,976	45,000	60,620	–	281,797

20. TRADE PAYABLES

	Group	
	2019 RMB'000	**2018 RMB'000**
Trade payables	**954,120**	920,405
Retention monies	**55,739**	50,165
	1,009,859	970,570

21. OTHER PAYABLES

	Group		Company	
	2019 RMB'000	**2018 RMB'000**	**2019 RMB'000**	**2018 RMB'000**
Employees benefits	**20,436**	20,330	**785**	633
Deferred income	**157**	1,430	**–**	–
Other payables	**108,680**	138,611	**2,650**	2,964
Other tax payables	**39,788**	14,713	**–**	–
	169,061	175,084	**3,435**	3,597

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

NOTES TO THE FINANCIAL STATEMENTS

22. REVENUE

	Group	
	2019	2018
	RMB'000	RMB'000
Revenue from contracts with customers	**1,728,232**	1,789,470
Equipment leasing	**3,316**	7,512
	1,731,548	1,796,982

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

22. 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 31).

	Reportable segment Infrastructure	
	2019 RMB'000	**2018 RMB'000**
Major products/service lines		
Infrastructure:		
– Construction contracts	**1,625,017**	1,587,062
– Rendering of services	**103,215**	79,145
– Sale of goods	**–**	123,263
	1,728,232	1,789,470
Primary geographical markets		
China	**1,714,043**	1,755,446
Bangladesh	**3,285**	1,499
India	**–**	78
Sri Lanka	**10,904**	32,447
	1,728,232	1,789,470
Timing of revenue recognition		
Products transferred at a point in time	**103,215**	123,263
Products and services transferred over time	**1,625,017**	1,666,207
Revenue from contracts with customers	**1,728,232**	1,789,470

Note: The above excludes revenue from equipment leasing.

22. REVENUE (CONTINUED)

Contract balances

The following tables provides information about receivables, contract assets and contract liabilities from contracts with customers.

		Group	
	Note	2019 RMB'000	2018 RMB'000
Trade receivables	13	**564,917**	379,457
Contract assets	12	**911,679**	980,244
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	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**–**	–	**(143,720)**	(256,616)
Increases due to cash received, excluding amounts recognised as revenue during the year	**–**	–	**111,582**	128,985
Contract asset reclassified to trade receivables	**(1,605,382)**	(1,370,121)	**–**	–
Changes in measurement of progress	**1,553,759**	1,426,412	**–**	(5,654)
Modification of contract	**–**	(16,821)	**(22,663)**	–
Impairment loss on contract assets	**(16,942)**	(8,929)	**–**	–

Transaction price allocated to the remaining performance obligations

As at 31 December 2019, the revenue expected to be recognised in the future related to performance obligations for its construction contracts that are unsatisfied (or partially satisfied) at the reporting date is RMB1,400,000,000 (2018: RMB2,567,740,000). Management expects that 75% to 90% (2018: 75% to 90%) of the transaction price allocated to the unsatisfied performance obligations may be recognised as revenue during the next reporting period, while the remaining will be recognised in the 2020 and 2021 financial year. 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.

NOTES TO THE FINANCIAL STATEMENTS

22. REVENUE (CONTINUED)

Transaction price allocated to the remaining performance obligations (Continued)

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.

Judgement in applying accounting policies and source of estimation uncertainty

Identifying performance obligations and measuring progress

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 for construction contracts

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 discount 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.

Measure of allowance for onerous contracts

As the Group is unable to voluntarily terminate 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 contracted 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. There is no provision for onerous contracts recognised as at and during the current and previous years.

NOTES TO THE FINANCIAL STATEMENTS

23. OTHER INCOME

	Group 2019 RMB'000	Group 2018 RMB'000
Interest income from banks	**418**	363
Gain on disposal of property, plant and equipment	**2,543**	–
Rental income	**4,074**	4,131
Government grant	**4,093**	1,824
Unwinding of discount on long-term receivables	**1,053**	1,062
Change in fair value of financial asset mandatorily at fair value through profit or loss	**–**	1,115
Others	**1,319**	864
	13,500	9,359

24. FINANCE COSTS

	Group 2019 RMB'000	Group 2018 RMB'000
Interest expense:		
– lease liabilities (2018: finance lease)	**5,439**	5,419
– secured bonds	**86**	4,222
– banks and financial institution	**16,658**	10,780
	22,183	20,421

25. TAX EXPENSE

	Group 2019 RMB'000	Group 2018 RMB'000
Current tax expense		
Current year	**18,225**	12,656
Deferred tax expense		
Origination and reversal of temporary differences	**209**	673
	18,434	13,329
Reconciliation of effective tax rate		
Profit before tax	**45,335**	30,152
Tax using the singapore tax rate of 17% (2018: 17%)	**7,707**	5,126
Effects of tax rates in foreign jurisdictions	**4,558**	3,024
Effects of results of equity-accounted investees presented net of tax	**(421)**	–
Non - deductible tax expenses	**5,161**	4,694
Tax exempt income	**(219)**	–
Deffered tax asset not recognised	**1,648**	485
	18,434	13,329

NOTES TO THE FINANCIAL STATEMENTS

25. TAX EXPENSE (CONTINUED)

Income tax recognised in other comprehensive income

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

Unrecognised deferred tax assets

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Tax losses	**284,407**	274,711	**279,908**	273,536

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 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.

26. PROFIT FOR THE YEAR

The following items have been included in arriving at profit for the year:

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Amortisation of intangible assets	–	681
Audit fees paid and payable to:		
– auditors of the Company	**729**	671
– other auditors	**850**	730
Non-audit fees paid and payable to:		
– other auditors	**222**	167
Bad debt written off	**317**	–
Depreciation of property, plant and equipment	**70,097**	59,343
Depreciation of investment properties	**2,410**	2,410
Directors' remuneration and fees	**1,897**	1,786
Exchange loss, net	**390**	1,400
(Gain)/loss on disposal of property, plant and equipment, net	**(2,543)**	36
Change in fair value of financial asset mandatorily at fair value through profit or loss	**2,753**	(1,115)
Write off of other investment	–	150
Inventories written off	**965**	–
Employee benefits expense (see below)	**87,205**	103,102
Employee benefits expense		
Salaries, bonuses and other costs	**69,236**	86,124
Contributions to defined contribution plans	**17,969**	16,978
	87,205	103,102

NOTES TO THE FINANCIAL STATEMENTS

27. EARNINGS PER SHARE

The calculation of basic earnings per share ("**EPS**") for the year ended 31 December 2019 was based on the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding of 372,972,669 (2018: 326,071,915), calculated as follows:

Profit attributable to ordinary shareholders

	2019 RMB'000	2018 RMB'000
Group		
Profit attributable to ordinary shareholders	**26,370**	16,364

Weighted-average number of ordinary shares

	Group	
	2019 '000	2018 '000
Issued ordinary shares at 1 January	**326,072**	326,072
Effect of rights issue	**46,901**	–
Weighted-average number of ordinary shares during the year	**372,973**	326,072

In 2018 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.

28. LEASES

Leases as lessee (SFRS(I) 16)

Right-of-use assets

Right-of-use assets that do not meet the definition of investment property are presented as property, plant and equipment (Note 4).

	Land and building		Plant and machinery	
	Land use rights 2019 RMB'000 (i)	Office premise 2019 RMB'000 (ii)	2019 RMB'000 (iii)	Total 2019 RMB'000
Group				
Balance at 1 January	**28,036**	**296**	**68,317**	**96,649**
Depreciation charge for the year	**(681)**	**(155)**	**(15,836)**	**(16,672)**
Additions of right-of-use assets	**–**	**–**	**2,679**	**2,679**
Effect of functional currency translation	**–**	**4**	**–**	**4**
Balance at 31 December	**27,355**	**145**	**55,160**	**82,660**

NOTES TO THE
FINANCIAL STATEMENTS

28. LEASES (CONTINUED)

Leases as lessee (SFRS(I) 16) (Continued)

Right-of-use assets (Continued)

	Land and building – Office premise 2019 RMB'000 (ii)
Company	
Balance at 1 January	**296**
Depreciation charge for the year	**(155)**
Effect of functional currency translation	**4**
Balance at 31 December	**145**

(i) Land use rights

The land use rights is pertaining to the piece of land situated in the People's Republic of China ("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.

(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 (1) 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. Previously, these leases were classified as operating leases under SFRS(I) 1-17.

The Group leases plant and machinery under a number of leases, which were classified as finance leases under SFRS(I) 1-17.

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 right-of-use assets and lease liabilities for these leases.

28. LEASES (CONTINUED)

Amounts recognised in profit or loss

2019 – Lease under SFRS(I) 16

	Group RMB'000
Interest on lease liabilities	**5,439**
Rental income from investment properties	**4,074**
Revenue from equipment leasing	**3,316**
Expenses related to short-term leases	**73,863**

2018 – Operating lease under SFRS(I) 1-17

	Group RMB'000
Operating lease expenses	100,872

Amounts recognised in statement of cash flows

	Group RMB'000
2019	
Total cash outflow for lease liabilities	**(45,828)**

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 investment properties and income from equipment leasing recognised by the Group during 2019 was RMB4,074,000 (2018: RMB3,768,000) and RMB3,316,000 (2018: RMB7,512,000) (Note 22), respectively.

NOTES TO THE
FINANCIAL STATEMENTS

28. LEASES (CONTINUED)

Leases as lessor (Continued)

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	RMB'000
2019 – Operating leases under SFRS(I) 16	
Less than one year	**3,652**
Between two to five years	**3,841**
Total	**7,493**

	RMB'000
2018 – Operating leases under SFRS(I) 1-17	
Less than one year	3,601
Between two to five years	5,364
Total	8,965

29. RELATED PARTIES

Transactions with key management personnel

Key management personnel compensation

Key management personnel compensation comprised:

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Short-term employee benefits	**4,451**	4,779
Post-employment benefits	**295**	291
	4,746	5,070

Other related party transactions

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Revenue from contracts with customer – construction contracts		
Associate	**285,817**	60,050

NOTES TO THE FINANCIAL STATEMENTS

30. 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 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 profit or loss were as follows:

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Impairment loss on trade and other receivables and contract assets arising from contracts with customer	**14,282**	15,447

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

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 31.

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% (2018: 98%) 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 contract assets at the reporting date by geographic region was as follows:

	Group Carrying amount		**Company Carrying amount**	
	2019 RMB'000	**2018 RMB'000**	**2019 RMB'000**	**2018 RMB'000**
Singapore	**123**	355	**123**	355
China	**1,618,080**	1,489,210	**1,933**	6,250
Sri Lanka	**–**	10,246	**–**	–
Australia	**9,327**	14,153	**9,327**	14,153
Others	**–**	–	**–**	141
	1,627,530	1,513,964	**11,383**	20,899

For 2019, the Group has a concentration of credit risk primarily from two debtors (2018: two debtors) representing approximately 17% (2018: 15%) of trade and other receivables and contract assets of the Group.

The Company has a concentration of credit risk primarily from two debtors (2018: two debtors) representing approximately 98% (2018: 97%) of other receivables.

Expected credit loss assessment as at 31 December 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.

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Trade receivables and contract assets (Continued)

Expected credit loss assessment as at 31 December 2019 (Continued)

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.

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables (excluding prepayments) and contract assets as at 31 December 2019:

				Group		
	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
2019						
Current (not past due)	**1.17**	**1,631,801**	**11,049**	**1,642,850**	**(19,206)**	**1,623,644**
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**
		1,636,530	**24,354**	**1,660,884**	**(33,354)**	**1,627,530**
Loss allowance		**(9,000)**	**(24,354)**			
		1,627,530	**–**			
2018						
Current (not past due)	0.15	1,500,010	12,385	1,512,395	(14,685)	1,497,710
31 – 120 days past due	–	175	–	175	–	175
121 – 365 days past due	–	6,179	–	6,179	–	6,179
More than one year past due	19.62	12,300	5,685	17,985	(8,085)	9,900
		1,518,664	18,070	1,536,734	(22,770)	1,513,964
Loss allowance		(4,700)	(18,070)			
		1,513,964	–			

Movements in the allowance for impairment in respect of trade and other receivables and contract assets

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Trade receivables and contract assets (Continued)

Expected credit loss assessment as at 31 December 2019 (Continued)

The movements in allowance for impairment in respect of trade and other receivables and contract assets during the year was as follows:

	Group RMB'000
Balance at 1 January 2018	7,323
Impairment losses recognised	15,447
At 31 December 2018	22,770
At 1 January 2019	**22,770**
Bad debt written off	**(3,837)**
Impairment losses recognised	**14,282**
Effect of functional currency translation	**139**
At 31 December 2019	**33,354**

Movements in the allowance for impairment in respect of trade and other receivables and contract assets (Continued)

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 2019:

- Allowance made on credit-impaired balances in 2019 amounting to RMB4,927,000 mainly due to Urumqi project put on hold on pro-long period 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 RMB6,120,000; and
- The growth of the Group's business resulted in increase in trade and other receivables and contract assets led to an increase in the Group's impairment allowances in 2019 of RMB4,300,000.

Cash and cash equivalents

The Group and Company held cash and cash equivalents of RMB169,345,000 and RMB134,000 (2018: RMB203,949,000 and RMB251,000), respectively at 31 December 2019, which 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.

30. **FINANCIAL RISK MANAGEMENT** (CONTINUED)

Credit risk (Continued)

Trade receivables and contract assets (Continued)

Amounts due from subsidiary

The Company held amounts due from subsidiary of RMB1,933,000 (2018: RMB6,250,000). These balances are amounts extended to subsidiary to satisfy short term funding requirements. Impairment on the balance has been measured on the lifetime expected loss basis. The Company considers that the amount due from subsidiary has 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.

Other receivables of the Company

The Company has other receivables of RMB9,450,000 (2018: RMB14,649,000). Other receivables relate mainly to amounts due from a former subsidiary and rental deposits placed with lessors. Impairment on the balance has 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 RMB6,121,000.

Source of estimation uncertainty

The Group maintains impairment loss allowance at a level considered adequate to provide for potential uncollectible receivables and contract assets. The level of this allowance is derived by the Group based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The amount and timing of recorded impairment losses for any period would differ if the Group made different judgement or utilised different estimates.

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.

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (Continued)

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:

			Cash flows	
	Carrying amount RMB'000	**Contractual cash flows RMB'000**	**Within 1 year RMB'000**	**Within 1 to 5 years RMB'000**
Group				
2019				
Non-derivative financial liabilities				
Secured bank loans	**187,000**	**(199,766)**	**(97,321)**	**(102,445)**
Lease liabilities	**31,616**	**(33,488)**	**(27,282)**	**(6,206)**
Secured borrowing from financial institution	**40,000**	**(42,674)**	**(42,674)**	**–**
Trade and other payables	**1,178,920**	**(1,178,920)**	**(1,178,920)**	**–**
	1,437,536	**(1,454,848)**	**(1,346,197)**	**(108,651)**
2018				
Non-derivative financial liabilities				
Secured bank loans	141,201	(146,526)	(146,526)	–
Secured bond	34,976	(37,555)	(37,555)	–
Finance lease liabilities	60,620	(66,211)	(36,626)	(29,585)
Secured borrowing from financial institution	45,000	(49,275)	(49,275)	–
Trade and other payables	1,145,654	(1,145,654)	(1,145,654)	–
	1,427,451	(1,445,221)	(1,415,636)	(29,585)

			Cash flows	
	Carrying amount RMB'000	**Contractual cash flows RMB'000**	**Within 1 year RMB'000**	**Within 1 to 5 years RMB'000**
Company				
2019				
Non-derivative financial liabilities				
Lease liabilities	**153**	**(160)**	**(160)**	**–**
Trade and other payables	**3,435**	**(3,435)**	**(3,435)**	**–**
	3,588	**(3,595)**	**(3,595)**	**–**
2018				
Non-derivative financial liabilities				
Trade and other payables	3,597	(3,597)	(3,597)	–

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

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

Exposure to interest rate risk

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments, as reported to the management, was as follows:

	Group	
	Carrying amount	
	2019	**2018**
	RMB'000	**RMB'000**
Fixed rate instruments		
Lease liabilities (2018: Finance lease liabilities)	**3,487**	–
Secured bond	**–**	34,976
Secured borrowings from financial institution	**40,000**	45,000
	43,487	79,976
Variable rate instruments		
Lease liabilities (2018: Finance lease liabilities)	**28,129**	60,620
Secured bank loans	**187,000**	141,201
	215,129	201,821

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.

NOTES TO THE
FINANCIAL STATEMENTS

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Interest rate risk (Continued)

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	**100 bp decrease**
Group	**RMB'000**	**RMB'000**
31 December 2019		
Variable rate instruments	**(2,151)**	**2,151**
31 December 2018		
Variable rate instruments	(2,018)	2,018

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**"). The currencies in which these transactions are primarily denominated are the Australian dollar ("**AUD**") and Sri Lankan Rupee ("**LKR**").

Exposure to currency risk

The summary of quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows:

	AUD	**LKR**
	RMB'000	**RMB'000**
Group		
2019		
Trade and other receivables	**9,327**	**–**
2018		
Trade and other receivables	14,153	16,312
Cash and cash equivalents	–	556
Trade and other payables	–	(34,128)
Net exposure	14,153	(17,260)

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Currency risk (Continued)

Exposure to currency risk (Continued)

	AUD RMB'000	LKR RMB'000
Company		
2019		
Other receivables	**9,327**	**–**
2018		
Other receivables	14,153	–

Sensitivity analysis – currency risk

A 10% strengthening of the RMB against the following currencies at 31 December would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group Profit or loss RMB'000	Company Profit or loss RMB'000
31 December 2019		
AUD	**(933)**	**933**
31 December 2018		
AUD	(1,415)	(1,415)
LKR	1,726	–

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

Other market price risk

Risk management policy

Equity price risk arises from 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.

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Other market price risk (Continued)

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 profit of the Group and the Company by RMB158,000 (2018: RMB291,000). An equal change in the opposite direction would have decreased profit of the Group and the Company by RMB158,000 (2018: RMB291,000). This analysis assumes that all other variables, in particular exchange rates, remain constant.

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

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	FVOCI – equity instruments RMB'000	Financial assets at amortised cost RMB'000	Other financial liabilities within scope of SFRS(I) 9 RMB'000	Other financial liabilities outside scope of SFRS(I) 9 RMB'000	Total RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Group											
2019											
Financial assets measured at fair value											
Equity investments											
– mandatorily at FVTPL	9	3,162	–	–	–	–	–	3,158	–	4	3,162
Financial assets not measured at fair value											
Trade and other receivables[1]	13, 14	–	–	715,851	–	–	715,851				
Cash and cash equivalents	15	–	–	169,345	–	–	169,345				
		–	–	885,196	–	–	885,196				
Financial liabilities not measured at fair value											
Trade and other payables	20, 21	–	–	–	(1,178,920)	–	(1,178,920)				
Secured bank loans	19	–	–	–	(187,000)	–	(187,000)				
Lease liabilities	19	–	–	–	–	(31,616)	(31,616)				
Secured borrowing from financial institution	19	–	–	–	(40,000)	–	(40,000)				
		–	–	–	(1,405,920)	(31,616)	(1,437,536)				

(1) Excludes prepayments

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Accounting classifications and fair values (Continued)

		Carrying amount						Fair value			
	Note	Mandatorily at FVTPL – equity instruments RMB'000	FVOCI – equity instruments RMB'000	Financial assets at amortised cost RMB'000	Other financial liabilities within scope of SFRS(I) 9 RMB'000	Other financial liabilities outside scope of SFRS(I) 9 RMB'000	Total RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Group (cont'd)											
2018											
Financial assets measured at fair value											
Equity investments – at FVOCI	9	–	4,966	–	–	–	4,966	–	–	4,966	4,966
Equity investments – mandatorily at FVTPL	9	5,819	–	–	–	–	5,819	5,815	–	4	5,819
		5,819	4,966	–	–	–	10,785				
Financial assets not measured at fair value											
Trade and other receivables[(1)]	13, 14	–	–	533,720	–	–	533,720				
Cash and cash equivalents	15	–	–	203,949	–	–	203,949				
		–	–	737,669	–	–	737,669				
Financial liabilities not measured at fair value											
Trade and other payables	20, 21	–	–	–	(1,145,654)	–	(1,145,654)				
Secured bank loans	19	–	–	–	(141,201)	–	(141,201)				
Secured bond	19	–	–	–	(34,976)	–	(34,976)				
Finance lease liabilities	19	–	–	–	–	(60,620)	(60,620)				
Secured borrowing from financial institution	19	–	–	–	(45,000)	–	(45,000)				
		–	–	–	(1,366,831)	(60,620)	(1,427,451)				

(1) Excludes prepayments

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Accounting classifications and fair values (Continued)

	Note	Carrying amount: Mandatorily at FVTPL – equity instruments RMB'000	Carrying amount: FVOCI – equity instruments RMB'000	Carrying amount: Financial assets at amortised cost RMB'000	Carrying amount: Other financial liabilities within scope of SFRS(I) 9 RMB'000	Carrying amount: Other financial liabilities outside scope of SFRS(I) 9 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
Company											
2019											
Financial assets measured at fair value											
Equity investments – mandatorily at FVTPL	9	3,158	–	–	–	–	–	3,158	–	–	–
		3,158	–	–	–	–	–				
Financial assets not measured at fair value											
Other receivables[(1)]	14	–	–	11,383	–	–	11,383				
Cash and cash equivalents	15	–	–	134	–	–	134				
		–	–	11,517	–	–	11,517				
Financial liabilities not measured at fair value											
Lease liabilities	19	–	–	–	–	(153)	(153)				
Other payables	21	–	–	–	(3,435)	–	(3,435)				
		–	–	–	(3,435)	(153)	(3,588)				

(1) Excludes prepayments

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Accounting classifications and fair values (Continued)

		Carrying amount						Fair value			
	Note	Mandatorily at FVTPL – equity instruments RMB'000	FVOCI – equity instruments RMB'000	Financial assets at amortised cost RMB'000	Other financial liabilities within scope of SFRS(I) 9 RMB'000	Other financial liabilities outside scope of SFRS(I) 9 RMB'000	Total RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
2018											
Financial assets measured at fair value											
Equity investments – at FVOCI	9	–	4,966	–	–	–	4,966	–	–	4,966	4,966
Equity investments – mandatorily at FVTPL	9	5,815	–	–	–	–	5,815	5,815	–	–	5,815
		5,815	4,966	–	–	–	10,781				
Financial assets not measured at fair value											
Other receivables[(1)]	14	–	–	20,899	–	–	20,899				
Cash and cash equivalents	15	–	–	251	–	–	251				
		–	–	21,150	–	–	21,150				
Financial liabilities not measured at fair value											
Other payables	21	–	–	–	(3,597)	–	(3,597)				

(1) Excludes prepayments

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

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	**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.	**2019:** • Risk-adjusted discount rate • Adjusted market multiple	**2019:** • The estimated fair value would increase (decrease) if the risk-adjusted discount rate or adjusted market multiple were higher (lower).
Equity securities	**2018:** *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.	**2018:** • Risk-adjusted discount rate • Adjusted market multiple	**2018:** • 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 2018 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

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Level 3 fair values

The following table shows a reconciliation from the opening balances to the ending balances for Level 3 fair values:

	Group and Company Financial asset designated as fair value through other comprehensive income	
	2019	**2018**
	RMB'000	**RMB'000**
At 1 January	**4,966**	–
Transfer from Level 2		12,476
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)**	(7,701)
The effect of changes in foreign exchange rates	**22**	191
At 31 December	**–**	4,966

In prior year, the Group and the Company transferred an equity securities from Level 2 to Level 3 because there is no recent transaction prices for identical securities in the active markets. In order to determine the fair value of equity securities, management used a valuation technique in which most of the significant inputs were not based on observable market data.

Sensitivity analysis

For the fair values of equity securities designated as fair value through other comprehensive income, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

Equity securities – Financial assets designated as fair value through other comprehensive income

	2019		2018	
	Increase	**Decrease**	**Increase**	**Decrease**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Group and Company OCI, net of tax				
Risk-adjusted discount rate (2% movement)	–	–	(223)	306
Adjusted market multiple (5% movement)	–	–	214	(214)

NOTES TO THE FINANCIAL STATEMENTS

31. SEGMENT REPORTING

The Group initially applied SFRS(I) 16 at 1 January 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating leases (see note 2.5). As a result, the Group recognised RMB8,703,000 of right-of-use assets and RMB8,703,000 of liabilities from those lease contracts. The assets and liabilities are included in the Infrastructure segments as at 31 December 2019. The Group has applied SFRS(I) 16 using the modified retrospective approach, under which comparative information is not restated (see note 2.5).

For the year ended 31 December 2018 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	
	2019	**2018**
	RMB'000	**RMB'000**
Revenue and expenses		
External revenues	**1,731,548**	1,796,982
Interest income	**418**	363
Interest expenses	**(22,160)**	(20,421)
Depreciation and amortisation	**72,329**	(62,407)
Reportable segment profit before tax	**58,902**	36,710
Reportable segment assets	**2,181,921**	2,150,046
Capital expenditure	**73,726**	92,873
Reportable segment liabilities	**(1,619,414)**	(1,662,106)

NOTES TO THE FINANCIAL STATEMENTS

31. SEGMENT REPORTING (CONTINUED)

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

	2019 RMB'000	2018 RMB'000
Revenue		
Total revenue for reportable segments	**1,731,548**	1,796,982
Profit or loss		
Total profit before tax for reportable segments	**58,902**	36,710
Unallocated amounts:		
– Other income	**1,943**	2,684
– Other expense	**(15,510)**	(9,242)
– Tax expense	**(18,434)**	(13,329)
Consolidated profit for the year	**26,901**	16,823
Assets		
Total assets for reportable segments	**2,181,921**	2,150,046
Other unallocated amounts	**30,176**	25,859
Consolidated total assets	**2,212,097**	2,175,905
Liabilities		
Total liabilities for reportable segments	**(1,619,414)**	(1,662,106)
Elimination of inter-segment liabilities	**1,532**	5,935
Other unallocated amounts	**(3,589)**	(3,598)
Consolidated total liabilities	**(1,621,471)**	(1,659,769)

	Reportable segment total RMB'000	Unallocated amounts RMB'000	Consolidated total RMB'000
Other material items 2019			
Interest income	**418**	**–**	**418**
Interest expenses	**(22,160)**	**(23)**	**(22,183)**
Depreciation and amortisation	**(72,329)**	**(178)**	**(72,507)**
Capital expenditure	**(74,621)**	**–**	**(74,621)**
Other material items 2018			
Interest income	363	–	363
Interest expenses	(20,421)	–	(20,421)
Depreciation and amortisation	(62,407)	(27)	(62,434)
Capital expenditure	(92,873)	(7)	(92,880)

Geographical segments

Geographical segments are analysed by the following principal geographical areas: Singapore, China, Bangladesh, India 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.

31. SEGMENT REPORTING (CONTINUED)

Geographical segments (Continued)

Geographical information

	Revenue		Non-current assets[(1)]	
	2019	**2018**	**2019**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Continuing operations				
Singapore	**–**	–	**221**	19,212
China	**1,717,359**	1,762,958	**327,823**	320,472
Bangladesh	**3,285**	1,499	**–**	–
India	**–**	78	**–**	–
Sri Lanka	**10,904**	32,447	**–**	210
Total	**1,731,548**	1,796,982	**328,044**	339,894

(1) Excludes deferred tax assets

Major customers

Revenue from two (2) customers of the Infrastructure segment (2018: two (2) customers of the Infrastructure segment) represents approximately 25% (2018: 21%) of the Group's total revenue.

32. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

COVID-19

The unexpected advent of novel coronavirus ("COVID-19") in early 2020 halted social and economic development throughout PRC, which also almost caused the stagnation of economic activities. Since then, the epidemic has gradually spread globally. The raging epidemic caused a significant decline in the overall economy, with almost no demand and greatly damaged supply chain. The grave impacts will inevitably prejudice the development of the Construction industry and the operation of the Group. Currently, the epidemic is gradually brought under control in PRC, evidenced by resumed production activities in companies, as well as recovering market demand and supply chain. In this view, the Group is mainly exposed to negative impacts during the first quarter of 2020. The Group has gradually resumed its construction activities on the condition that our employee safety is safeguarded. At the date of this financial statements, the Group has resumed all construction operations and activities.

Proposed sales of equity interest in, and material dilution of effective equity interest in Ranken Construction Group Co., Ltd.

On 2 June 2020, the Group announced that Chengdu Kai Qi Rui Business Management Co., Ltd. ("Chengdu KQR"), a 98%-owned subsidiary by the Group, and Ranken Railway ("Ranken"), Chengdu KQR's 99.6%-owned subsidiary, entered into a share transfer and capital increase agreement 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 "Proposed Transaction").

Upon the completion of the Proposed Transaction, the Investor and Chengdu KQR will each hold approximately 49.82% of the enlarged equity capital of Ranken, with the remaining equity interests in Ranken continue to be held by a minority shareholder. Consequently, Ranken will cease to be a subsidiary of the Company.

SHAREHOLDINGS STATISTICS

AS AT 08 MAY 2020

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 08 MAY 2020

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	996	12.84	38,261	0.01
100 – 1,000	1,881	24.26	873,874	0.22
1,001 – 10,000	3,594	46.35	14,143,910	3.47
10,001 – 1,000,000	1,256	16.20	62,540,201	15.34
1,000,001 AND ABOVE	27	0.35	329,993,647	80.96
TOTAL	**7,754**	**100.00**	**407,589,893**	**100.00**

TWENTY LARGEST SHAREHOLDERS

AS AT 08 MAY 2020

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	OCBC SECURITIES PRIVATE LTD	177,652,900	43.59
2	UOB KAY HIAN PTE LTD	67,899,969	16.66
3	CITIBANK NOMINEES SINGAPORE PTE LTD	12,471,079	3.06
4	NIPPON PAINT (SINGAPORE) COMPANY PRIVATE LIMITED	8,632,111	2.12
5	TEH WING KWAN	7,018,304	1.72
6	PHILLIP SECURITIES PTE LTD	6,247,646	1.53
7	SICHUAN SHUNTONG MINE INDUSTRY GROUP LTD	6,051,388	1.48
8	DBS NOMINEES PTE LTD	4,478,596	1.10
9	RAFFLES NOMINEES (PTE) LIMITED	4,433,922	1.09
10	LOKE GIM TAY	3,788,066	0.93
11	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	3,550,998	0.87
12	UNITED OVERSEAS BANK NOMINEES PTE LTD	3,397,142	0.83
13	SHIU TAI WAI	2,365,500	0.58
14	OCBC NOMINEES SINGAPORE PTE LTD	2,339,626	0.57
15	HSBC (SINGAPORE) NOMINEES PTE LTD	2,031,000	0.50
16	SIM TOCK MANG	2,000,000	0.49
17	ZHANG ZHIHU	1,958,333	0.48
18	DENNIS OH TIONG JEE	1,901,200	0.47
19	DBSN SERVICES PTE LTD	1,866,666	0.46
20	MAYBANK KIM ENG SECURITIES PTE. LTD	1,580,961	0.39
	TOTAL	**321,665,407**	**78.92**

SHAREHOLDINGS STATISTICS

AS AT 08 MAY 2020

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 8 May 2020 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 8 May 2020.

The Company does not have any subsidiary holdings as at 8 May 2020.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty Fourth Annual General Meeting of **SAPPHIRE CORPORATION LIMITED** (the "**Company**") will be convened and held by way of electronic means on Monday, 29 June 2020 at 11.00 a.m.. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the year ended 31 December 2019 together with the Reports of the Auditors thereon. **(Resolution 1)**

2. To approve the payment of additional Directors' fees of S$4,726 for the financial year ended 31 December 2019 to be paid in cash and/or shares.
[See Explanatory Note (i)] **(Resolution 2)**

3. To approve the payment of Directors' fees of S$176,247 for the financial year ending 31 December 2020 to be paid in cash and/or shares (2019: S$205,000).
(Resolution 3)

4. To approve the following re-election of Directors:

   (a) To re-elect Ms Wang Heng who retires pursuant to Regulation 89 of the Company's Constitution and who, being eligible, offer herself for re-election.
   [See Explanatory Note (ii)] **(Resolution 4)**

   (b) To re-elect Mr Oh Eng Bin who retires pursuant to Regulation 89 of the Company's Constitution and who, being eligible, offer himself for re-election.
   [See Explanatory Note (iii)] **(Resolution 5)**

   (c) To re-elect Mr Tay Eng Kiat Jackson who retires pursuant to Regulation 88 of the Company's Constitution and who, being eligible, offer himself for re-election.
   [See Explanatory Note (iv)] **(Resolution 6)**

5. To re-appoint KPMG 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, Chapter 50 (the "**Act**") and Rule 806 of the Listing Manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

   (A) (i) allot and issue shares in the capital of the Company (the "**Shares**") (whether by way of rights, bonus or otherwise); and/or

NOTICE OF ANNUAL GENERAL MEETING

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require the Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company shall in their absolute discretion deem fit; and

(B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and convertible securities to be issued pursuant to this Resolution shall not exceed fifty 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 on a pro-rata basis, the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new Shares arising from the conversion or exercise of convertible securities;

(b) new Shares arising from exercising share options or vesting of share awards, 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 (v)] **(Resolution 8)**

NOTICE OF
ANNUAL GENERAL MEETING

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, Chapter 50 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 (vi)] **(Resolution 9)**

By Order of the Board

Gwendolyn Gn Jong Yuh
Company Secretary
Singapore, 5 June 2020

Explanatory Notes:–

(i) The additional Directors' fees of S$4,726 for the financial year ended 31 December 2019, is mainly due to the appointment of additional independent director during the financial year ended 31 December 2019 and is pro-rated based on the effective date of appointment.

(ii) Further to the re-election of Ms Wang Heng pursuant to Ordinary Resolution 4, she will continue to serve as a member of the Nominating Committee of the Company.

(iii) Further to the re-election of Mr Oh Eng Bin pursuant to Ordinary Resolution 5, he will continue to serve as the Lead Independent Director, 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 Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

(iv) Further to the re-election of Mr Tay Eng Kiat Jackson pursuant to Ordinary Resolution 6, he will continue to serve as a Chairman of the Nominating Committee, a member of the Audit and Risk 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 SGX-ST.

(v) 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.

(vi) 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. Printed copies of this Notice of Annual General Meeting and the Annual Report for the financial year ended 31 December 2019 (the "**FY2019 Annual Report**") will not be sent to members. Instead, this Notice of Annual General Meeting and the FY2019 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 FY2019 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 5 June 2020. 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.

NOTICE OF ANNUAL GENERAL MEETING

3. **Due to the current COVID-19 restriction orders in Singapore, a 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.

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, 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.**

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

Key Information	Name of Director		
	Oh Eng Bin	**Tay Eng Kiat Jackson**	**Wang Heng**
Date of appointment	18 December 2017	24 October 2019	16 March 2016
Date of last re-appointment	26 April 2018	Not applicable	26 April 2018
Age	47	43	50
Country of principal residence	Singapore	Singapore	China
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors, having considered the recommendation of the Nominating Committee, and having reviewed the recommendation of the Nominating Committee and the qualifications and working experience of Mr Oh Eng Bin ("**Mr Oh**"), is of the view that he has the requisite experience and capabilities to assume the responsibilities as the Lead Independent Non-Executive Director of the Company. Accordingly, the Board of Directors has approved the appointment of Mr Oh as the Lead Independent Non-Executive Director of the Company.	The Board of Directors, having considered the recommendation of the Nominating Committee, and having reviewed the recommendation of the Nominating Committee and 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 the qualifications and working experience of Ms Wang Heng, is of the view that she has the requisite experience and capabilities to assume the responsibilities as an Executive Director of the Company. Accordingly, the Board of Directors has approved the appointment of Ms Wang Heng as an Executive Director of the Company.
Whether the appointment is executive and if so, please state the area of responsibility	Non-Executive	Non-Executive	Ms Wang Heng is an Executive Director of the Company. Responsible for overseeing the Company's operations, business development strategy and expansion into new markets.
Job title (e.g. Lead ID, AC Chairman, AC member, etc)	Lead Independent Non-Executive Director, Chairman of the Remuneration Committee, and a member of the Audit and Risk Committee and the Nominating Committee	Independent Non-Executive Director, Chairman of the Nominating Committee, and a member of the Audit and Risk Committee and the Remuneration Committee	Executive Director and a member of the Nominating Committee

APPENDIX A –
KEY INFORMATION OF DIRECTORS TO BE RE-ELECTED

Key Information	Name of Director		
	Oh Eng Bin	Tay Eng Kiat Jackson	Wang Heng
Professional memberships/ qualifications	Bachelor of Laws degree (Honours), National University of Singapore Advocate and Solicitor of the Supreme Court of Singapore	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 Engineering from Southwest Jiaotong University, with a major in Railway Engineering. Executive MBA from Tsinghua University.
Working experience and occupation(s) during the past 10 years	2010 – Present: Senior Partner at Dentons Rodyk & Davidson LLP 2014 – Present: Independent Non-Executive Director of SHS Holdings Ltd. 2015 – 2018 Independent Non-Executive Director of KPM Holding Limited 2014 – 2018: Independent Non-Executive Director of Weiye Holdings Limited	2019 – Present: Chairman and Independent Director of Sim Leisure Group Limited 2017 – Present: Independent Director of OUE Lippo Healthcare Limited 2015 – Present: Chief Operating Officer of Hafary Holdings Limited 2015 – 2015: Chief Financial Officer of SingHaiyi Group Ltd. 2009 – 2015: Financial Controller of Hafary Holdings Limited	6 May 2000 to present: Ranken Railway Construction Group Co., Ltd. – Co-Founder and Executive Director
Shareholding interest in the Company and its subsidiaries	No	No	Ms Wang Heng has a 42.08% deemed interest in the shares of the Company, and has a 0.15% direct interest in the shares of the Company.
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

APPENDIX A –
KEY INFORMATION OF DIRECTORS TO BE RE-ELECTED

Key Information	**Name of Director**		
	Oh Eng Bin	**Tay Eng Kiat Jackson**	**Wang Heng**
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) submitted to the Company?	Yes	Yes	Yes
Other Principal Commitments including Directorships			
Current directorships	Dentons Rodyk & Davidson LLP's Corporate Practice Group, China Practice and Indonesia Practice, Senior Partner SHS Holdings Ltd, Independent Director 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	Hafary Holdings Limited Group, 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	Ranken Railway Construction Group Co., Ltd, Director Best Feast Limited, Director Ranken Holding Co., Limited, Director
Past directorships (in the last 5 years)	Four Fugus Pte. Ltd, KPM Holdings Limited Weiye Holdings Limited	Park Mall Pte. Ltd. Viet Ceramics International Joint Stock Company	Nil

APPENDIX A –
KEY INFORMATION OF DIRECTORS TO BE RE-ELECTED

Key Information	Name of Director		
	Oh Eng Bin	**Tay Eng Kiat Jackson**	**Wang Heng**
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
(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

APPENDIX A –
KEY INFORMATION OF DIRECTORS TO BE RE-ELECTED

Key Information	Name of Director		
	Oh Eng Bin	Tay Eng Kiat Jackson	Wang Heng
(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
(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

APPENDIX A –
KEY INFORMATION OF DIRECTORS TO BE RE-ELECTED

Key Information	Name of Director		
	Oh Eng Bin	Tay Eng Kiat Jackson	Wang Heng
(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
(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

APPENDIX A –
KEY INFORMATION OF DIRECTORS TO BE RE-ELECTED

Key Information	Name of Director		
	Oh Eng Bin	Tay Eng Kiat Jackson	Wang Heng
(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
(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 in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No
(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

Key Information	Name of Director		
	Oh Eng Bin	**Tay Eng Kiat Jackson**	**Wang Heng**
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. This is a re-election of a director	Not applicable. This is a re-election of a director	Not applicable. This is a re-election of a director
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. This is a re-election of a director	Not applicable. This is a re-election of a director	Not applicable. This is a re-election of a director
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. This is a re-election of a director	Not applicable. This is a re-election of a director	Not applicable. This is a re-election of a director

SAPPHIRE CORPORATION LIMITED
盛世企业有限公司
Company Registration No. 198502465W

PROXY FORM
(Please see notes overleaf before completing this Form)

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 is also accessible (a) via publication on the Company's website at http://sapphirecorp.listedcompany.com/home.html; and (b) via publication 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 5 June 2020. 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 restriction orders in Singapore, a member 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 5 June 2020.
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 11.00 am on 18 June 2020.
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 5 June 2020.
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.

I/We, ... (name)

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/proxies to attend and vote for me/us on my/our behalf at the AGM to be convened and held by way of electronic means on Monday, 29 June 2020 at 11.00 a.m. and at any adjournment thereof in the following manner:

No.	Ordinary Resolutions relating to:	For	Against	Abstain
1.	To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2019 together with the Reports of the Auditors thereon.			
2.	To approve the payment of additional Directors' fees of S$4,726 for the financial year ended 31 December 2019 to be paid in cash and/or shares.			
3.	To approve the payment of Directors' fees of S$176,247 for the financial year ending 31 December 2020 to be paid in cash and/or shares.			
4.	To re-elect Ms Wang Heng as Director of the Company.			
5.	To re-elect Mr Oh Eng Bin as Director of the Company.			
6.	To re-elect Mr Tay Eng Kiat Jackson as Director of the Company.			
7.	To re-appoint KPMG 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.			

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.

Total Number of Shares Held

Dated this 5 June 2020

....

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

NOTES:

1. Printed copies of this Notice of Annual General Meeting and the Annual Report for the financial year ended 31 December 2019 (the "**FY2019 Annual Report**") will not be sent to members. Instead, this Notice of Annual General Meeting and the FY2019 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 FY2019 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 5 June 2020. 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 restriction orders in Singapore, a 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, 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.**

7. 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.

8. 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.

9. 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, Chapter 50 of Singapore.

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 Duan Yang, Julien
Mr Jackson Tay Eng Kiat

AUDIT AND RISK COMMITTEE
Mr Duan Yang, Julien (Chairman)
Mr Oh Eng Bin
Mr Jackson Tay Eng Kiat

NOMINATING COMMITTEE
Mr Jackson Tay Eng Kiat (Chairman)
Mr Duan Yang, Julien
Mr Oh Eng Bin
Ms Wang Heng

REMUNERATION COMMITTEE
Mr Oh Eng Bin (Chairman)
Mr Duan Yang, Julien
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
Teo Han Jo
(Partner from Financial Year Ended 2018)

PRINCIPAL BANKERS
Bank of Dalian
Chengdu Rural Commercial Bank
China Construction Bank
China Minsheng Bank
Fubon Bank

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