SAPPHIRE

盛世企业

FORGING

NEW PATHS

ANNUAL REPORT

2016

CONTENTS

CORPORATE PROFILE

SAPPHIRE
盛世企业

Sapphire Corporation Limited ("**Sapphire**" or the "**Group**") has undergone a major corporate restructuring and transformation exercise since the appointment of its new Group Chief Executive Officer and Managing Director in October 2013.

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

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

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

RANKEN

盛世企业有限公司(简称"**盛世**"或"**集团**")自2013年10月委任新的集团首席执行官以来实施了集团的重组和转型。

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

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

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

CORPORATE TRANSFORMATION

2016

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

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

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

FY2016 Full Year Results
– Secured RMB 1.7 billion worth of contracts. Posts Profit of $9.6 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
Signs MOU with CPG Corporation

Ranken Secures Significant Railway Infrastructure Contracts

FY2015 Full Year Results
– Revenue almost doubles on three-month contributions from Ranken; Posts Profit of $6.5 million (announced in February 2016)

2014

JANUARY 2014
Completion of Acquisition of Mancala

Appointment of New Independent Director, Mr Fong Heng Boo

APRIL 2014
Proposed Divestment of Loss-Making Steel Business

JULY 2014
Business Update – Potentially investing in the business of a profitable EPC company

EGM – Obtained shareholders' approval for Divestment of Steel Business

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

DECEMBER 2014
Completion of Divestment of Steel Business

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

2013

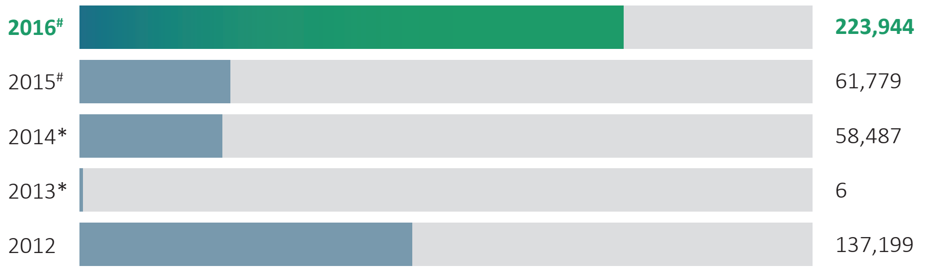
OCTOBER 2013
Appointment of New Independent Directors, Mr Lim Jun Xiong Steven and Mr Tao Yeoh Chi

Appointment of New Group CEO and Managing Director, Mr Teh Wing Kwan

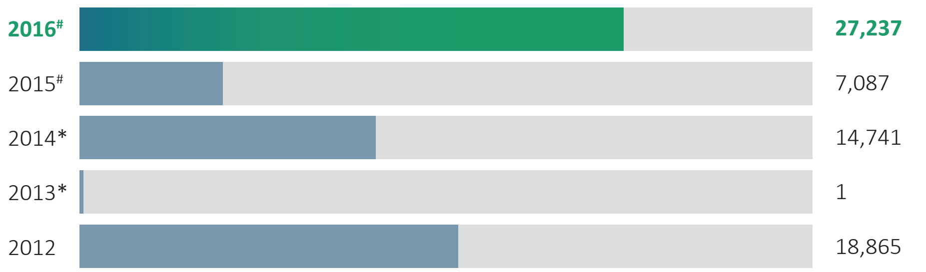
Conducted major strategic review for the Group's businesses

FINANCIAL ***HIGHLIGHTS***

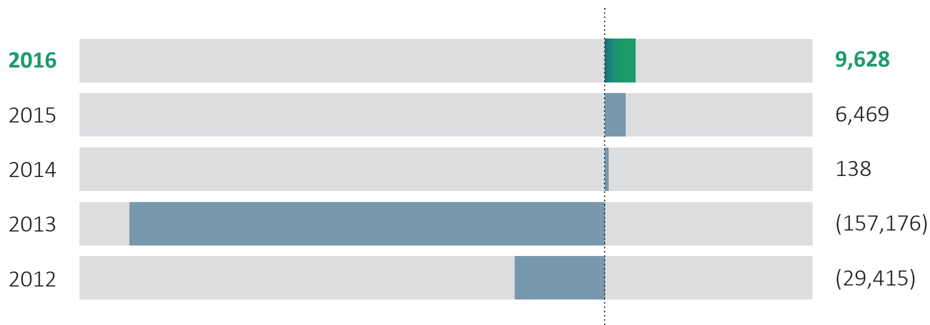
REVENUE ($'000)



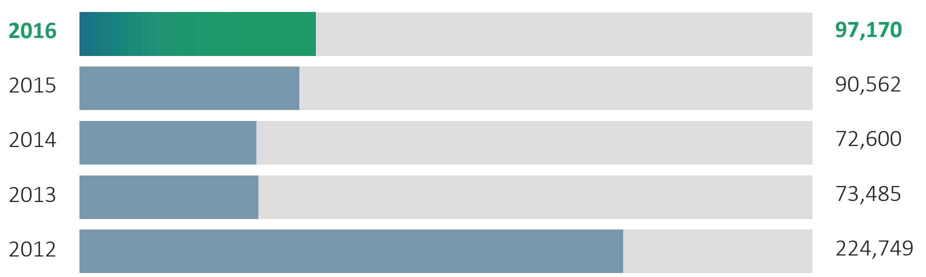
GROSS PROFIT ($'000)



PROFIT / (LOSS) ($'000)



SHAREHOLDERS' FUNDS ($'000)



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

CHAIRMAN'S ***MESSAGE***

"The management's turnaround strategy has positioned the Group to tap fresh opportunities in China's fast-growing rail and land transport infrastructure sector."

DEAR SHAREHOLDERS,

I am pleased to present you this report for the financial year ended 31 December 2016 ("**FY2016**") which ranks as one of the most significant periods in the corporate turnaround history of Sapphire Corporation ("**Sapphire**" or the "**Group**").

FY2016 marks the first time we are recognising full-year revenue from Ranken Infrastructure Limited ("**Ranken**") – the China-based engineering, procurement and construction firm which is now our primary business division – and the results of this successful restructuring are clearly evident.

The acquisition of Ranken was completed in October 2015, but it was only in FY2016 that we began to harvest the fruits of our restructuring in a more complete manner. This year, we made the first full strides of a new chapter of growth, following our earlier exit of the legacy steel-making business.

The management's turnaround strategy over the last three years has positioned the Group to tap fresh opportunities in China's fast-growing rail and land transport infrastructure sector, as well as emerging markets in the region.

The Group has also completed the disposal of 81% stake in its Australian mining services business, Mancala Holdings Limited ("**Mancala**"), on 28 February 2017. Following the transaction, Sapphire has retained a 19% stake in Mancala and the business has been classified as discontinued operations in the financial year under review.

YEAR UNDER REVIEW

Sapphire recorded a 211.8% jump in net profit from continuing operations to $11.4 million compared to $3.7 million a year earlier. Revenue for the year increased by 262.5% to $223.9 million from $61.8 million in FY2015 on several projects completed by Ranken. Operating cash flows also improved significantly to $42.4 million from $5.9 million a year earlier.

Overall, including discontinued operations, our net profit rose 48.8% to $9.6 million while operating cash flows improved 267.9% to $47.4 million.

(Translated)

尊敬的各位股东，

我非常高兴向大家呈送截止至2016年12月31日财政年度的年报（“**2016年度**”）。2016年应该列为盛世集团（简称“**盛世**”或“**集团**”）转型过程中最重要的阶段。

2016年度报告最引人瞩目的就是Ranken基础设施有限公司（“**Ranken**”）—以中国为基地的EPC公司现在是我们的主要业务部分—全年营运收入并入盛世，并显著证明了这次重组是成功的。

尽管我们对Ranken的并购在2015年10月已经完成，但我们在2016年度以更完整的方式收获了集团重组的果实，这一年我们彻底解决了钢铁业务遗留的问题，翻开了增长的新篇章并迈出了第一步。

过去三年管理层实施的转型战略，为集团开发了新的机会，使盛世跻身于中国和新兴市场快速发展的铁路轨道基础设施领域。

集团在2017年2月28日完成了出售位于澳洲的矿业服务公司Mancala控股公司（“**Mancala**”）81%的股权交易。随着交易的完成，盛世仍将留有19% Mancala的股权，这部分业务在2016年财政年度被列为非持续运营业务。

年度概览

盛世的净利润增长了211.8%，相比一年前的370万新币2016年度的持续经营业务净利润增长达1140万新币。年度收入伴随Ranken的几个项目的完成从2015年度的6180万新币提升为2亿2390万新币，增长幅度达262.5%。运营现金流相比一年前的590万新币大幅提高到4240万新币。

综上所述，包括非持续运营部分我们的净利润提升了48.8%达960万新币。运营现金流提升267.9%达4740万新币。

CHAIRMAN'S ***MESSAGE***

CORPORATE TRANSFORMATION

As China's only privately-owned operator with fully integrated Triple-A qualifications and licenses for design, construction and project consultation in the rail transit sector, Ranken – with its strong track record and operational capabilities – continues to take on complex and large-scale municipal land transport projects.

In the financial year under review, Ranken secured a cumulative RMB 1.7 billion worth of new contracts, bringing FY2016 to a close with a strong order book of RMB 2.3 billion.

The Group is now working toward securing construction management and project consultancy contracts in China as well as South Asia. We will progressively scale up our production capacity in the year ahead.

As announced on 13 September 2016, two significant shareholders each increased their equity stakes substantially in Sapphire. Best Feast Limited (owned by Ranken's founding shareholders) and Ou Rui Group Limited (owned by Mr Li Xiaobo, a highly successful private equity investor), respectively, acquired additional shares in Sapphire. Subsequent to the year-end, Mr Teh Wing Kwan also acquired additional shares in Sapphire. The increase in stake by our Group CEO and two other substantial shareholders underscores their confidence in the Group.

The Independent Directors and Non-Executive Directors have also been receiving part of their directors' fees in shares under Sapphire's Shares Award Scheme over the last two years. This year, we will again be seeking shareholders' approval at the upcoming Annual General Meeting for part of our fees to be paid in Sapphire shares. This also marks our confidence in the Group and the management.

BOARD AND EXECUTIVE CHANGES

Mr Foo Tee Heng stepped down as Non-Executive and Non-Independent Director in April 2016. The Board would like to thank him for his invaluable contributions during his tenure and we wish him all the best for his future endeavours.

The Board welcomes Mr Duan Yang Julien, who was appointed on 24 March 2017, to the Board as a Non-Executive and Independent Director.

APPRECIATION

It has been a most rewarding and significant year for Sapphire. I want to express my thanks to our management, business partners and customers for their loyalty and support. In particular, I would like to express my appreciation to Mr Teh Wing Kwan for providing such clear leadership throughout this corporate restructuring, which has clearly transformed Sapphire for the better.

Above all, I would like to express our sincere appreciation to you, our shareholders, for your faith in the Group. We are excited about the year ahead and look forward to your continued support.

Regards,
STEVEN LIM
Non-Executive Chairman

集团转型

作为中国轨道交通流域唯一一家具备3A和EPC资质的私营企业，Ranken-具有良好业绩记录和运营能力-将继续不断争取综合和大型的城镇轨道项目。

如2016度财报概览所示，Ranken 获得了价值总量17亿人民币的新合同，使2016年度的合同保有量达23亿人民币。

集团正致力于争取在中国和南亚地区的项目管理和建设及咨询合同。我们将在下一年进一步提高我们的生产能力。

如2016年9月13日公告所披露，2个主要股东分别增持了盛世的股票。百飞特公司（由Ranken的创始股东拥有）和欧瑞公司（由成功的私募投资人李晓波先生拥有）分别购买了盛世的股票。紧接着不久郑永权先生也在财政年后增持了盛世的股票。集团的CEO和两位主要股东对公司股票的增持彰显了他们对集团未来发展的信心。

在过去两年，盛世依据其股票奖励计划以发行股票的方式用以支付独立董事和非执行董事部分的袍金。今年我们再一次在即将召开的年度股东大会上寻求股东们的批准，以发行盛世股票的方式支付部分的董事袍金。这也显示出我们对集团和管理层的信心。

董事成员变动

符师銮先生在2016年4月辞去了非执行兼非独立董事职务。我代表董事局全体成员感谢他在任期间对公司具有价值的贡献，并衷心祝愿他未来更加美好！

董事局热烈欢迎段杨先生进入董事局成为集团独立董事，段杨先生于2017年3月24日被委任为非执行兼独立董事。

致谢

2016年是盛世富有成效的一年。在此我向所有管理人员、商业伙伴和客户表示感谢，感谢他们对盛世的支持和赋予的忠诚。借此，我要特别感谢郑永权先生，为公司的重组给予明确的方向，使盛世明显变得更好。

在此我特别要感谢我们的股东们，对您们一直以来对集团的信任和支持表示衷心的感谢。我们对未来充满信心并期待您们的继续支持！

此致，敬礼!

林隽雄
非执行主席

GROUP CEO'S ***REVIEW***

"China's 'One Belt, One Road' has a simple term but is an ambitious plan. To support the growth momentum, trillion-yuan budgets have been approved particularly for railway infrastructure to connect town and cities."

DEAR SHAREHOLDERS,

It is the time of the year for the annual report again – some investors and friends know that I would take some time to write my CEO statement personally, either on the plane or over my afternoon 'kopi', to explain our results and share my thoughts. While I have had dozens of things to write during Sapphire's eventful years recently, I should not write a book here and so this letter has not gotten any longer than before. As usual, my CFO has fleshed out the notes to the financial statement in "Results at a Glance", an easy-to-understand format. If there are any other useful points you wish to share, please write to us (our email addresses are provided here).

OVERVIEW

China's export-led growth model has probably reached its limits. Obviously, an economic slowdown is expected, but many think it could fend off a hard landing. This is not news and there are no off-the-wall predictions. Its strategy of relying on debt load to fuel growth (while continually giving extra weight to consumer-focused policies) is increasingly likely. Specifically, China's consumer-driven economy seems to get ahead of itself at such times of major policy switches and infrastructure investments are apparently one of those, with no immediate signs of slowing down.

I am not an economist or a professor but observing along this trend, it appeared that we made it to this sustainable circle soon enough with Ranken's order book of RMB 2.3 billion now in the bag. This was further supported by significantly improved revenues, profits and cash flows from our infrastructure business for the financial year ended 31 December 2016 ("**FY2016**"). Stemming from the fact that we have been prudent in managing our finances, we repaid more loans (having paid off close to $60 million loans including interest) than we borrowed during the year, leading to substantially improved gearing. Meanwhile, we are also evaluating various re-financing structures for the Group as a whole.

(Translated)

尊敬的各位股东们，

当中的一些投资人、朋友和伙伴知道我通常会利用在飞机上或者下午的“咖啡时光”亲自撰写CEO陈述说明我们集团的年度回顾，业绩报告和展望思路。尽管这几年盛世所有的业务重组和转型发展可以非常详细的写出来，但我知道这不是写论文，是在写信，要尽可能简明易读。如同以往，公司CFO也会在此摘出重点财务数据，以容易理解的“业绩概览”模式把财务结果列出。如果您有任何想法，欢迎您直接写信给我们（我们的邮箱地址显示在这年报）。

概览

相信大家也有跟进及非常关注中国经济发展模式转型，毋庸置疑的是中国经济发展的以出口为主导的发展模式极可能已到了极限，也因如此中国经济增长模式在其政策转变中以拉动消费为重心已开始放缓，但很多人认为中国经济并不会崩溃，其实这也不是什么新闻也不是不同寻常的预测。在这种转型的政策下，加强城市基础建设投资有利于推动经济结构转型和其发展方式转变也同时能拉动投资和消费增长。基础建设投资也因此没有放缓的迹象。

在基础建设持续发展的趋势下，集团子公司Ranken现有订单已达23亿人民币。截止到2016年底，基本上在完成收购Ranken之后，营业收入、利润和现金流得到大幅提高。同时在实行稳健财务管理下，通过业务现金流，我们在2016年偿还的贷款比借款来得多（我们偿还了将近6000万新币的贷款，包括利息）也改善了集团的负债率。同时我们也正在策划其它融资渠道和评估现在的财务股本结构。

GROUP CEO'S REVIEW

In October 2016, I spoke in a seminar jointly organized by the Singapore Exchange and the WeR1 Group at the SGX Auditorium. Annoyingly, I had to speak with a raspy voice; pesky sore throat – as nothing seemed to help with soothing it on time after a bout of extensive travelling. Encouragingly, Sapphire's share price rose by some 22% to a 52-week high of $0.365, with more than 33 million shares changing hands in five consecutive trading days after the presentation – that, we have to explain this positive update in 'Queries Regarding Trading Activities'. I later made a few presentations to groups of savvy investors as well in order to raise awareness of the "new Sapphire".

Sapphire's successful turnaround had probably led us to be the first company listed outside Hong Kong to receive the 2016 Listed Enterprise Excellence Award from Hong Kong-based Capital Weekly. I am pleased to have led Sapphire along this path, but was humbled by our current market capitalization when I spoke at the Shangri-La Hotel in Hong Kong – for I am quite sure we were one of the "smallest" companies (if not the smallest) amongst all 17 HKSE-listed winners, as many of them are in the multi-billion (HK$) category. This is, however, a good unveiling.

During the year, Ranken's directors and its passionate team members (led by Mr Cheung Wai Suen and Ms Wang Heng, who are also our Executive Directors) increased their combined stake in Sapphire to some 91.2 million shares or about 28.0%. Sophisticated investor Mr Li Xiaobo (2014 Top-400 Forbes China Rich List) also raised his stake to 56.5 million shares, or about 17.4%, at the same time. Both transactions were via married deals. More recently, after the full-year results announcement, I raised my own stake to above 7.0 million shares, or about 2.2%, via on- and off-market transactions. We all obviously hold a strategic belief in Sapphire's core infrastructure business.

In December last year, while the investing community was in the wine-and-dine holiday mood, and shoppers were shopping for toys and gifts during the season, we stayed busy to close the mining deals with investors. Whilst we know deal negotiations were not simply a matter of fit, we managed to sign off the disposal of an 81% stake in our mining services business for HK$63.2 million just before New Year's Eve. This direction is in line with what I had previously guided the media – "*In structuring a deal, Sapphire must not stretch itself too thin and must stay focused on the core infrastructure business*" – and immediately after the evening announcement, we were all off for the last long weekend of 2016, paving the way for Ranken to have a clear start in 2017.

在2016年10月，我在新交所会议大厅参加了由新交所和WeR1联合主办的投资论坛并对盛世这几年来的重组和转型发表了演说，加上媒体采访报道"新盛世"后股价看来似乎没被我当时的"喉咙发炎症状"所影响，值得鼓舞的是盛世的股票在论坛后提升了22%，达到了52周最高价格新币0.365/每股并在连续5个交易日交易数量达到超过3300万股。同时我们也因此对新交所的"单日异常股价和其交易量查询"做出了非常正面的反应和解释。随后我也在在几个投资研讨会介绍新盛世转型策略实施后的业务及往后发展规划及投资战略。

盛世的成功重组和转型措施想必是使盛世成为有史以来首间在香港以外上市企业获得香港"资本壹周"颁布的2016年杰出上市企业大奖的海外公司。能够带领盛世取得这项殊荣是莫大的鼓励。但我在香港的香格里拉饭店发表演说时也非常谦卑于我们现在的市值，因我确信我们应该是17个获得此殊荣的上市公司里较小型的企业(其中大多数是数十亿以上市值的公司)。但无论如何，发展至今，基础设施建设业务已成为盛世的核心业务支柱。这是对新盛世战略决策充分肯定。

2016年Ranken的董事和团队成员们（包括张伟暄先生和王恒女士—盛世执行董事）增加了他们在盛世的持股数量，达到9120万股约占总股本的28.0%，同时专业投资人李小波先生（2014年福布斯中国富豪榜排名前400名）也增持盛世股票到5650万股约占总股本17.4%。最近，就在盛世2016年度财务结果公告之后，我本人也增持盛世的持股数量至约700万股约占总股本2.2%。毫无疑问我们三方面的增持是基于看好盛世核心基础设施业务的未来发展前景与战略。

在去年年末，在大多数投资行家在享受休闲心境和假日气氛时，我们却忙于与投资人协商出售盛世矿业公司的股份。最终，我们成功在新年前公布以6320万港币的价格将81%矿业公司的股份脱售。这与我之前在媒体专访所说的发展方向是一致的："。。。盛世在策划集团往后的矿业投入必将量力而为，而且一定会把重点和资源放在核心业务基础设施上。。。"。在完成矿业交易的公告之后，我们度过了2016年最后一个周末，Ranken随之迎来了2017年明朗的开端。

GROUP CEO'S REVIEW

FINANCIAL HIGHLIGHTS

In analyzing the Group's financial performance and position, you will find Results at a Glance and those explanatory notes on pages 18 to 21 useful. These pages explain significant changes in those key variables, and you may want to read my summarized points here together with the relevant narrative notes for easy reference.

财务摘要

关于集团的财务业绩和财务状况的分析，您们可以翻阅18至21页的业绩及财务概览。这些注释分析并解说了主要财务指标在2016年的重大变化。

Review of Financial Performance

On the face of the Profit and Loss accounts for FY2016, you will find results of (i) Infrastructure Business and Corporate Function as Continuing Operations and (ii) the discontinued Mining Services Business. The following points of discussion are thus mainly relating to Ranken and our Corporate Function.

财务业绩

在2016年度损益表中可分为：（I）持续运营的基础设施业务和公司运营业务；（II）非持续运营的矿业服务业务。以下供大家参考的内容主要是涉及Ranken基础设施业务和集团运营状况。

$'000	2016	2015	2014	2013	2012
Revenue	223,944	61,779	58,487	6	137,199
Gross profit	27,237	7,087	14,741	1	18,865
Profit/(loss) before income tax	14,745	4,743	(3,730)	(4,704)	(23,394)
Income tax expense	(3,069)	(1,063)	(1,438)	–	(6,021)
Profit/(loss) from continuing operations	11,676	3,680	(5,168)	(4,704)	(29,415)
Profit/(loss) from discontinued operations	(1,761)	2,816	5,306	(152,472)	–
Profit/(loss) for the year	9,915	6,496	138	(157,176)	(29,415)
Profit attributable to:					
Owner of the Company	9,628	6,469	138	(157,176)	(29,415)
Non-controlling interest	287	27	–	–	–

To sum up these points very briefly:

- We have seen overall improvement in all our key performance indicators – revenues, profits and margins rose as a result of full-year contributions from Ranken for FY2016 compared to just one quarter of comparables in FY2015;
- We, however, recorded lower other income (fell by $3.0 million) (i) in the absence of one-off gains relating to corporate restructuring and (ii) given lower accounting fair value; and (iii) we booked lower forex gains as well;
- We consolidated full revenues from Ranken of $223.9 million for FY2016 and thus also need to include its matching 12-month administrative expenses (rose by $4.8 million) and finance cost (rose by $1.8 million) in FY2016;
- We made higher income tax provision (rose by $2.0 million) based on an effective tax rate of more than 20% for Ranken's profitable operations;
- Given the above, we recorded $11.4 million Net Profit from both Infrastructure Business and Corporate Function for FY2016; and

简单地归纳如下：

- 我们的财务指标全面提高--2016年度营业收入、利润和利润率全面上升归功于Ranken的全年并表，相比2015年度只有一个季度；
- 但其它收入有所下降（约300万新币）基于（I）缺乏涉及公司重组后的一次性收益；（II）会计帐面价值降低；（III）外汇汇率实利下降；
- 2016年度Ranken的财务收入全面并表的同时，我们也将其2016年度的管理费用（增加480万新币）和财务费用（增加180万新币）并入其中；
- 我们对Ranken的盈利运营基于20%的实际税率作了较高的税务拨备调整（增加200万新币）；
- 综上所述，我们在2016年度从基础设施运营和公司运营中取得了1140万新币的净利润；及

GROUP CEO'S REVIEW

- Given the disposal plan for Mancala, the Mining Services Business is now a discontinued operation, which recorded a net loss of $1.8 million for the year.

Overall, we reported a net profit for the Group of $9.6 million (net of loss from mining services) and we also generated "cash profit" (or operating profit before working capital changes) of $28.4 million for FY2016.

Review of Financial Position

As highlighted, we announced that we were selling a significant stake in Mancala, following which we reclassified Mancala's financial position to assets ($41.4 million) and liabilities ($20.5 million) held for sale as at 31 December 2016. This also explained why there were significant changes in the Group's financial position during the year under review, as those operating assets and liabilities in the Group's balance sheet now relate only to Infrastructure Business and Corporate Function.

To sum these points up very briefly,

Assets

Non-current assets of $52.6 million comprised mainly of:

- Ranken's commercial buildings, machinery and equipment of $20.7 million in aggregate;
- Investment properties of $12.4 million – certain units in Ranken's commercial buildings have been receiving rental income; and
- Intangible assets of $15.6 million – Ranken's land use rights of $6.1 million and goodwill of $9.5 million arising from the acquisition of Ranken.

Current assets of $273.2 million comprised mainly of:

- Infrastructure projects under construction or work in progress of $83.0 million, and raw material inventories of $2.0 million;
- Ranken's trade receivables of $136.1 million with longer turnaround time on average but approximately 98% of which is not overdue;
- Other receivables, deposits and prepayments of $21.9 million – mainly "buy-on-behalf" materials and the refundable security deposits placed with certain infrastructure project owners; and
- Cash of $30.2 million, which fell due mainly to cash investments in equipment and site facilities for newly secured projects, repayment of bank loans and other financial obligations of Ranken.

Liabilities

Total financial obligations fell to $36.2 million due to continual repayment of working capital borrowings, finance lease obligations and bond redemption by Ranken leading to significant improvement in gearing ratio. Total liabilities, however, rose to $247.8 million due mainly to higher trade payables, given higher purchases by and longer credit terms for Ranken's projects.

- 鉴于Mancala的剥离，我们把矿业服务业务列为非持续运营业务，这部分在2016年度净亏损180万新币；

概括而言，我们在2016年取得了960万新币净利润（减去矿业的净亏损），同时也产生了2840万新币的"现金利润"（或者说是流动资金变化之前的运营利润）。

财务状况

如所陈述，我们宣布了我们出售了对Mancala的控股权。随着控股权的出售，我们把截至到2016年12月31日的Mancala的资产（4140万新币）和债务（2050万新币）状况归类到待售资产及待售债务。这也解释了为什么在2016年度集团的财务状况有显著变化。在概览中显示的集团资产负债栏目中的运营资产和负债目前只涉及了基础设施和集团运营的部分。

简单阐述如下：

资产状况

非流动资产5260万新币，主要构成如下：

- Ranken的商业大厦，机器和设备总共为2070万新币；
- 投资物业资产1240万新币—Ranken大厦的部份单位是用于商业租赁；
- 无形资产1560万新币—Ranken拥有610万新币的土地使用权和由并购活动而产生的950万新币的商誉。

流动资产为2亿7320万新币，主要包括：

- 在建基础设施项目或正在施工中的项目 8300万新币和原材料库存200万新币；
- Ranken的应收帐款1亿3610万新币，兼拥有较长的周转时间但约98%没有逾期；
- 其它应收帐款，订金和预付款2190万新币—主要用于一些基础设施项目业主方"委托采购"原材料款和可退还的保证金；
- 现金3020万新币，下降的主因是由于Ranken对新项目的机械设备现金投资加大和偿还银行贷款及其他财务债务所引起的。

债务状况

财务总债务下降至3620万新币，主要因为Ranken连续不断的偿还流动贷款、财务租赁款和债券赎回使得负债比得到显著改善。尽管如此负债提高到了2亿4780万新币，主要由于Ranken的某些项目拥有较宽裕的付款条件和较高采购额度引起较高应付帐款。

GROUP CEO'S REVIEW

Cash Flows

Notably, the Group's operations (excluding Mining Services Business) generated "operating profit before working capital changes" of $28.4 million for FY2016. During the year, we invested total working capital of $14.0 million and we generated net operating cash flows of $42.4 million. We had net cash flows used in investing activities of $11.4 million as Ranken invested in some new equipment in cash. We paid interest, repaid bank loans, redeemed bond and settled part of the finance leases – all in all, we repaid loans more than we borrowed in total during the year, resulting in cash used in financing activities of $30.6 million.

Given the above, there was a net increase of $2.4 million in cash and cash equivalents. Our overall net cash position (net of pledged fixed deposit of $2.2 million) was $28.0 million as at 31 December 2016, after accounting for forex adjustments.

Key financial indicators

Our key financial indicators for Infrastructure Business and Corporate Function as follows:

- for every dollar of liabilities we incurred, we had $1.37 worth of asset backing ("***assets-to-liabilities***");
- for every dollar of current liabilities we incurred, we had $1.21 worth of current asset support ("***current ratio***");
- for every dollar of net assets we owned, we only borrowed $0.37 ("***gearing***");
- for every dollar of interest expense we incurred, we had 6.9 times operating profits to cover ("***interest cover***");
- for every accounting dollar of profit we reported, we earned you $2.50 more in "Cash Profit" ("***operating profit before working capital changes***");
- you had a total worth of $97.2 million in net assets and monies entrusted to us ("***shareholders' equity***"), or approximately $0.298 per share ("***net assets per share***"); and
- you would find that some 28.8% of shareholders' equity was net cash (net of bank overdraft and pledged fixed deposits).

现金流

显著的是2016年度集团运营（不包括矿业服务）产生的“在流动资金变化之前的运营利润”为2840万新币。2016年我们投入的流动资金总额为1400万新币，而产生的经营现金流为4240万新币。我们使用了1140万新币的现金用于Ranken投资购买新设备，我们产生的现金支付了利息、偿还银行贷款赎回了债券并解决了部分财务租赁费用—总而言之，过去一年从总量上看我们的偿还比借贷更多，用于财务活动的现金为3060万新币。

综上所述，集团的现金和等值现金净提升240万新币。截止到2016年12月31日在调整汇率差之后，我们的净现金（不含质押的固定存款220万新币）是2800万新币。

主要财务指标

我们基础设施业务和集团运营方面的主要财务指标如下：

- 我们所承担的每一新币的负债，有1.37新币的资产在支撑（资产-负债）；
- 我们所承担的每一新币的流动负债，有1.21新币的流动资产在支撑（流动比）；
- 我们所拥有的每一新币净资产，我们只借0.37新币（资产负债率）；
- 我们所支付的每一新币利息，被6.9倍的运营利润所保障（利息覆盖率）；
- 每一新币的会计利润，我们已赚取2.50新币的“现金利润”（注：在流动资金投入之前的运营利润）；
- 您们委托了总值9720万新币的净资产（股东权益）或者说约含每股0.298新币（每股净资产）于盛世；并
- 应注意到股东权益中的28.8%是净现金（扣除了银行流动借款和质押的固定存款）。

GROUP CEO'S REVIEW

GOING FORWARD

Whilst China's recent fiscal reform is not a straightforward one, it seems to have sustained infrastructure spending well. China's "One Belt, One Road" has a simple term but is an ambitious plan. Undoubtedly, at the macro level, debt level has grown and GDP growth is moderating (still remarkable), but infrastructure investments under this high-profile initiative are rising (as a percentage of GDP). To support the growth momentum, trillion-yuan budgets have been approved, particularly for railway-related infrastructure to connect towns and cities. The trillion-yuan sounds indefinitely huge but remains negligible relative to Ranken's existing order book, which imply that this is probably not just an opportunity for those state-owned enterprises but for private operators to expand as well, in meeting these sophisticated demands.

Under such observations, the increasingly higher budgets for infrastructure investments in China are not likely to change, but the forms of such investments could change. Higher levels of institutional funding and broader scopes for foreign participation are now encouraged where we have seen more execution of larger-scale infrastructure projects under a Public-Private-Partnership ("**PPP**") model. Along the unfolding of this funding structure, we have been exploring opportunities (but very selectively) in China and South Asia with some of our highly reliable partners. In this aspect, we remain broadly but cautiously optimistic, and we quietly agree that there exists an emerging opportunity for, possibly, a meaningful pick-up in our contracts under the PPP model in the event that regulatory and institutional reforms for PPP in China are successful.

Having said that, many experts have tried their utmost to crunch numbers and analyze risks relating to recent concerns over China's slowing economy and complex financial system. It is obvious that these experts' conscientious forecasts have since become increasingly difficult. That's to say, it is not without risks at the macro level but the infrastructure sector seems to remain bullish under the structural reform. In this respect, Ranken is well aware of its abilities and competitive advantages in bidding jobs. Notably, in China's rail transit sector, being a private EPC operator with a good track record is rare. Ranken – being a highly qualified and highly reliable private operator with integrated licenses in design, construction and consultancy for this sector – is extremely and exceptionally rare.

I have met many supportive shareholders, investors, friends and associates this year. You might have noted that we have taken a safe and conservative approach in managing our organic growth strategies following the successful corporate transformation; and you can be assured that your investments are in good hands.

Thank you for your continued support and we will talk soon in the upcoming AGM.

Regards,
TEH WING KWAN
Group Chief Executive Officer and Managing Director
Email: wkteh@sapphirecorp.com.sg

未来展望

中国"新经济"结构性改革肯定不是纸上谈兵或凭空想象出来的。在这种经济时代带动下，基础设施建设投资正在中国蓬勃持续发展。中国一带一路虽用词简单但却内涵丰厚，揭示未来世界新秩序的大计划。从宏观层面看，毫无疑问虽债务水平已提高，GDP增长放缓（但是应有利于稳定市场预期），一带一路战略和加速推进基础设施建设是互联互通及高度契合的。所以其GDP占有率还在持续增长。这种投资环境下，万亿元的巨大预算已批。这可能意味着市场不仅只对那些国有企业有利，同时也对很多有资质的私营企业也是很好的扩展机会。相比之下Ranken现有的订单看似还有很多上涨空间。

在这样的趋势下，中国对基础设施的投资预算应不会发生重大变化，但其投资的形式会逐渐转变。机构投资者和外资都被鼓励参与。这种情形之下，我们看到了更多的大型基础设施项目都以PPP的模式实施。由于这种业主方式的开展，我们已经在中国和南亚与一些高度可靠的伙伴开始探讨合作机会。我们对这个领域依旧保持广泛但谨慎乐观的态度但前提是PPP整体模式及其条规的改革能取得成果。如整个宏观PPP政策上能改革成功，我们将从中受益。

很多专家竭尽所能运用非常详细的数据来分析中国经济放缓的速率和其复杂的金融系统等风险因素。这种风险评估与预测将会越来越困难。尽管有这些不稳定性，基础设施建设投入总体应还能保持良好的持续增长。Ranken也非常清楚其自身在中国轨道交通领域的竞争能力和资质优势。拥有良好业绩记录和城市轨道交通领域的设计、施工、监理专业"三甲"资质还是非常罕见的。

今年以来我一直都有和许多支持我们的股东、投资人、朋友和机构会面和保持沟通。您们也可能注意到在公司成功转型之后Ranken的经营管理模式更趋审慎。对您们一如既往地支持再次表示感谢，期待在即将举行的股东大会上继续会谈。

此致，敬礼！
郑永权
集团首席执行官兼执行董事
邮箱: wkteh@sapphirecorp.com.sg

BOARD OF DIRECTORS & KEY EXECUTIVE

MR LIM JUN XIONG, STEVEN
Non-Executive Chairman and
Independent Director

Mr Lim Jun Xiong Steven was appointed as the Non-Executive Chairman and Non-Executive Director of the Group with effect from 1 October 2013. He has more than 30 years' experience in the financial, trust and wealth management industry; including chief executive positions in HSBC Private Bank (Suisse) SA, the Global Wealth Solutions arm of the HSBC Group, and SG Trust (Asia) Ltd, a subsidiary of Societe Generale Private Banking. He holds directorships in companies listed on the Singapore Exchange, including Bund Center Investment Ltd, Hong Fok Corporation Limited, Keong Hong Holdings Ltd and Mirach Energy Ltd.

Mr Lim holds a Bachelor's degree in Commerce from the University of Newcastle, Australia.

Mr Lim was last re-elected as a Director of the Company on 23 April 2014.

林隽雄先生
非执行主席兼独立董事

林隽雄先生于2013年10月1日获委任为公司的非执行主席及非执行董事。他在金融，信托及财富管理行业拥有超过30年的经验，曾担任汇丰私人银行(瑞士)，汇丰集团全球财富解决方案和法国兴业私人银行的附属公司，法国兴业信托(亚洲)有限公司的首席执行官。他也是几家新加坡证券交易所(新交所)上市公司的董事，包括外滩中心投资，鸿福实业有限公司，强枫控股有限公司和Mirach Energy Ltd。他拥有澳大利亚纽卡斯尔大学工商学士学位。

林先生于2014年4月23日再次当选为公司董事。

MR TEH WING KWAN
Group Chief Executive Officer and
Managing Director

Mr Teh Wing Kwan was appointed as Group Chief Executive Officer (CEO) with effect from 3 October 2013.

Mr Teh specialises in corporate finance, corporate restructuring and mergers and acquisitions. He is a highly experienced financial professional who has been advising and investing in companies, family-owned enterprises and regional asset owners with businesses listed in and preparing to list in Singapore, Australia, Malaysia, Vietnam and Taiwan. Under Mr Teh's leadership, Sapphire has undergone a major corporate transformation. Mr Teh is a nominated candidate for the Asia Pacific Entrepreneurship Awards 2015 and 2016 (Singapore) under the Industrial and Commercial Products Industry.

Mr Teh, a sophisticated investor, is a director of Dominick & Dickerman Ltd in Hong Kong (Dominick & Dickerman LLC was founded in 1870 and is one of the oldest investment banks in the United States). He is also an appointed advisor to the Board of Koda Ltd (listed on the Mainboard of the Singapore Exchange). He served as a non-executive director of public companies listed on the Hong Kong Stock Exchange and Australian Securities Exchange.

Mr Teh is a Fellow of the Association of Chartered Certified Accountants (United Kingdom), a Fellow Chartered Accountant of the Institute of Singapore Chartered Accountant, an International Affiliate of the Hong Kong Institute of Certified Public Accountants, a Chartered Accountant of the Malaysian Institute of Accountants, a Full Member of Singapore Institute of Directors and a member of the Hong Kong Securities and Investment Institute.

Mr Teh was last re-elected as a Director of the Company on 23 April 2014.

郑永权先生
集团首席执行官兼执行董事

自2013年10月3日郑永权先生获委任为集团首席执行官。

郑先生擅长于公司融资和重组并购。他在金融财务领域拥有丰富的经验，他一直为在新加坡，澳大利亚，马来西亚，越南和台湾公司，家族企业和区域资产拥有者提供建议并参与投资。自2015年郑先生成为盛世CEO以来他带领盛世进行了重组和转型。郑先生也获提名为2015年和2016年(新加坡)亚太工商行业企业收购专家。

郑先生是资深投资人也是Dominick & Dickerman Ltd香港的董事（Dominick & Dickerman LLC成立于1870年，是美国最古老的投资银行之一）。他是Koda企业(新加坡主板上市企业)董事局顾问也曾经在香港和澳大利亚证券交易所上市的公司担任非执行董事。

郑先生是注册会计师公会(英国)资深会员，新加坡特许会计师机构公会的资深特许会计师，香港注册会计师公会国际会员，马来西亚会计师公会注册会计师，新加坡董事协会全职会员和香港证券投资机构会员。

郑先生于2014年4月23日再次当选为公司董事。

BOARD OF DIRECTORS
& KEY EXECUTIVE

MADAM CHEUNG KAM WA, EMMA
Chief Operating Officer and
Executive Director

Mdm Cheung Kam Wa, Emma was appointed to the Board with effect from 14 November 2012, having joined as Chief Operating Officer (COO) on 3 January 2012. She has more than 20 years of company management experience, mainly in the areas of commodity trading, logistics, mergers and acquisitions. She is also familiar with commercial and accounting regulations in China and Hong Kong.

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

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

Mdm Cheung was last re-elected as a Director of the Company on 27 April 2016.

张锦华女士
首席营运官兼执行董事

张锦华女士在2012年11月14日获委任为公司的董事会成员。她于2012年1月3日加入公司，担任首席营运官。她在中国地区拥有超过20年的企业管理经验，尤其是在商品交易、物流、合并以及收购等方面，且熟悉中国和香港的商业和会计法规。在加入盛世之前，张女士曾经在四川川威集团担任管理层的职位以及香港港威有限公司的总经理。她目前的职务是协助集团首席执行官处理日常的运作。她拥有中国社会科学院法学硕士学位。

张女士于2016年4月27日再次当选为公司董事。

MS WANG HENG
Executive Director

Ms Wang Heng was appointed to the Board with effect from 16 March 2016. She is a co-founder and executive director of Ranken Railway Construction Group Co., Ltd ("Ranken Railway"), as well as its current legal representative.

A qualified engineer and technician, Ms Wang started her career with CRB China ("CRB"), where she worked from 1991 to 1998. She left CRB and founded Ranken Railway in 1998.

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, and manages finances for Ranken's overseas ventures and projects.

Ms Wang majored in Railway Engineering at Southwest Jiaotong University and holds an Executive MBA from Tsinghua University. She is also a member of the Tenth Chinese People's Political Consultative Committee of Sichuan Chengdu Wuhou District.

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

王恒女士
执行董事

王恒女士于2016年3月16日获委任为董事。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，目前她是Ranken Railway 的法人代表。

王恒女士是资深工程师和技术员，她于1991年进入中铁开始她的职业生涯直到1998年。她于1998年与人合作创立了Ranken Railway。

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，她同时负责Ranken Railway 海外公司和项目的融资管理。

王恒女士是中国西南交通大学铁路工程专业毕业并持有清华大学工商管理硕士学位。她也是四川成都武侯区第十届政协委员。

王恒女士于2016年4月27日再次当选为公司董事。

BOARD OF DIRECTORS & KEY EXECUTIVE

MR CHEUNG WAI SUEN
Executive Director

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

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

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

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

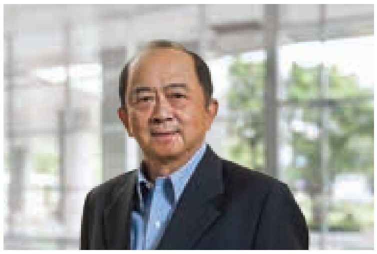
张伟暄先生
执行董事

张先生于2016年3月16日获委任为董事。他在中国土木工程和建设领域拥有30多年的经验。

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

张先生是中国人民大学法学学士和北京大学光华管理学院工商管理硕士。

张先生于2016年4月27日再次当选为公司董事。



MR TEO CHENG KWEE
Non-Executive and Non-Independent Director

Mr Teo Cheng Kwee was re-designated as Non-Executive and Non-Independent Director of Sapphire with effect from 3 October 2013. He is the founder of the Group and served as CEO for nearly 40 years before re-designation.

During his reign, he led Sapphire from the Singapore Exchange Catalist to a Mainboard listing in 2011. Mr Teo has vast experience and good business acumen.

Mr Teo was last re-elected as a Director of the Company on 23 April 2014.

Mr Teo is retiring and not standing for re-election in the upcoming AGM.

张青贵先生
非执行兼非独立董事

张青贵先生于2013年10月3日调任为公司的非执行董事。他是盛世集团的创始人，在集团担任执行官近40年。在2011年，他还使盛世从新交所的凯利板晋升到了主板。张先生拥有丰富经验和敏锐的商业触觉。

张先生于2014年4月23日再次当选为公司董事。

张先生将于举行的股东周年大会上卸任董事之职且不续任。

MR YANG JIAN
Non-Executive and Non-Independent Director

Mr Yang Jian was appointed to the Board with effect from 20 July 2009. Mr Yang holds directorships in several other companies, including Trisonic International Limited (since 2006) and Sichuan Chuanwei Group Co., Ltd (since 2001). Prior to that, he was also the Company Secretary of Sichuan Chuanwei Group Co., Ltd (since 1998). He holds a Master's degree in Administration from Chongqing University.

Mr Yang was last re-elected as a Director of the Company on 29 April 2015.

杨健先生
非执行兼非独立董事

杨健先生于2009年7月20日获委任为董事。杨先生也是其他几家公司的董事，包括合创国际有限公司(从2006年至今)和四川省川威集团有限公司(从2001年至今)。

在此之前，他一直在四川省川威集团有限公司的董事会工作(从1998年至今)。杨先生持有重庆大学管理学硕士学位。

杨先生于2015年4月29日再次当选为公司董事。

BOARD OF DIRECTORS & KEY EXECUTIVE

MR FONG HENG BOO

Non-Executive and
Independent Director

Mr Fong Heng Boo was appointed to the Board with effect from 15 January 2014 as a Non-Executive and Independent Director. He began his career in 1975 as an Auditor in the Singapore Auditor-General's Office, eventually becoming Assistant Auditor General before leaving in 1993. He later joined Amcol Holdings as General Manager (Corporate Development) and then Easy Call International Pte Ltd as Chief Financial Officer. In 1998, he was Deputy General Manager (Corporate Service) of the Singapore Turf Club and was later re-designated as Senior Vice President (Corporate Service). In 2004, he was seconded to Singapore Totalisator Board as Director (Special Duties), where he led the Board's Finance & Investment functions until retiring in December 2014.

Mr Fong possesses in-depth expertise in audit, finance and corporate management. He holds directorships in three other publicly listed companies. Mr Fong holds a Bachelor of Accountancy with Honours from the University of Singapore (now known as National University of Singapore).

Mr Fong was last re-elected as a Director of the Company on 23 April 2014.

庞廷武先生

非执行兼独立董事

庞廷武先生于2014年1月15日获委任为独立兼非执行董事。庞先生的职业生涯始于1975年。他在新加坡公共审计处担任审计师。当他在1993年离职时，已经是副审计长。后来他加入Amcol控股公司担任总经理（企业发展），接着在Easy Call International Pte Ltd 担任首席财务官。1998年，他加入新加坡赛马公会为公司副总经理（企业服务），随后调任为高级副总裁（企业服务）。2004年，他被借调到新加坡赛马博彩管理局为董事（特别职务），负责董事会的融资与投资业务直到2014年12月届满为止。庞先生的擅长领域为企业金融及企业管理。目前，他也是另三家上市公司的董事。庞先生毕业于新加坡国立大学，拥有会计学学士二等荣誉学位。

庞先生于2014年4月23日再次当选为公司董事。

MR TAO YEOH CHI

Non-Executive and
Independent Director

Mr Tao Yeoh Chi was appointed to the Board with effect from 1 October 2013 as a Non-Executive and Independent Director. He began his career in the public service sector, where he held senior positions in various ministries. He later joined a few multinational companies before starting his own business. He held directorships in several companies listed on the Singapore Exchange and is now an Independent Director of Singapore eDevelopment Limited. He is also a director of STT Communications (Shanghai) Co., Ltd.

Mr Tao holds a Bachelor of Engineering (First Class Honours) and a Bachelor of Arts (Economics) from Newcastle University, Australia.

Mr Tao was last re-elected as a Director of the Company on 27 April 2016.

陶耀建先生

非执行兼独立董事

陶耀建先生于2013年10月1日获委任为独立兼非执行董事。陶先生的职业生涯从公共服务部门开始。他在各部门担任过要职。他随后也相继在几个跨国公司就职，直到他开始自己的生意。他曾是几家新加坡证券交易所上市公司的董事，目前是Singapore eDevelopment有限公司的独立董事。他也是芯科投资管理(上海)有限公司的董事。

陶先生毕业于澳大利亚纽卡斯尔大学，拥有工程学士一级荣誉学位。

陶先生于2016年4月27日再次当选为公司董事。

BOARD OF DIRECTORS & KEY EXECUTIVE

MR DUAN YANG
Non-Executive and
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.

段杨先生
非执行兼独立董事

段先生于2017年3月24日获委任为非执行兼独立董事。

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

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

MR NG HOI-GEE KIT
Group Chief Financial Officer
(Non-board member)

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

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

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

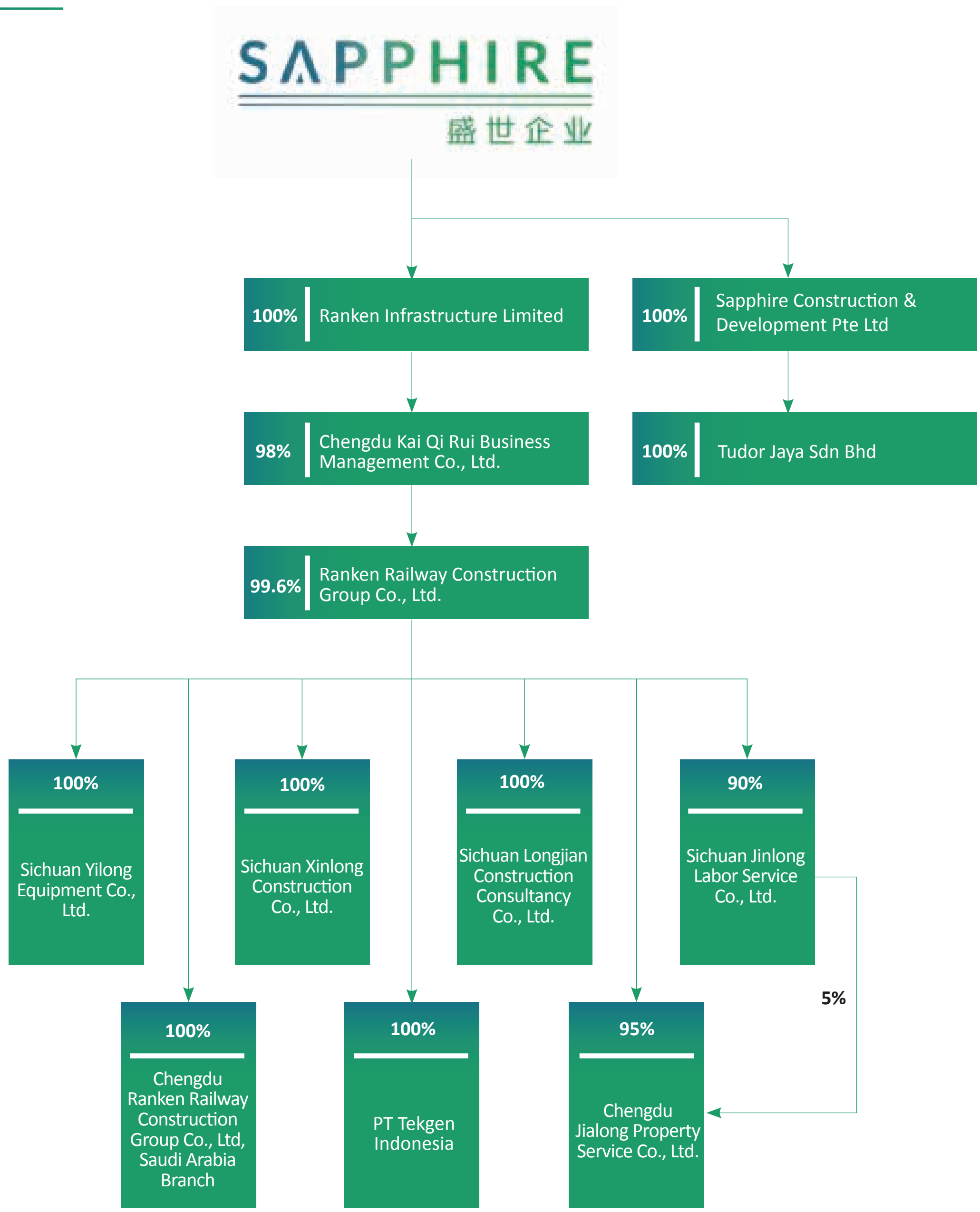
吴海麒先生
集团首席财务官（非董事局成员）

吴海麒先生于2015年11月23日获委任为首席财务官。

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

吴先生毕业于特许公认会计师公会，是新加坡特许公认会计师公会的会员。

CORPORATE STRUCTURE



Notes:

- The disposal of 81% stake in Mancala Holdings Limited and Mancala Holdings Pty Ltd and its subsidiaries was completed on 28 February 2017.
- Sapphire Mineral Resources Pte. Ltd. was struck off in March 2017.

RESULTS AT A GLANCE

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

	Group 2016 $'000	Group 2015 $'000
Revenue	223,944	61,779
Cost of sales	(196,707)	(54,692)
Gross profit	**27,237**	**7,087**
Other income	4,854	7,861
Selling and distribution costs	(893)	(376)
Administrative expenses	(12,307)	(7,513)
Other expenses	(1,653)	(1,641)
Profit from operating activities	**17,238**	**5,418**
Finance costs	(2,493)	(675)
Profit before tax	**14,745**	**4,743**
Tax expense	(3,069)	(1,063)
Profit from continuing operations	**11,676**	**3,680**
Discontinued operations		
(Loss)/profit from discontinued operations, net of tax	(1,761)	2,816
Profit for the year	**9,915**	**6,496**
Profit attributable to:		
Owners of the Company	9,628	6,469
Non-controlling interest	287	27
Profit for the year	**9,915**	**6,496**

FY2016 NET PROFIT

$9.6 million

OPERATING CASH FLOW

$47.4 million

Significant changes in revenue, cost of sales and expenses were mainly attributed to the consolidation of Ranken's full year financial performance in FY2016 as compared to 3 months (4Q2015) in FY2015.

- **Revenue**
  Rose by $162.2 million to $223.9 million, on the back of revenue recognition for several projects based on stage-of-completion.
- **Gross profit**
  Given higher revenue, gross profit rose by $20.2 million to $27.2 million. Gross profit margin in FY2016 improved to 12.2% compared to 11.5% in FY2015.
- **Other income**
  Fell by $3.0 million to $4.9 million in the absence of interest income of $1.2 million relating to the redemption of the bond (upon completion of disposal of the Steel Business), lower fair value gain and lower net forex gain of $1.0 million and $2.9 million, respectively; despite higher rental income, interest income from retention monies and consultancy fees.
- **Selling and distribution costs**
  Rose by $0.5 million (Ranken's full year results); comprised mainly Ranken's travelling expenses.
- **Administrative expenses**
  Rose by $4.8 million (Ranken's full year results); comprised mainly Ranken's staff cost and offset by lower corporate function expenses.
- **Other expenses**
  Remained relatively unchanged despite consolidation of Ranken's full year results – in the absence of impairment of goodwill of $1.2 million relating to Mancala, offset by loss on disposal/write-off of plant and equipment of $0.3 million upon completion of certain Ranken's projects.
- **Finance costs**
  Rose by $1.8 million (Ranken's full year results). Interest expense incurred by Ranken is primarily for its working capital borrowings on average interest cost of 6.88% p.a.
- **Tax expense**
  Rose by $2.0 million (Ranken's full year results); and provision on higher taxable profits for Ranken's operations.

RESULTS AT A GLANCE

Results of Discontinued Operations –
(Mining Services Business)

	Group	
	2016 $'000	**2015 $'000**
Revenue	26,065	54,572
Cost of sales	(19,430)	(42,462)
Gross profit	**6,635**	**12,110**
Other income	306	792
Administrative expenses	(7,050)	(7,617)
Other expenses	(1,124)	(318)
(Loss)/profit from operating activities	**(1,233)**	**4,967**
Finance costs	(567)	(1,239)
(Loss)/profit before tax	**(1,800)**	**3,728**
Tax expense	39	(912)
(Loss)/profit from discontinued operations	**(1,761)**	**2,816**

Notes:

The disposal of the Mining Services Business was completed on 28 February 2017.

Revenue
Revenue fell by $28.5 million to $26.1 million amid weak and volatile market sentiment in the mining industry.

Gross profit
Given the lower revenue, gross profit fell by $5.5 million to $6.6 million.

Other income
Fell by $0.5 million to $0.3 million, due mainly to lower interest income and lower exchange gain.

Administrative expenses
Fell by $0.6 million to $7.1 million, due mainly to cost-cutting measures during the year.

Other expenses
Rose by $0.8 million to $1.1 million, due mainly to loss on disposal of plant and equipment of $0.4 million and impairment loss on receivables of $0.3 million.

Finance costs
Fell by $0.7 million to $0.6 million as Mancala continued to pay down its working capital borrowings and finance lease obligations.

81%

DISPOSAL
COMPLETED
ON
28 FEBRUARY 2017

RESULTS AT A GLANCE

Financial Position – Total Assets	Group 2016 $'000	Group 2015 $'000
Assets		
Property, plant and equipment	20,747	46,334
Intangible assets and goodwill	15,639	16,435
Investment properties	12,389	13,457
Other investments	21	86
Deferred tax assets	3,770	2,226
Total non-current assets	**52,566**	**78,538**
Inventories	1,962	3,442
Construction work in progress	83,046	54,858
Trade receivables	136,067	124,616
Other receivables	21,944	29,544
Assets held for sale	41,425	8,148
Cash and cash equivalents	30,224	35,079
Total current assets	**314,668**	**255,687**
Total assets	**367,234**	**334,225**

FY2016 TOTAL ASSETS

$367.2 million

Significant changes in financial position were mainly attributed to classification of Mancala's financial position to assets and liabilities held for sale as at 31 December 2016.

Property, plant and equipment (PPE)
- Fell by $25.6 million due mainly to (i) classification of Mancala's PPE of $19.3 million as Held for Sale; (ii) annual depreciation of $11.1 million, offset by equipment investments of $11.6 million by Ranken for its new projects, mainly in China.

Intangible assets and goodwill
- Fell by $0.8 million due mainly to translation loss and amortisation cost. Comprised Ranken's land use rights of $6.1 million and goodwill on acquisition of Ranken of $9.5 million.

Investments properties
- Fell by $1.1 million due mainly to translation loss and depreciation. Comprised certain units in commercial buildings of Ranken (receiving rental income).

Inventories
- Fell by $1.5 million due mainly to classification of Mancala's inventories of $2.2 million as Held for Sale. Comprised of Ranken's raw materials and consumables for construction.

Construction work in progress
- Rose by $28.2 million due to increased activities of Ranken's infrastructure projects pending certification.

Trade receivables
- Rose by $11.5 million (turnaround time of 222 days) given Ranken's higher revenue. Trade receivable included retention monies, Built-and-Transfer contract and other guarantee sums. Excluding which, the trade receivable turnaround period would have been approximately 90 days.

Other receivables
- Fell by $7.6 million due mainly to classification of Mancala's other receivables of $3.7 million as Held for Sale. Ranken's other receivables relate mainly to materials procured on behalf of project owners and refundable security deposits placed with the project owners.

Assets held for sale
- Relates to the assets of the Mining Services Business (discontinued operations) given proposed disposal of a significant stake in Mancala.

Cash and cash equivalents
- Fell by $4.9 million due mainly to (i) classification of Mancala's cash and cash equivalents of $3.6 million as Held for Sale; (ii) Ranken's cash investments in new equipment; and (iii) substantial repayments of Ranken's loans. The cash position for the Company (corporate) and Ranken were $0.6 million and $29.6 million respectively.

RESULTS AT A GLANCE

Financial Position – Total Equity and Liabilities	Group 2016 $'000	Group 2015 $'000
Equity		
Share capital	87,933	277,067
Reserves	9,237	(186,505)
Equity attributable to owners of the Company	**97,170**	**90,562**
Non-controlling interests	1,764	1,544
Total equity	**98,934**	**92,106**
Liabilities		
Other payables	4,085	8,653
Financial liabilities	3,002	5,928
Deferred tax liabilities	1,464	1,816
Total non-current liabilities	**8,551**	**16,397**
Trade payables	109,584	74,361
Other payables	74,349	71,204
Progress billings in excess of construction work in progress	17,229	8,416
Financial liabilities	33,232	66,852
Current tax liabilities	4,876	4,889
Liabilities held for sale	20,479	–
Total current liabilities	**259,749**	**225,722**
Total liabilities	**268,300**	**242,119**
Total equity and liabilities	**367,234**	**334,225**

FY2016 EQUITY

$97.2 million

↑ **$6.6** million

Equity

Rose by $6.6 million after accounting for current year profit of $9.6 million, offset by translation loss of $3.1 million.

Non-controlling interests

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

Long term other payables

Fell by $4.6 million due mainly to (i) classification of Mancala's long term other payables of $0.9 million as Held for Sale and (ii) repayment of $1.0 million in loans extended by previous shareholders of Ranken.

Total current and long-term financial liabilities

Fell by $36.5 million due mainly to (i) classification of Mancala's financial liabilities of $3.7 million as Held for Sale and (ii) Ranken's net repayment of $26.5 million in bank loans, bond and finance lease obligations.

Trade payables

Rose by $35.2 million despite classification of Mancala's trade payables as Held for Sale of $5.3 million – due mainly to higher purchases and longer suppliers' credit terms for Ranken.

Short term other payables

Rose by $3.1 million despite classification of Mancala's other payables of $10.1 million as Held for Sale. Other payables for Ranken comprised deposits received from clients and security deposits from sub-contractors, VAT payables and accruals of operating expenses. Other payables of the Company (corporate) comprised mainly the purchase consideration payable to Mancala's vendors. Other payables and accruals for Ranken and the Company (corporate) were $61.2 million and $13.1 million respectively.

Progress billings in excess of construction work in progress

Rose by $8.8 million due mainly to increased activities of Ranken's infrastructure projects and timing difference between billings and works certified.

Liabilities held for sale

Relates to the liabilities of the Mining Services Business (discontinued operations) given proposed disposal of a significant stake in Mancala.

SUSTAINABILITY REPORT

The Singapore Stock Exchange ("**SGX-ST**") now requires listed companies to publish an annual sustainability report for any financial year ending on or after 31 December 2017, which must describe the issuer's sustainability practices with reference to the primary components set out in Listing Rule 711B on a 'comply or explain' basis.

The Group's maiden sustainability report (the "**Sustainability Report**") demonstrates the Group's consideration of sustainability issues as part of its strategic formulation and business strategies. The Group has specifically considered Environmental, Social and Governance ("**ESG**") factors since the completion of the acquisition of Ranken Infrastructure Limited and its subsidiaries ("**Ranken**") in October 2015. Ranken holds principal subsidiaries for the Group's core business in the infrastructure sector.

As this Sustainability Report is the Group's maiden report in relation to its infrastructure business, the Group believes that there are many areas of such reporting which the Group needs to improve significantly in time to come. 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 Ranken has adopted as best practice for its infrastructure business.

While the Group will continue to improve its sustainability reporting, the Group has identified certain key areas of focus:

(i) Employees
  - Training and development
  - Occupational health and safety

(ii) Environment

(iii) Community

(iv) Innovation

(v) Corporate Communication (see page 28)

This Sustainability Report, together with the Corporate Governance Report on pages 29 to 57, provides details of the Group's ESG factors and the policies, practices and performance of the business operations addressing these material ESG factors. The Group is in the process of assessing and adopting a reputable sustainability reporting framework and will set targets for material ESG factors going forward.

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

The Group aims to align its business interests with that of its stakeholders. The Group is committed to maintaining ongoing engagement with its stakeholders and has elaborated on the details of this engagement in the "Investor Relations" section on page 28. The Group is continually aware of 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. The Group remains committed to creating long-term value for all stakeholders.

The Sustainability Report covers the fiscal period from 1 January 2016 to 31 December 2016. The information and data are reported in good faith as the Group continually strengthens its data collection processes.

SUSTAINABILITY REPORT

EMPLOYEES

The Group firmly believes that its success comes from its continued investment in employees. The Group's sustainable development and growth depends on a steadfast strategy in employing, 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. The Group practices fair hiring without prejudice, regardless of age, gender 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 2016, the Group had approximately 1,039 employees, the majority of whom are stationed in the PRC. Approximately 19% of the Group's workforce is female.

TRAINING AND DEVELOPMENT

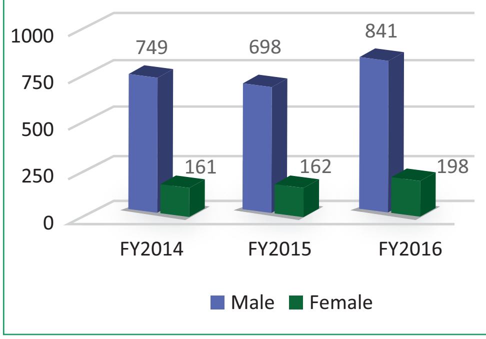
The Group embraces the philosophy of investing in its people by providing them with comprehensive training and development opportunities that enhance their professional skills and knowledge, so that they can continuously improve their abilities and qualities to ensure their growth within the Group.

In FY2016, the number of annual training hours used was approximately 31 hours per employee. The Group is committed to continuously providing more training and development programs to help employees maximise their potential.

2016: enrollment of 39 graduates, held in Chengdu

Internal training for staff at Ranken

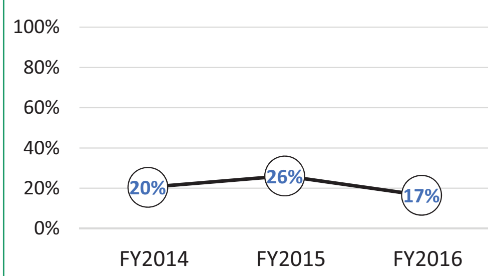
Gender Distribution of Employees



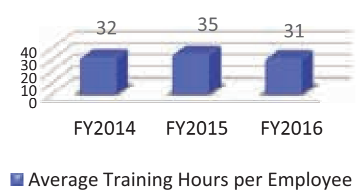
Employment Type

	FY2014	FY2015	FY2016
Top Management	15	15	16
Middle Management	106	99	111
Supervisory	161	155	184
Operations	628	591	728

Yearly Turnover Rate



Average Training Hours per Employee



SUSTAINABILITY REPORT

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 has always been the Group's key focus. The Group actively creates and promotes safe workplaces across all project sites to ensure that employees are able to perform their duties in a safe environment, as well as to minimise the risk of accidents and/or casualties. A safe environment reduces unnecessary risks and exposure in a project. It can also boost staff morale and increase client satisfaction levels. The Group aims to foster a harmonious work culture to establish a respectful and conducive working environment.

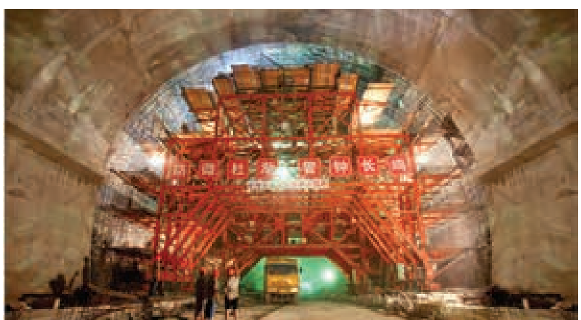
Work Safety Policies and Management Systems

The Group practises a standardised company-wide policy which includes the maintenance of a comprehensive set of work safety management systems. Such work safety management systems include having procedures for operation of machineries, a set of occupational health and safety practices, emergency rescue plans, environmental protection practices for construction projects, methods developed to safely manage explosives and work safety assessments and incentives.

The Group has obtained the Certificate for Work Safety Standardization – 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.

During the year, the Group carried out various targeted activities to further inculcate work safety awareness and to promote the importance of work safety, including but not limited to "work safety rules, regulations and standards" training activities, "work safety month" and "self-examination and self-correction for work safety and quality" activities.

Other than on-site control, the Group also introduced and adopted a variety of measures to eliminate the risk of accidents. These include methods such as ad-hoc work safety checks, monthly investigation and management of major accidents (if any major accidents arise), project risk identification and control, and the strict implementation of the work safety assessment and incentives system.



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

SUSTAINABILITY REPORT

Certificates and Awards

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

The Group’s strict implementation of work safety management, adherence to safe and civilized construction processes, green construction concepts and vigorous management of construction information have enabled it to win numerous accolades during the year, including list in the table below.

Continuous improvement

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

Accolades:

S/No.	Date	Name of Project	Name of Award	Given by
1	Jan 2016	Longchang Film and Television Culture Center (Sichuan Province)	2015: Implementation and standardised construction management Excellent Award	Longchang County Housing and Urban Planning and Construction Bureau
2	Feb 2016	Beijing Metro Line 8	2015 Beijing Green and Safety Model Site	Beijing Municipal Housing and Urban Construction Committee
3	Mar 2016	Urumqi Rail Transit Line 1 (Xinjiang Province)	Urumqi City work safety and civilized site	Urumqi City Construction Committee
4	Mar 2016	Urumqi Rail Transit Line 1 (Xinjiang Province)	Autonomous region construction project work safety and civilized site	Ministry of Housing and Construction, Xinjiang Uygur Autonomous Region
5	Jul 2016	Qingdao Metro Line 1 (Shandong Province)	First half of 2016 Qingdao Metro Line 1 safe and civilized standardized model site	Qingdao Metro Line 1 Limited
6	Dec 2016	Jinan City Shun He Bridge South Extension (Shandong Province)	Shandong Province municipal project safe and civilised site	Shandong Province Department of Housing and Urban and Rural Development

Morning safety briefing

Security over explosives

SUSTAINABILITY REPORT

ENVIRONMENT

As environmental pollution worsens worldwide, the Group has renewed its commitment to environmentally-friendly practices, which play a critical role in preserving, protecting and improving the environment for a sustainable business. The Group is committed to strict compliance with all environmental protection-related legal requirements imposed by local regulatory authorities, and requires all key suppliers and sub-contractors to do the same.

In addition, the Group has made significant progress in support of Green Practices for Construction ("**Green Construction**"). On 24 November 2016, Ranken's demonstration of its Green Construction technology project in Urumqi was certified by the Ministry of Housing and Urban-Rural Development ("**MOHURD**") of Urumqi to have met China's Green Construction Evaluation Standard.

"Those measures used in the projects not only guarantee the construction period, but also effectively save resources, reduce pollution and protect the environment. All in all, this Green Construction is significantly beneficial to the economy, society and environment, and serves as a role model for the industry," said MOHURD.

The Group foresees the gradual and continuous adoption of Green Construction across all projects in the near future, so as to play a greater role in environmental protection.

Green Construction includes energy and water conservation, minimising wastages, resources and pollution to environment, noise and nuisances, construction waste management, and more.

Dust removal and Spraying equipment

Presentation to the MOHURD on Green Construction by Urumqi Team

SUSTAINABILITY REPORT

COMMUNITY

The Group believes that corporate social responsibility goes beyond job creation and economic contribution, and should also include giving back to the community.

Over the past year, the Group has sought to give back to society through participation in several campaigns, including charitable drives to donate daily necessities to needy families in the Shayan Community (沙堰社区) and to provide temporary financial assistance to families facing special difficulties in the Wuhou District (武侯区), both in Chengdu.

In addition, the Group also participated in several government-backed programmes to support the education sector. At the end of 2016, Ranken received approval from the Sichuan Provincial Department of Human Resources and Social Security to set up a post-doctorate innovation practice base in Sichuan (四川省博士后创新实践基地). Out of a total of 25 units, Ranken is the only approved construction enterprise in Sichuan Province to receive this certification.

Ranken seeks to build on this post-doctorate work platform to improve the current ecosystem for business innovation and best practices, more closely integrate production and research, and ultimately achieve the sustainable development of enterprises.

INNOVATION

The Group believes that innovation is one of the core pillars of sustainability and a key part of corporate growth. With the rapid adoption of technological advancements and adherence to independent innovation in all aspects of the Group's business, the Group has streamlined construction processes and effectively managed all projects to complete final delivery in a timely fashion.

In 2012, Ranken established a Research and Design centre ("**Ranken R&D Centre**") which now has four engineers. The R&D centre uses an intelligent 3D model-based software and systems which equip architects, engineers and construction professionals with the insights and tools for more efficient planning, design and construction of buildings and infrastructure projects. The modeling system has been recognised several times by project owners from Beijing, Nanning, Xi An, Urumqi and Chengdu, and has won several awards.

In November 2016, Ranken R&D Centre won the third prize in a Design and Building Information Modelling ("**BIM**") competition for its application of BIM Technology for Civil Engineering Design in the Exhibition Hall Station on Line 1 of Hohhot Rail Transit.

BIM for Beijing Metro Line 19

3rd prize in Design and BIM competition

INVESTOR RELATIONS

A YEAR OF ACTIVE INVESTOR ENGAGEMENT

During the year under review, Sapphire stepped up its investor relations ("**IR**") activities under the leadership of Group CEO Mr Teh Wing Kwan. Apart from several significant media interviews, there were more than 10 IR engagements with institutional or retail investors and stock analysts from securities houses. These included:

- A presentation at "**Discovering Value in SGX Small Caps**", an investment seminar jointly hosted by the Singapore Exchange ("**SGX**") and the WeR1 Group, a regional IR specialist;
- Various sessions with analysts and investors in Singapore and Hong Kong; and
- Receiving the "**Listed Enterprise Excellence Award 2016**" from Hong Kong-based Capital Weekly (資本壹週), making Sapphire the first public-listed company not quoted on the Hong Kong Stock Exchange to secure the accolade. Mr Teh accepted the award at a gala attended by senior business leaders from Hong Kong.

The Company intends to sustain constant communications with the investor community to align its business interests with that of its stakeholders.

Mr Teh presenting at SGX-WeRI seminar, 'Discovering Value in SGX Small Caps'

Mr Teh presenting to analysts and brokers at Maybank Kim Eng Securities

Mr Teh receiving 'Listed Enterprise Excellence Award 2016' from Hong Kong-based Capital Weekly

CORPORATE ***GOVERNANCE REPORT***

The Board of Directors of 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 Group. The Company continues to evaluate and strives to put in place effective self-regulatory corporate practices to protect its shareholders' interests and enhance long-term shareholders' value.

This report describes the Company's corporate governance processes and framework and practices that were in place during the financial year ended 31 December 2016 ("**FY2016**"), in compliance with and with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**"). Taking into consideration the need to balance enterprise and accountability, and the unique characteristics of the industry and maturity of each company, the Company notes that Corporate Governance Committee's recommendation that a one-size-fits-all, prescriptive approach may not be suitable for all listed companies. The Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable. Where the Company has therefore not complied fully with the guidelines of the Code, explanations and alternative corporate governance practices adopted by the Company in lieu of the recommendations have been provided in the sections in respect of the relevant guidelines.

THE CODE

The Code is divided into four main sections:

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

(A) BOARD MATTERS

PRINCIPLE 1: BOARD'S CONDUCT OF ITS AFFAIRS

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

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

- to set and guide the corporate strategy and directions of the Group, approve the broad policies, strategies and financial objectives of the Group;
- to establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;
- to review and monitor the performance of management;
- to identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;

- to provide guidance on values, ethics, standards and obligations to shareholders and other stakeholders to the Company;
- to consider sustainability issues such as environmental and social factors, as part of strategic formulation;
- to ensure effective management leadership of the highest quality and integrity;
- to approve annual budgets, major funding proposals, investment and divestment proposals; and
- to provide overall insight in the proper conduct of the Group's business.

Matters that require board approval include:

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

To assist the Board in the execution of its responsibilities, specialised committees of the Board, namely the Audit and Risk Committee ("**ARC**"), Nominating Committee ("**NC**"), Remuneration Committee ("**RC**") and the Strategy Committee ("**SC**") have been established and delegated certain functions of the Board (collectively, the "**Board Committees**"). If and when the Board delegates the authority (without abdicating responsibility) to make decisions to a Board Committee, such delegation is disclosed. The ARC, NC, RC and SC 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, RC and SC are provided in the relevant sections of this report.

The schedules of all the Board and Committee meetings as well as the Annual General Meeting for the next calendar year are planned in advance. The Board conducts at least four meetings a year and where necessary, additional board meetings are held to review, discuss and address significant issues or transactions. The Company's Constitution 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 also meet on a needs-basis without the presence of the management to discuss matters such as the Group's financial performance, management leadership and management performance.

CORPORATE GOVERNANCE REPORT

In the financial year ended 31 December 2016 ("**FY2016**"), the Board held five meetings. The attendance of the Directors at meetings of the Board (both formal and informal meetings) and Board Committees during FY2016 is as follows:

	BOARD		AUDIT AND RISK COMMITTEE		NOMINATING COMMITTEE		REMUNERATION COMMITTEE	
	No. of Meetings[1]		No. of Meetings		No. of Meetings		No. of Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr Lim Jun Xiong, Steven	5	5	4	4	1	1	1	1
Mr Teh Wing Kwan	5	5	4	4[2]	1	1[2]	1	1[2]
Mdm Cheung Kam Wa, Emma	5	5	4	4[2]	1	1[2]	1	1[2]
Ms Wang Heng[3]	5	3	4	3[2]	1	–	1	–
Mr Cheung Wai Suen[3]	5	3	4	3[2]	1	–	1	–
Mr Fong Heng Boo	5	5	4	4	1	1	1	1
Mr Tao Yeoh Chi	5	5	4	4	1	1	1	1
Mr Teo Cheng Kwee	5	5	4	4[2]	1	1	1	1
Mr Yang Jian	5	4	4	3[2]	1	–	1	1
Mr Foo Tee Heng[4]	5	1	4	1[2]	1	1[2]	1	1[2]
Mr Duan Yang, Julien[5]	–	–	–	–	–	–	–	–

Notes:

(1) Inclusive of formal and informal meetings to discuss the business strategy and direction of the Group.

(2) By invitation.

(3) Appointed to the Board as an Executive Director on 16 March 2016.

(4) Retired at AGM held on 27 April 2016.

(5) Appointed to the Board as an Independent and Non-Executive Director on 24 March 2017, subsequent to the conclusion of FY2016.

As the Strategy Committee was only formed on 24 March 2017, it has not been included in the table above.

When new Directors are appointed to the Board, they are provided with a formal letter setting out the Director's duties and responsibilities, and are required to undergo an orientation programme. The orientation programme for a new Director is intended to provide background information on the Group and industry-specific knowledge, and includes briefings by the Group Chief Executive Officer and Managing Director ("**Group 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 operations.

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.

CORPORATE **GOVERNANCE REPORT**

The Group 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, the management will brief the Directors at Board meetings.

PRINCIPLE 2: BOARD COMPOSITION AND BALANCE

During FY2016, the Board comprised 9 Directors, among whom 2 are Non-Independent and Non-Executive Directors, 3 are Independent Directors and 4 are Executive Directors. Subsequent to FY2016, Mr Duan Yang, Julien was appointed to the Board as an Independent and Non-Executive Director, increasing the number of Independent Directors on the Board to 4 and the total number of Directors to 9 considering that Mr Teo Cheng Kwee will be retiring and will not stand for re-election in the upcoming AGM.

The Board considers an Independent Director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgment of the Group's affairs with a view to the best interests of the Company. The Board is able to exercise objective judgment on corporate affairs independently and constructively challenge key decisions and strategies taking into consideration the long term interests of the Group and its shareholders, as Independent Directors, who includes the Chairman of the Board, comprised one-third of the Board during FY2016. Each Board Committee is also chaired by an Independent Director and comprised of a majority of Independent Directors.

The Board comprises the following members:

Mr Lim Jun Xiong, Steven	–	Chairman, Independent and Non-Executive Director
Mr Teh Wing Kwan	–	Group CEO and Managing Director
Mdm Cheung Kam Wa, Emma	–	Executive Director and Chief Operating Officer
Ms Wang Heng	–	Executive Director (Appointed on 16 March 2016)
Mr Cheung Wai Suen	–	Executive Director (Appointed on 16 March 2016)
Mr Fong Heng Boo	–	Independent and Non-Executive Director
Mr Tao Yeoh Chi	–	Independent and Non-Executive Director
Mr Teo Cheng Kwee	–	Non-Independent and Non-Executive Director (retiring and will not stand for re-election in the upcoming AGM)
Mr Yang Jian	–	Non-Independent and Non-Executive Director
Mr Duan Yang, Julien	–	Independent and Non-Executive Director (Appointed on 24 March 2017)

There is no alternate director on the Board.

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

CORPORATE GOVERNANCE REPORT

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

There is a clear separation of the roles of the Chairman (who is an Independent Director) and the Group CEO and Managing Director. This will provide a healthy professional relationship between the Board and Management to shape the strategic process.

In FY2016, Independent Directors made up one-third of the Board.

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

Whilst the Board has no formal policy with regard to diversity in identifying director nominees, the Board now has two female directors and its members have diverse competencies in areas of business (including the business of the Group), finance, audit, law and human resources. Where the need arises to identify suitable director nominees, the NC and the Board will consider diversity in gender, in addition to skills, experience, and knowledge, as a factor. The Board, with the concurrence of the NC, is of the view that the board size of 9 Directors in FY2016 was appropriate after taking into consideration the nature and scope of the Group's operations for the effective conduct of the Group's affairs. The 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, human resource and management experience. Details of the Directors' academic and professional qualifications are set out in the "Board of Directors" section of this Annual Report.

In accordance with Regulation 89 of the Constitution of the Company, Mr Lim Jun Xiong, Steven, Mr Teo Cheng Kwee and Mr Fong Heng Boo will retire by rotation at the forthcoming AGM. Mr Lim Jun Xiong, Steven and Mr Fong Heng Boo have consented to offer themselves for re-election, and Mr Teo Cheng Kwee has indicated that he will not be standing for re-election.

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 Duan Yang, Julien, shall and has consented to offer himself for re-election at the forthcoming AGM.

If Mr Lim Jun Xiong, Steven, Mr Fong Heng Boo and Mr Duan Yang, Julien are re-elected at the forthcoming AGM, the Board shall comprise 9 Directors, including 4 Independent Directors, 1 Non-Independent and Non-Executive Director and 4 Executive Directors. The NC will continually assess the existing attributes and competencies and needs of the Board and will recommend the appointment of appropriate persons as Directors as may be suitable for the Board, if necessary.

CORPORATE ***GOVERNANCE REPORT***

The Board is also supported by the other Board Committees. The composition of the Board Committees in FY2016 was as follows:

Board Composition and Committees

Board Member	**Audit and Risk Committee**	**Nominating Committee**	**Remuneration Committee**
Mr Lim Jun Xiong, Steven *(Independent and Non-Executive Director)*	M	C	M
Mr Fong Heng Boo *(Independent and Non-Executive Director)*	C	M	M
Mr Tao Yeoh Chi *(Independent and Non-Executive Director)*	M	M	C
Mr Yang Jian *(Non-Independent and Non-Executive Director)*	–	–	M
Mr Teh Wing Kwan *(Group CEO and Managing Director)*	–	–	–
Mdm Cheung Kam Wa, Emma *(Executive Director and Chief Operating Officer)*	–	–	–
Ms Wang Heng *(Executive Director)*	–	–	–
Mr Cheung Wai Suen *(Executive Director)*	–	–	–
Mr Teo Cheng Kwee[(1)] *(Non-Independent and Non-Executive Director)*	–	M	M

CORPORATE ***GOVERNANCE REPORT***

As announced on 24 March 2017, the Company has formed a new committee, the Strategy Committee, to assist the Board to oversee the formulation, review and execution of the Group's strategies in relation to its core business in the infrastructure sector ("**Infrastructure Business**"), including risk management and sustainability of the Infrastructure Business. In tandem with the formation of the new Strategy Committee, the Company also took the opportunity to re-constitute its Board Committees with effect from 24 March 2017. The composition of the Board Committees subsequent to 24 March 2017 is as follows:

Board Member	**Audit and Risk Committee**	**Nominating Committee**	**Remuneration Committee**	**Strategy Committee**
Mr Lim Jun Xiong, Steven *(Independent and Non-Executive Director)*	M	C	M	–
Mr Fong Heng Boo *(Independent and Non-Executive Director)*	C	M	M	–
Mr Tao Yeoh Chi *(Independent and Non-Executive Director)*	M	M	C	–
Mr Duan Yang, Julien *(Independent and Non-Executive Director)*	M	–	M	–
Mr Yang Jian *(Non-Independent and Non-Executive Director)*	–	–	M	–
Mr Teh Wing Kwan *(Group CEO and Managing Director)*	–	M	–	M
Mdm Cheung Kam Wa, Emma *(Executive Director and Chief Operating Officer)*	–	–	–	–
Ms Wang Heng *(Executive Director)*	–	M	–	M
Mr Cheung Wai Suen *(Executive Director)*	–	–	–	M
Mr Teo Cheng Kwee(1) *(Non-Independent and Non-Executive Director)*	–	–	–	–
Ms Yang Li Jun(2) *(Non-board member)*	–	–	–	M

Note: C: Chairman
M: Member

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

(2) Ms Yang Li Jun is currently the Deputy General Manager of Ranken Railway Construction Group Co., Ltd ("**Ranken Railway**"). She is responsible for internal control and risk management of Ranken Railway. Ranken Railway is a principal subsidiary of the Company in relation to the Infrastructure Business.

CORPORATE GOVERNANCE REPORT

In FY2016, each Board Committee was comprised entirely of Non-Executive Directors and chaired by Independent Directors. Pursuant to the changes in Board Committee composition on 24 March 2017, the Audit and Risk Committee, Nominating Committee and Remuneration Committee continue to be chaired by Independent Directors. The Audit and Risk Committee and the Remuneration Committee continue to be comprised entirely of Non-Executive Directors. Membership in the different Board Committees is carefully managed to ensure that there is equitable distribution of responsibilities among the Board members. This is to maximise the effectiveness of the Board and to foster active participation and contribution from the Board Committee members. Diversity of experience, knowledge, competencies and appropriate skills of the composition of Board Committees are also considered. The Group's Independent Directors hold regular discussions without the presence of Management. The Group's Independent Directors actively review the performance of Management in meeting agreed goals and objectives and constructively challenge and help the Group develop its strategic goals and proposals.

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

As the Chairman is an Independent and Non-Executive Director who is not an immediate family member of the CEO, the Company is not required to, and accordingly has not appointed a lead independent director.

PRINCIPLES 4 AND 5: NOMINATING COMMITTEE

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

Mr Lim Jun Xiong, Steven	–	Chairman, Independent and Non-Executive Director
Mr Fong Heng Boo	–	Independent and Non-Executive Director
Mr Tao Yeoh Chi	–	Independent and Non-Executive Director
Mr Teh Wing Kwan	–	Group CEO and Managing Director
Ms Wang Heng	–	Executive Director

CORPORATE GOVERNANCE REPORT

The key roles of the NC are:

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

The NC meets no fewer than once each financial year.

The NC evaluated the Board's performance as a whole, each Board Committee, as well as each individual Director in FY2016 based on a formal board evaluation process and performance objectives. Each individual Director was also asked to assess the performance of the Board, Board Committees and his or her fellow Directors. The assessment parameters include amongst others, Board and Board Committee cohesion, robustness, sufficiency and quality of discussion and deliberation, regularity of meetings, performance against specific targets, Directors' independence and quality and timeliness of board papers. Key performance indicators used to assess individual Directors include chairmanship/membership of Board Committees, attendance record at the meetings of the Board and the relevant committees, intensity of participation at meetings, contributions to quality of discussions, helping to gain access to new businesses and/or new markets and any special contributions. The Board also considers the Company's financial performance as an assessment parameter for both the Board and Management. That being said, the NC is of the view that such financial criteria are more relevant for the Board's evaluation of the performance of Management, as the Board's role is more in formulating, rather than executing, strategies and policies. The performance measurements ensure that the mix of skills and experience of the Directors continue to meet the needs of the Group.

The NC is of the view that the Board, the Board Committees and each individual Director's performances were satisfactory in FY2016. No external facilitator was used in the evaluation process.

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

CORPORATE ***GOVERNANCE REPORT***

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

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

Name	Other directorship with public listed companies	Position	Listed on	Past directorship with other public listed companies (held in the last 5 years)	Position	Listed on
Mr Lim Jun Xiong, Steven	– Hong Fok Corporation Limited – Keong Hong Holdings Limited – Bund Center Investment Ltd – Mirach Energy Limited	ID ID ID ID	SGX SGX SGX SGX	Nil		
Mr Teh Wing Kwan	– Koda Ltd (Advisor to the Board – a non-board member)			– Singapore eDevelopment Limited (previously known as CCM Group Limited) – Asian American Medical Group Ltd (previously known as Asian Centre for Liver Diseases and Transplantation Ltd) – Heng Fai Enterprises Limited – Creative Master Bermuda Limited – China Titanium Ltd	NENID NENID NENID ID ID	SGX ASX HKEx SGX SGX
Mr Fong Heng Boo	– CapitaLand Retail China Trust Management Limited – Asian American Medical Group Limited (previously known as Asian Centre for Liver Diseases and Transplantation Ltd) – Colex Holdings Limited	ID ID ID	SGX ASX SGX	– Pteris Global Limited	ID	SGX
Mr Tao Yeoh Chi	– Singapore eDevelopment Limited (previously known as CCM Group Limited)	ID	SGX	– Hanwell Holdings Limited – China Titanium Ltd – Eratat Lifestyle Ltd – Next Generation Satellite Communications Limited	ID ID ID ID	SGX SGX SGX SGX
Mr Teo Cheng Kwee	– Emerging Towns & Cities Singapore Ltd. (previously known as Cedar Strategic Holdings Limited)	NENID	SGX	– China Vanadium Titano-Magnetite Mining Company Limited	NENID	HKEx

Note: ID: Independent director

NENID: Non-executive and non-independent director

CORPORATE ***GOVERNANCE REPORT***

Mdm Cheung Kam Wa, Emma, Ms Wang Heng, Mr Cheung Wai Suen, Mr Duan Yang, Julien and Mr Yang Jian do not hold directorships with other public listed companies and also did not hold such directorship in the past 5 years.

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

In accordance with the Company's Constitution, one-third of the Directors are required to retire from office at each annual general meeting of the Company. Mr Lim Jun Xiong, Steven, Mr Teo Cheng Kwee and Mr Fong Heng Boo will be retiring by rotation at the forthcoming AGM pursuant to Regulation 89. Mr Lim Jun Xiong, Steven and Mr Fong Heng Boo have consented to offer themselves for re-election. Mr Teo Cheng Kwee has indicated that he will not be standing for re-election in the forthcoming AGM. In addition, Regulation 88 of the Constitution of the Company provides that a newly appointed director must retire and submit himself for re-election at the next AGM following his appointment. Thereafter, he is subject to be re-elected at least once every three years. In accordance with Regulation 88 of the Constitution of the Company, Mr Duan Yang, Julien, has consented to offer himself for re-election at the forthcoming AGM.

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

The Company's current policy stipulates that if a Director is an Executive Director or a key management personnel, he/she should not hold more than six listed company board representation concurrently, as the Board is of the view that more than six concurrent board representations will interfere the Executive Director or key management personnel's ability to devote sufficient time and attention to the affairs of the Company. During FY2016, no Director held more than six board seats in other listed companies concurrently.

The NC takes into account the results of the assessment of the effectiveness of each individual Director and the respective Directors' actual conduct on the Board in making the determination, and is satisfied that all the Directors have been able to and have adequately and sufficiently devoted time and attention and carried out their duties in FY2016, notwithstanding their multiple board representations in other listed companies. As at the date of this report, none of the Directors holds more than four directorships in other listed companies concurrently.

CORPORATE ***GOVERNANCE REPORT***

PRINCIPLE 6: ACCESS TO INFORMATION

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

The 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, Cap. 50 and SGX-ST Listing Manual) are complied with.

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

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

(B) REMUNERATION MATTERS

PRINCIPLES 7 AND 8: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

Mr Tao Yeoh Chi	–	Chairman, Independent and Non-Executive Director
Mr Lim Jun Xiong, Steven	–	Independent and Non-Executive Director
Mr Fong Heng Boo	–	Independent and Non-Executive Director
Mr Duan Yang, Julien	–	Independent and Non-Executive Director
Mr Yang Jian	–	Non-Independent and Non-Executive Director

The RC meets no fewer than once each financial year.

CORPORATE GOVERNANCE REPORT

RC's main functions are:

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

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

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

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

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

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

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

No Director is involved in deciding his own remuneration.

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

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

CORPORATE ***GOVERNANCE REPORT***

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

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

Persons eligible to participate in the Scheme are as follows:

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

(ii) Executive Directors; and

(iii) Non-Executive Directors.

Other information relating to the Scheme is set out below:

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

Pursuant to the Scheme, an aggregate of 185,585 fully-paid shares constituting approximately 0.057% of the then-existing total number of issued shares of the Company (excluding treasury shares and subsidiary holdings), were awarded and issued in FY2016 as partial satisfaction of Directors' fees for the year ended 31 December 2015. The value of the Share Awards was determined based on the market price of the shares of the Company as at the date of the grant.

Non-Executive Directors are encouraged to purchase shares in the Company and to hold them until they leave the Board. The RC has recommended, and the Non-Executive Directors have consented, to the payment of a part of their fees for FY2016 in the form of Share Awards under the Scheme, subject to the approval of Shareholders at the forthcoming AGM. The RC is of the view that this will further align the interests of the Non-Executive Directors with the interests of Shareholders.

The RC will seek independent professional advice in discharging its functions, if necessary. No external consultants were engaged in FY2016.

PRINCIPLE 9: DISCLOSURE OF REMUNERATION

In FY2016, the total number of Award Shares granted to the Directors of the Company were as follows:–

Number of Award Shares granted to the Directors on 16 June 2016:

Directors	**Number of Award Shares granted[3]**
Lim Jun Xiong, Steven	52,830
Fong Heng Boo	41,887
Tao Yeoh Chi	36,226
Teo Cheng Kwee	21,132
Yang Jian	13,585
Former Directors	
Foo Tee Heng[1]	9,811
Wei Jian Ping[2]	6,906
Duan Bing[2]	3,208
Total	185,585

Note:

(1) Mr Foo Tee Heng has retired from the Board of Directors at the AGM held on 27 April 2016.
(2) Mr Wei Jian Ping and Mr Duan Bing have retired from the Board of Directors at the AGM held on 29 April 2015.
(3) The award shares granted are after the share consolidation exercise of the Company completed on 9 March 2016.

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

CORPORATE
GOVERNANCE REPORT

The remuneration for the Directors and key executives in FY2016 received in all forms is as follows:

Name of Director	Remuneration Band $	Salary %	Bonus %	Other Benefits %	Directors' Fees[(1)] %	Total %
Executive Directors						
Mr Teh Wing Kwan	800,000 to 999,999	73	15	12	0	100
Mdm Cheung Kam Wa, Emma	200,000 to 399,999	69	14	17	0	100
Ms Wang Heng (appointed on 16 March 2016)	0 to 199,999	65	21	14	0	100
Mr Cheung Wai Suen (appointed on 16 March 2016)	0 to 199,999	72	15	13	0	100
Non-Executive Directors						
Mr Lim Jun Xiong, Steven	70,000 to 79,999	0	0	0	100[(2)]	100
Mr Fong Heng Boo	60,000 to 69,999	0	0	0	100[(2)]	100
Mr Tao Yeoh Chi	50,000 to 59,999	0	0	0	100[(2)]	100
Mr Teo Cheng Kwee	20,000 to 29,999	0	0	0	100[(2)]	100
Mr Yang Jian	20,000 to 29,999	0	0	0	100[(2)]	100
Mr Foo Tee Heng (retired on 27 April 2016)	0 to 9,999	0	0	0	100[(2)]	100
Key Executive[(3)]						
Mr Ng Hoi-Gee Kit	200,000 to 399,999	78	16	6	0	100

Notes:
(1) These fees comprise Board and Board Committee fees for FY2016, which are subject to approval by shareholders at the upcoming AGM.
(2) Subject to the approval of the Shareholders at the upcoming AGM. Approximately 35 % of this Directors' Fees shall be paid in the form of Share Awards to the Directors.
(3) The Code requires the disclosure of the remuneration of at least the top 5 key executives who are not also Directors or the CEO to be disclosed in the bands of $250,000. The Company had one key executive (who is not also Directors or the CEO) and his remuneration for FY2016 has been disclosed.

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

CORPORATE ***GOVERNANCE REPORT***

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

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

There were no employees of the Group who are immediate family members of a Director or the Group CEO in FY2016.

(C) PRINCIPLES 10 TO 13: ACCOUNTABILITY AND AUDIT

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

AUDIT AND RISK COMMITTEE

The ARC comprises the following 4 Independent and Non-Executive Directors as at the date of this annual report:

Mr Fong Heng Boo	–	Chairman, Independent and Non-Executive Director
Mr Lim Jun Xiong, Steven	–	Independent and Non-Executive Director
Mr Tao Yeoh Chi	–	Independent and Non-Executive Director
Mr Duan Yang, Julien	–	Independent and Non-Executive Director

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

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

- to review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

- to review the Group's audit plans, scope and results with the external auditors and the evaluation of the Group's system of internal controls with the internal auditors at least annually;

- to review and approve the quarterly and year-end announcement results and annual financial statements before submission to Board of Directors;

CORPORATE GOVERNANCE REPORT

- to review interested parties transactions;
- to nominate the external auditors for re-appointment and review their independence;
- to review the effectiveness of the Company's internal audit function;
- to review the co-operation given to auditors;
- to review the adequacy and effectiveness of the internal controls and compliance; and
- to oversee the Group's risk management framework and policies.

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

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

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

The Company has a whistle blowing policy to encourage and provide a channel to employees to report in good faith and in confidence, their concerns about possible improprieties in financial reporting or other matters, such as suspected fraud, corruption, dishonest practices etc. Pursuant to such whistle-blowing procedures, employees are free to submit complaints confidentially or anonymously to the chairman of the ARC and in this regard a dedicated email address has been set up which is accessible only by the chairman of the ARC and/or a designated member of the ARC and/or the internal auditors. The procedures for submission of complaints have been explained to all employees of the Group. All complaints are to be treated as confidential and are to be brought to the attention of the ARC. All reports including unsigned reports, reports weak in details and verbal reports are considered. In the event that the report is about a director, that director shall not be involved in the review and any decisions with respect to that report. Assessment, investigation and evaluation of complaints are conducted by or at the direction of the ARC and the ARC, if it deems appropriate, may engage at the Company's expense independent advisors. Following investigation and evaluation of a complaint, the ARC will then decide on recommended disciplinary or remedial action, if any. The action so determined by the ARC to be appropriate shall then be brought to the Board for authorisation and to the appropriate members of senior management for implementation. The policy aims to encourage the reporting of such matters in good faith, with the confidence that any employees making such reports will be treated fairly and be protected from reprisals. Details of the whistle-blowing policy have been made available to all employees. There were no incidents of improprieties in financial reporting or other matters, such as suspected fraud, corruption, dishonest practices etc. reported to the ARC through the whistle blowing procedures in FY2016.

CORPORATE GOVERNANCE REPORT

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

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

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

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

The Company confirms that it has complied with SGX Listing Rules 712 and 715 for FY2016.

NON-AUDIT FEES

The audit fees paid to the external auditors of the Company for FY2016 was approximately $273,000. (FY2015: $342,000).

There were no non-audit fees paid to the external auditors of the Company for FY2016 and FY2015.

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.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT

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

The ARC has appointed YLA to perform periodic risk assessments. Arising from the risk assessments performed, YLA 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 of the internal auditor and responses of and steps taken to address such risks by the management are presented to the ARC for consideration. The Board with the recommendation of the ARC has established risk tolerance levels to provide guidance to the management on key risk parameters set out in the risks registers of the Group, which also contain information on internal controls and measures in place to manage and mitigate such risks.

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

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

The Group has identified certain key operational risks in relation to its investment in Infrastructure Business, Mining Services (a discontinued operation) and other general risks. These risks have been disclosed in Pages 49 to 51.

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

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

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

CORPORATE ***GOVERNANCE REPORT***

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

KEY OPERATIONAL RISKS

The Board notes that the Group's proposed disposal of 81% of Mancala Holdings Pty Ltd ("**Mancala**") was completed on 28 February 2017. Whilst its operational risks included that of Mancala during FY2016, the Group's Continuing Operations are now the Corporate Functions and Infrastructure Business. The Infrastructure Business is carried out by the Company's wholly-owned subsidiary, Ranken.

The Board is aware of the operational risks, which may adversely affect Ranken (the "**Infrastructure Business**") or Mancala (the "**Mining Services Business**") if any of these risk factors and uncertainties develops into actual events. Please note that for Mancala, most, if not all, of the following events have occurred during the year. 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 and Mining Services Business are exposed. Whilst risk factors relating to Ranken's operations, the Infrastructure Business and conducting operations in China have been set out in the Shareholder's Circular dated 18 August 2015 in relation to the proposed acquisition of Ranken, the Management is of opinion that highlighting the following risk factors is important for the information of the Company's shareholders. The risks below have been evaluated by the Management to be of relevance to shareholders, further to the examination of the periodic risk reports prepared by the internal auditors of the Company:

Ranken (Infrastructure Business)

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

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

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

High turnaround time for trade receivables – Ranken's trade receivables turnaround time is high which may require additional working capital financing from time to time. However, such turnaround time for trade receivables is normal for its industry in China. Thus, any delay in receipts of progress payment claims for its completed works will result in additional working capital investments for the Group and higher financing costs; or if Ranken fails to secure working capital financing at commercially acceptable rates and/or secure adequate working capital loans for its operations, its financial performance and financial position will be adversely affected.

Mancala (Mining Services Business) – a discontinued operation

High reliance on the resource industry – Mancala's financial performance and position are highly sensitive to the level of demand within the resource and mining industry, which is cyclical and sensitive to various commercial factors beyond the Group's control. Any reduction in demand from the mining industry on services which Mancala could provide or Mancala's clients decide to perform whole or part of the mining services in-house, may adversely affect the financial performance and position of Mancala.

Sensitive to commodity prices and other economic factors – Mancala's operations are highly sensitive to commodity prices within the resource and mining industry, which have recently been volatile. Any unfavorable fluctuation of commodity prices may affect the level of investments within the resource and mining industry, which may adversely affect the financial performance and position of Mancala. General economic conditions, interest rate movement, currency exchange rates movement and inflation rate may also have impacts on Mancala's financial performance and position as well.

High concentration risk – Whilst Mancala has established and will continue to establish important client relationships within the industry, the loss of one or more key clients and/or if Mancala fails to secure new projects or diversify its revenue stream, the financial performance and position may be adversely affected.

Highly competitive industry – Mancala operates in a highly competitive industry and its current competitors include companies with significantly larger size of operations and substantially higher revenues base. Mancala may not be able to compete with these competitors in winning new jobs or such competitions may require Mancala to cut prices or reduce margins such that financial performance and position of Mancala may be adversely affected.

General

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

Additional working capital requirement – Ranken's and Mancala'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 and Mancala's operations are exposed to various operational risks relating, but not limited, to equipment failure, accidents, industrial disputes and natural disasters. While Ranken and Mancala have 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 and Mancala's production schedules and adversely affect the Group's financial performance and position.

Regulatory risks – New policies and legislation relating to the infrastructure and mining industry may be introduced from time to time. It is possible that such policies and legislation will have a negative impact on the infrastructure and/or mining industries 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 US$/S$, Chinese Renminbi/S$, HK$/S$, A$/S$, VND/A$, US$/A$ and EUR/A$. 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**"). In late November and early December 2016, it was reported that the PRC Regulators enhanced enforcement of outbound investment and foreign exchange controls focusing on RMB outflows which may affect or delay routine offshore business operations, including dividends remittance as the application process for RMB conversion is now subject to more stringent scrutiny. Our main and principal subsidiary, Ranken, operates primarily in China. Whilst such controls have not adversely affected the daily business operations of Ranken for the time being, Ranken may experience delay in its application for conversion of RMB, if any and if there are further changes in such regulatory processes or criteria, it may result in further delay in receiving approval in relation to its future remittance of RMB offshore.

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

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

CORPORATE ***GOVERNANCE REPORT***

Price-sensitive announcements including quarterly and full year results are released through SGXNET and make available on the Company's website. A copy of the Annual Report and Notice of AGM will be sent to every shareholder. In 2016, 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. In 2016, the Group has also redesigned and updated its corporate website such that it is easy to read and easy to use from mobiles devices as well.

The Group engages WeR1 Group ("**WeR1**"), an Investor Relationship ("**IR**") consultant, dedicated to support the Board in connection with communication on corporate developments to the media and shareholders, including institutional and retail investors. During the year under review, the Group CEO and at times together with the Group CFO held more than 10 investor relations engagements with institutional or retail investors and stock analysts from securities houses. The CEO also communicated with the public via several media interviews. Further details are provided in "A Year Of Active Investor Engagement" section of this Annual Report. In addition to the AGM, through these IR engagements, the Group seeks to understand the views of the shareholders and together with communications with other stakeholders, the Group published its maiden "Sustainability Report" in this Annual Report as the Group seeks to align its business interests with that of all stakeholders.

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

The Chairman of the Board and the respective Chairpersons of the various board committees are in attendance at the general meetings to address shareholders' queries. The external auditors are also present to assist the directors to address any queries raised by shareholders about the conduct of the audit and the preparation and content of the auditors' report. The Company has also complied with the provisions of the Listing Rules and has introduced poll voting at all general meetings commencing from August 2015. The voting results are validated by an independent scrutineer and announced on SGXNET on the same day as the general meeting. Minutes of general meetings which include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management, are prepared and will be made available to shareholders upon request.

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

a. an Annual Report (with east-to-read "Results at a Glance" explaining the financial performance and position of the Group);
b. quarterly financial results and other financial announcements as required;
c. other announcements on important; and
d. updates through the Group's website (www.sapphirecorp.com.sg).

CORPORATE GOVERNANCE REPORT

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

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

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

The Group does not have a concrete dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. The Board does not recommend the payment of dividends for FY2016, given that the Group has just completed its major corporate turnaround exercise following the completion of the acquisition of Ranken in end-FY2015 and is in the process of (i) assessing Ranken's working capital requirement with view of growing the Infrastructure Business and funding its existing order book of RMB 2.3 billion as at 31 December 2016 and (ii) obtaining better understanding in relation to the implications arising from the additional exchange control recently initiated by the PRC Regulators, which may delay remittance of RMB offshore (see Key Operational Risks on page 49 to 51).

STRATEGY COMMITTEE ("SC")

The SC comprises the following 4 members as at the date of this annual report:

Mr Teh Wing Kwan	–	Group CEO and Managing Director
Ms Wang Heng	–	Executive Director
Mr Cheung Wai Suen	–	Executive Director
Ms Yang Li Jun	–	Deputy General Manager of Ranken

The SC was formed on 24 March 2017 and is a committee dedicated to overseeing the formulation, review and execution of the Group's strategies, in relation to Infrastructure Business, including risk management and sustainability of the Infrastructure Business. As the Group is committed to achieving long-term success, greater emphasis on the long-term strategies of the Group will help to ensure that the Group remains relevant in the markets in which it operates and to the Group's stakeholders.

The SC has written terms of reference. The SC will meet regularly to perform the following functions in relation to its duties:

- To identify, understand and assess significant opportunities and threats in the Group's Infrastructure Business in China, Asia and other countries, including emerging or evolving trends and developments in the area of technology, competition, regulation and finance;

- To assess, formulate and execute strategies and initiatives for development, risk management, sustainability and growth of the Infrastructure Business;

CORPORATE GOVERNANCE REPORT

- To make recommendation to Board on any investments, acquisitions or disposals and monitors the funding needs of the Infrastructure Business; and
- To provide constructive input and recommendations to the Board on any strategic matter which could have an impact on the Group's future development in the Infrastructure Business.

DEALINGS IN SECURITIES

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

INTERESTED PERSON TRANSACTIONS

The Company has in place a policy in respect of any transactions with interested person and has established procedures for review and approval of the interested person transactions entered into by the Group. In FY2016, the aggregate value of all interested person transactions (including transactions less than $100,000) amounted to $72. The ARC has reviewed the rationale and terms of the Group's interested person transactions and is of the view that the interested person transactions are on normal commercial terms and are not prejudicial to the interests of the shareholders. The information required pursuant to Listing Rules 907 and 1207(17) is set out below:

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

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

MATERIAL CONTRACTS

Other than transactions mentioned under the lnterested Person Transactions above, and save for the disclosures made in the Directors' Report, there were no material contracts involving the Group with the Group CEO, Directors, Controlling Shareholders nor their associates during FY2016.

CORPORATE GOVERNANCE REPORT

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

SUMMARY OF DISCLOSURES

Guideline	Questions	Page reference to responses in the Annual Report
Guideline 1.5	What are the types of material transactions which require approval from the Board?	Page 30
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why. (b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up to date?	Page 31
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Page 32 and Page 33
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	None
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	None – Page 33
Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees? (b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate. (c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?	Page 33
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number? (b) If a maximum number has not been determined, what are the reasons? (c) What are the specific considerations in deciding on the capacity of directors?	Page 39

CORPORATE GOVERNANCE REPORT

Guideline	Questions	Page reference to responses in the Annual Report
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	Page 37 and Page 38
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year? (b) Has the Board met its performance objectives?	Page 37
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	Page 40
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Page 44
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	Page 44
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	None – Page 45
Guideline 9.6	(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria. (b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes? (c) Were all of these performance conditions met? If not, what were the reasons?	Page 41 and Page 42

CORPORATE ***GOVERNANCE REPORT***

Guideline	Questions	Page reference to responses in the Annual Report
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems. (b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	Page 48 to Page 51
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year. (b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	Page 47
Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? (c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	Page 51 to Page 53
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	Page 53

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 2016.

In our opinion:

(a) the financial statements set out on pages 67 to 135 are drawn up so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

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

DIRECTORS

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

Mr Lim Jun Xiong, Steven	(Chairman)
Mr Teh Wing Kwan	(Group Chief Executive Officer and Managing Director)
Mdm Cheung Kam Wa, Emma	(Chief Operating Officer)
Mr Fong Heng Boo	
Mr Tao Yeoh Chi	
Mr Teo Cheng Kwee	
Mr Yang Jian	
Ms Wang Heng	(Appointed on 16 March 2016)
Mr Cheung Wai Suen	(Appointed on 16 March 2016)
Mr Duan Yang, Julien	(Appointed on 24 March 2017)

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/ date of appointment**	**Holdings at end of the year [1]**	**Holdings at beginning of the year/ date of appointment**	**Holdings at end of the year[1]**
Ordinary shares				
Teh Wing Kwan	12,390,913	4,130,304	–	–
Yang Jian	8,067,119	2,702,624	–	–
Teo Cheng Kwee	7,088,891	2,384,095	870,125	290,041
Cheung Kam Wa, Emma	437,750	145,916	–	–
Lim Jun Xiong, Steven	235,690	131,393	–	–
Fong Heng Boo	175,747	100,469	–	–
Tao Yeoh Chi	156,897	88,525	–	–
Wang Heng	–	–	55,000,000[2]	91,171,293

(1) After consolidation of three (3) ordinary shares into one (1) ordinary share in the capital of the Company on 9 March 2016.

(2) The number of shares was stated as at the date of appointment of Ms. Wang Heng on 16 March 2016 which is after the shares consolidation exercise.

DIRECTORS' STATEMENT

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

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2017.

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

SAPPHIRE SHARES AWARD SCHEME

The Sapphire Shares Award Scheme (the "**Scheme**") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 25 April 2008. The 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:

Tao Yeoh Chi	(Chairman of Remuneration Committee/Independent and Non-Executive Director)
Lim Jun Xiong, Steven	(Independent and Non-Executive Director)
Fong Heng Boo	(Independent and Non-Executive Director)
Yang Jian	(Non-Independent and Non-Executive Director)
Duan Yang, Julien	(Independent and Non-Executive Director) (Appointed on 24 March 2017 in replacement of Mr Teo Cheng Kwee)

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

Persons eligible to participate in the Scheme are as follows:

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

(ii) Executive Directors; and

(iii) Non-Executive Directors.

Other information relating to the Scheme is set out below:

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

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

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

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

DIRECTORS' STATEMENT

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

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

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

Participants	**Award Shares granted during the financial year**	**Aggregate number of shares awarded since commencement of Scheme to 31 December 2016**
Former Executive Directors, who are redesignated as Non-Executive Directors	–	1,160,000
Former Non-Executive Directors	19,925	618,717
Non-Executive Directors	165,660	417,173
Key Executives	–	733,333
Group Employees	–	410,666
Total Award Shares granted	185,585	3,339,889

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

Since the commencement of the Scheme, no shares have been granted to the controlling shareholders of the Company or their associates and no participant under the Scheme has received 5% or more of the total share awards available under the 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 during the year and at the date of this statement are:

Fong Heng Boo	(Chairman of the Audit and Risk Committee/Independent and Non- Executive Director)
Lim Jun Xiong, Steven	(Independent and Non-Executive Director)
Tao Yeoh Chi	(Independent and Non-Executive Director)
Duan Yang, Julien	(Independent and Non-Executive Director) (Appointed on 24 March 2017)

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

DIRECTORS' STATEMENT

The Audit and Risk Committee has held four meetings since the last directors' statement. In performing its functions, the Audit and Risk Committee 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 Audit and Risk Committee also reviewed the following:

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

The Audit and Risk Committee 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 Audit and Risk Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

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

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

AUDITORS

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

On behalf of the Board of Directors

Teh Wing Kwan
Director

Cheung Kam Wa, Emma
Director

30 March 2017

INDEPENDENT ***AUDITORS' REPORT***

MEMBERS OF THE COMPANY SAPPHIRE CORPORATION LIMITED

Report on the financial statements.

Opinion

We have audited the financial statements of Sapphire Corporation Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, 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 67 to 135.

In our opinion, the accompanying consolidated financial statements of the Group and the statements of financial position and changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 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 from continuing operations is derived from construction contracts and related services and recognised using the percentage of completion method.

The contracts are usually long term in nature and may involve significant variations to the original contracts due to cost overruns and work variations to be agreed with customers. The determination of the percentage of work completed for revenue recognition purposes is based on quantity survey and involves significant judgement.

INDEPENDENT ***AUDITORS' REPORT***

How the matter was addressed in our audit:

In assessing the reasonableness of the revenue recognised, we reviewed the quantity surveyor's reports to determine the percentage of work completed and checked the revenue computations to the contractual terms of the construction contracts project.

Our findings:

Revenue recognised is supported by survey reports and contracts.

Impairment of trade receivables
(Refer to Note 12 to the financial statements)

Risk:

The Group's trade receivables of $136 million arose mainly from construction income, usually from multi-year contracts with retention monies payable only at the end of the warranty period after completion of the contract. Assessment of the collectability of long outstanding trade receivables requires significant judgement by management of customers' repayment ability.

How the matter was addressed in our audit:

We reviewed the collectability of trade receivables, focusing on significant and long outstanding amounts. We considered the payment history, the payment arrangements and held discussions with management to understand the background and financial position of the debtors.

We also assessed whether the disclosures in the financial statements appropriately reflect the Group's exposure to and management of credit risk.

Our findings:

We found management's assessment of the recoverability of trade receivables to be reasonable and the disclosures to be appropriate.

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

Risk:

The Group has goodwill of $9.5 million which arose from the acquisition of its subsidiary, Ranken Infrastructure Limited ("**Ranken**").

INDEPENDENT ***AUDITORS' REPORT***

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

How the matter was addressed in our audit:

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

Our findings:

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon, which we obtained 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

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

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

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

INDEPENDENT *AUDITORS' REPORT*

MEMBERS OF THE COMPANY SAPPHIRE CORPORATION LIMITED

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

INDEPENDENT ***AUDITORS' REPORT***

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

Report on other legal and regulatory requirements

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

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore

30 March 2017

STATEMENT OF ***FINANCIAL POSITION***

AS AT 31 DECEMBER 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Assets					
Property, plant and equipment	4	**20,747**	46,334	**71**	111
Intangible assets and goodwill	5	**15,639**	16,435	**–**	–
Investment properties	6	**12,389**	13,457	**–**	–
Subsidiaries	7	**–**	–	**76,811**	89,847
Other investments	8	**21**	86	**–**	1
Other receivables	13	**–**	–	**–**	5,164
Deferred tax assets	9	**3,770**	2,226	**–**	–
Total non-current assets		**52,566**	78,538	**76,882**	95,123
Inventories	10	**1,962**	3,442	**–**	–
Construction work in progress	11	**83,046**	54,858	**–**	–
Trade receivables	12	**136,067**	124,616	**–**	–
Other receivables	13	**21,944**	29,544	**10,459**	1,105
Assets held for sale	14	**41,425**	8,148	**13,036**	–
Cash and cash equivalents	15	**30,224**	35,079	**638**	5,791
Total current assets		**314,668**	255,687	**24,133**	6,896
Total assets		**367,234**	334,225	**101,015**	102,019
Equity					
Share capital	16	**87,933**	277,067	**87,933**	277,067
Reserves	17	**9,237**	(186,505)	**(178)**	(189,759)
Equity attributable to owners of the Company		**97,170**	90,562	**87,755**	87,308
Non-controlling interests	18	**1,764**	1,544	**–**	–
Total equity		**98,934**	92,106	**87,755**	87,308
Liabilities					
Other payables	21	**4,085**	8,653	**–**	–
Financial liabilities	19	**3,002**	5,928	**–**	11
Deferred tax liabilities	9	**1,464**	1,816	**–**	–
Total non-current liabilities		**8,551**	16,397	**–**	11
Trade payables	20	**109,584**	74,361	**–**	–
Other payables	21	**74,349**	71,204	**13,249**	14,690
Progress billings in excess of construction work in progress	11	**17,229**	8,416	**–**	–
Financial liabilities	19	**33,232**	66,852	**11**	10
Current tax liabilities		**4,876**	4,889	**–**	–
Liabilities held for sale	14	**20,479**	–	**–**	–
Total current liabilities		**259,749**	225,722	**13,260**	14,700
Total liabilities		**268,300**	242,119	**13,260**	14,711
Total equity and liabilities		**367,234**	334,225	**101,015**	102,019

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

CONSOLIDATED STATEMENT OF ***PROFIT OR LOSS***

YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 $'000	Group 2015 $'000 Restated*
Continuing Operations			
Revenue	22	**223,944**	61,779
Cost of sales		**(196,707)**	(54,692)
Gross profit		**27,237**	7,087
Other income	23	**4,854**	7,861
Selling and distribution costs		**(893)**	(376)
Administrative expenses		**(12,307)**	(7,513)
Other expenses		**(1,653)**	(1,641)
Profit from operating activities		**17,238**	5,418
Finance costs	24	**(2,493)**	(675)
Profit before tax		**14,745**	4,743
Tax expense	25	**(3,069)**	(1,063)
Profit from continuing operations		**11,676**	3,680
Discontinued operations			
(Loss)/profit from discontinued operations, net of tax	26	**(1,761)**	2,816
Profit for the year	27	**9,915**	6,496
Profit attributable to:			
Owners of the Company		**9,628**	6,469
Non-controlling interests		**287**	27
Profit for the year		**9,915**	6,496
Earnings per share	28		
Basic (cents)		**2.96**	2.27
Diluted (cents)		**2.96**	2.27
Earnings per share – continuing operations	28		
Basic (cents)		**3.50**	1.28
Diluted (cents)		**3.50**	1.28

* See notes 3.18, 14 and 26

CONSOLIDATED STATEMENT OF ***COMPREHENSIVE INCOME***

YEAR ENDED 31 DECEMBER 2016

	Group	
	2016	**2015**
	$'000	**$'000**
Profit for the year	**9,915**	6,496
Other comprehensive income		
Items that are or may be reclassified subsequently to profit and loss:		
Foreign currency translation differences	**(3,136)**	(2,162)
Other comprehensive income for the year, net of tax	**(3,136)**	(2,162)
Total comprehensive income for the year	**6,779**	4,334
Total comprehensive income attributable to:		
Owners of the Company	**6,559**	4,354
Non-controlling interests	**220**	(20)
Total comprehensive income for the year	**6,779**	4,334

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

YEAR ENDED 31 DECEMBER 2016

		Attributable to owners of the Company								
	Note	Share Capital $'000	Capital reserve $'000	Merger reserve $'000	Other reserves $'000	Translation reserve $'000	Accumulated profits/ (losses) $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Group										
At 1 January 2015		260,489	1,235	418	(1,353)	(690)	(187,499)	72,600	–	72,600
Total comprehensive income for the year										
Profit for the year		–	–	–	–	–	6,469	6,469	27	6,496
Other comprehensive income										
Foreign currency translation differences		–	–	–	–	(2,115)	–	(2,115)	(47)	(2,162)
Total other comprehensive income		–	–	–	–	(2,115)	–	(2,115)	(47)	(2,162)
Total comprehensive income for the year		–	–	–	–	(2,115)	6,469	4,354	(20)	4,334
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Issue of shares during the year	16	16,578	(2,970)	–	–	–	–	13,608	–	13,608
Total contributions by and distributions to owners		16,578	(2,970)	–	–	–	–	13,608	–	13,608
Changes in ownership of subsidiaries										
Acquisition of subsidiary with non-controlling interests	29	–	–	–	–	–	–	–	1,564	1,564
Total changes in ownership of subsidiaries		–	–	–	–	–	–	–	1,564	1,564
Total transactions with owners		16,578	(2,970)	–	–	–	–	13,608	1,564	15,172
At 31 December 2015		277,067	(1,735)	418	(1,353)	(2,805)	(181,030)	90,562	1,544	92,106

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

CONSOLIDATED STATEMENT OF ***CHANGES IN EQUITY***

YEAR ENDED 31 DECEMBER 2016

		Attributable to owners of the Company								
	Note	Share Capital $'000	Capital reserve $'000	Merger reserve $'000	Other reserves $'000	Translation reserve $'000	Accumulated profits/ (losses) $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Group										
At 1 January 2016		**277,067**	**(1,735)**	**418**	**(1,353)**	**(2,805)**	**(181,030)**	**90,562**	**1,544**	**92,106**
Total comprehensive income for the year										
Profit for the year		–	–	–	–	–	**9,628**	**9,628**	**287**	**9,915**
Other comprehensive income										
Foreign currency translation differences		–	–	–	–	**(3,069)**	–	**(3,069)**	**(67)**	**(3,136)**
Total other comprehensive income		–	–	–	–	**(3,069)**	–	**(3,069)**	**(67)**	**(3,136)**
Total comprehensive income for the year		–	–	–	–	**(3,069)**	**9,628**	**6,559**	**220**	**6,779**
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owner										
Issue of shares during the year	16	**49**	–	–	–	–	–	**49**	–	**49**
Capital reduction	16	**(189,183)**	–	–	–	–	**189,183**	–	–	–
Total contributions by and distributions to owners		**(189,134)**	–	–	–	–	**189,183**	**49**	–	**49**
At 31 December 2016		**87,933**	**(1,735)**	**418**	**(1,353)**	**(5,874)**	**17,781**	**97,170**	**1,764**	**98,934**

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

STATEMENT OF ***CHANGES IN EQUITY***

YEAR ENDED 31 DECEMBER 2016

	Note	Share capital $'000	Capital reserve $'000	Other reserves $'000	Accumulated (losses)/ profits $'000	Total equity $'000
Company						
At 1 January 2015		260,489	1,084	(1,353)	(189,183)	71,037
Total comprehensive income						
Profit for the year		–	–	–	2,663	2,663
Total comprehensive income		–	–	–	2,663	2,663
Transactions with owners, recognised directly in equity						
Issue of shares during the year	16	16,578	(2,970)	–	–	13,608
Total contributions by and distributions to owners		16,578	(2,970)	–	–	13,608
At 31 December 2015		277,067	(1,886)	(1,353)	(186,520)	87,308
Company						
At 1 January 2016		**277,067**	**(1,886)**	**(1,353)**	**(186,520)**	**87,308**
Total comprehensive income						
Profit for the year		**–**	**–**	**–**	**398**	**398**
Total comprehensive income		**–**	**–**	**–**	**398**	**398**
Transactions with owners, recognised directly in equity						
Issue of shares during the year	16	**49**	**–**	**–**	**–**	**49**
Capital reduction	16	**(189,183)**	**–**	**–**	**189,183**	**–**
Total contributions by and distributions to owners		**(189,134)**	**–**	**–**	**189,183**	**49**
At 31 December 2016		**87,933**	**(1,886)**	**(1,353)**	**3,061**	**87,755**

CONSOLIDATED STATEMENT OF ***CASH FLOWS***

YEAR ENDED 31 DECEMBER 2016

	Note	2016 $'000	2015 $'000 Restated*
Cash flows from operating activities			
Profit before tax		**14,745**	4,743
Adjustments for:			
Amortisation of intangible assets		**142**	478
Bad debts written off		**–**	26
Depreciation of property, plant and equipment		**11,078**	2,058
Depreciation of investment properties		**480**	208
Interest expense		**2,493**	675
Interest income		**(143)**	(2,143)
Unwinding of discount on retention monies		**(732)**	(160)
Impairment loss on receivables		**–**	65
Impairment loss on goodwill		**–**	1,215
Loss on disposal of property, plant and equipment		**317**	–
Share awards scheme		**49**	78
Operating profit before working capital changes		**28,429**	7,243
Changes in:			
Inventories		**(610)**	720
Construction work-in-progress, net		**(21,349)**	1,199
Trade and other payables		**59,428**	(95,279)
Trade and other receivables		**(21,976)**	37,832
Release of fixed deposits pledged		**1,443**	55,760
Cash flows generated from operations		**45,365**	7,475
Tax paid		**(2,973)**	(1,607)
Net cash generated from operating activities		**42,392**	5,868
Net cash generated from operating activities from discontinued operations	26	**5,031**	7,022
		47,423	12,890
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired	29	**–**	(40,210)
Interest received		**143**	2,143
Acquisition of property, plant and equipment		**(11,614)**	(1,621)
Proceeds from sale of property, plant and equipment		**44**	17
Proceeds from sale of a subsidiary		**–**	56,161
Acquisition of other investment		**(21)**	–
Net cash (used in)/generated from investing activities		**(11,448)**	16,490
Net cash used in investing activities from discontinued operations	26	**(74)**	(560)
		(11,522)	15,930

* See notes 3.18, 14 and 26

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

OVERVIEW
STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF ***CASH FLOWS***

YEAR ENDED 31 DECEMBER 2016

	Note	2016 $'000	2015 $'000 Restated*
Cash flows from financing activities			
Interest paid		**(3,060)**	(675)
Repayment to previous shareholders of Ranken's subsidiary		**(1,026)**	–
Proceeds from bank loans		**26,170**	26,292
Proceeds from bond issued		**3,116**	–
Payment of finance lease liabilities		**(5,719)**	(1,382)
Payment of bank loans		**(42,786)**	(27,945)
Repayment of bond issued		**(7,270)**	–
Net cash used in financing activities		**(30,575)**	(3,710)
Net cash used in financing activities from discontinued operations	26	**(2,877)**	(5,526)
		(33,452)	(9,236)
Net increase in cash and cash equivalents		**2,449**	19,584
Cash and cash equivalents at 1 January		**30,337**	10,511
Effect of exchange rate fluctuations on cash held		**(1,149)**	242
Cash and cash equivalents classified as held for sale	14	**(3,630)**	–
Cash and cash equivalents at 31 December	15	**28,007**	30,337

* See notes 3.18, 14 and 26

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 30 March 2017.

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 2016 comprise the Company and its subsidiaries (together referred to as the "**Group**" and individually as "**Group entities**").

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

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

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

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

- Impairment of goodwill

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

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

NOTES TO THE ***FINANCIAL STATEMENTS***

2. BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements (Cont'd)

- Revenue recognition

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

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

- Valuation of loans and receivables

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

Measurement of fair values

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

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

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

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

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

Further information about the assumptions made in measuring fair values is included in note 33.

NOTES TO THE ***FINANCIAL STATEMENTS***

2. BASIS OF PREPARATION (CONT'D)

2.5 Change in accounting policies

On 1 January 2016, the Group adopted new and amended FRS and interpretations to FRS ("**INT FRS**") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

Business combinations

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

The Group measures goodwill at the date of acquisition as:

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (Cont'd)

Subsidiaries

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

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

Loss of control

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

Transactions eliminated on consolidation

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

Subsidiaries in the separate financial statements

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

3.2 Affiliated party

For the purpose of these financial statements, an affiliated party means an entity over which a controlling shareholder of the Company (as defined in the SGX-ST Listing Manual) during the year has significant influence.

3.3 Foreign currency

Foreign currency transactions

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Foreign currency (Cont'd)

Foreign currency transactions (Cont'd)

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

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

Foreign operations

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

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

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

3.4 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

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

NOTES TO THE ***FINANCIAL STATEMENTS***

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (Cont'd)

Non-derivative financial assets (Cont'd)

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

The Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

Loans and receivables

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

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

Cash and cash equivalents

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

Available-for-sale financial assets

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

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

Non-derivative financial liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (Cont'd)

Non-derivative financial liabilities (Cont'd)

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

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

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

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

Share capital

Ordinary shares

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

3.5 Property, plant and equipment

Recognition and measurement

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

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Property, plant and equipment (Cont'd)

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.

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

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

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

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

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

No depreciation is provided on assets under construction.

3.6 Intangible assets and goodwill

Goodwill

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

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Intangible assets and goodwill (Cont'd)

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.

Amortisation

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

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

Land use rights	–	30 years
Customer list	–	5 years
Order backlog	–	2 years

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

3.7 Investment properties

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Leased assets

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

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

3.9 Inventories

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

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

3.10 Construction work in progress

Construction work in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (note 3.14) less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

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

3.11 Impairment

Non-derivative financial assets

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

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

NOTES TO THE ***FINANCIAL STATEMENTS***

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Impairment (Cont'd)

Non-derivative financial assets (Cont'd)

Loans and receivables

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

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

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

Available-for-sale financial assets

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

Non-financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Impairment (Cont'd)

Non-financial assets (Cont'd)

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

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

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

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

3.12 Non-current assets and liabilities held for sale

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Employee benefits

Defined contribution plans

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

3.14 Revenue

Mining services

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

Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity (note 3.10).

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

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

NOTES TO THE ***FINANCIAL STATEMENTS***

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Revenue (Cont'd)

Rendering of services

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

Equipment leasing

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

Interest income

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

Rental income

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

3.15 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.

3.16 Lease payments

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

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

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

Determining whether an arrangement contains a lease

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

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

NOTES TO THE ***FINANCIAL STATEMENTS***

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Lease payments (Cont'd)

Determining whether an arrangement contains a lease (Cont'd)

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

3.17 Tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

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

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

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

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

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

NOTES TO THE ***FINANCIAL STATEMENTS***

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Discontinued operations

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

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

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

3.19 Earnings per share

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

3.20 Segment reporting

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

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

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

3.21 Financial guarantee contracts

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

NOTES TO THE ***FINANCIAL STATEMENTS***

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.22 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Group has not early applied the following new standards, amended standards and interpretations in preparing these financial statements.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Group and the Company in future financial periods, management is assessing the transition options and the potential impact on its financial statements, and to implement these standards. The Group does not plan to adopt these standards early.

Applicable to 2018 financial statements

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*. FRS 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. FRS 115 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.

Construction contracts – The Group currently recognises contract revenue in proportion to the stage of completion of the contract, to the extent that it is probable and can be measured reliably. The stage of completion is measured by reference to the survey of work performed. Contract revenue is adjusted for the effects of the time value of money as all retention monies are considered to be financing components of the contract. Under FRS 115, revenue is recognised over time as each performance obligation is satisfied. The progress towards complete satisfaction of each performance obligation is measured using appropriate methods, including the output method, which is similar to the Group's current approach. Under FRS 115, the Group also needs to consider all relevant facts and circumstances, including the time difference between the delivery of goods and services and payments, the difference between the promised consideration and selling price of the goods and services and the rationale for these differences, when assessing if retention monies are financing components of the contract. Based on the Group's initial assessment, the Group does not expect any significant adjustments upon adoption of FRS 115, except for the reduction in effects of time value of money arising from retention monies. Most of the retention monies may no longer be considered to be significant financing components as the payments terms are deemed to provide the customers with protection from the Group failing to adequately complete some or all of its obligations under the contract. The Group is currently performing a further detailed assessment of the retention monies on a contract-by-contract basis and to quantify the impact on its financial statements.

Transition – The Group plans to adopt the standard when it becomes effective in 2018 using the full retrospective approach. The Group is currently performing a detailed analysis under FRS 115 to quantify the transition adjustments on its financial statements.

NOTES TO THE ***FINANCIAL STATEMENTS***

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.22 New standards and interpretations not adopted (Cont'd)

Applicable to 2018 financial statements (Cont'd)

FRS 109 Financial Instruments

FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39. It will change the existing accounting standards and guidance applied by the Group and the Company in accounting for financial instruments.

FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.

During 2016, the Group completed its initial assessment of the impact on the Group's financial statements.

Overall, the Group does not expect a significant impact on its opening equity except for the effect of applying the impairment requirements of FRS 109 for which the Group expects to record a change in impairment loss allowance.

The Group's initial assessment of FRS 109 is as follows:

Classification and measurement – The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement under FRS 109. Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using the amortised cost model under FRS 109.

Impairment – The Group plans to apply the simplified approach and record lifetime expected impairment losses on all trade receivables. On adoption of FRS 109, the Group expects a change in the impairment loss allowance. The Group is currently refining its impairment loss estimation methodology.

Transition – The Group plans to adopt the standard retrospectively when it becomes effective in 2018 without restating comparative information, and is gathering data to quantify the potential impact arising from the adoption.

NOTES TO THE ***FINANCIAL STATEMENTS***

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.22 New standards and interpretations not adopted (Cont'd)

Applicable to 2018 financial statements (Cont'd)

Convergence with International Financial Reporting Standards ("IFRS")

In addition, the Accounting Standards Council ("**ASC**") announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Exchange ("**SGX**") will apply a new financial reporting framework identical to the International Financial Reporting Standards (referred to as SG-IFRS in these financial statements) for the financial year ending 31 December 2018 onwards.

The Group has performed a preliminary assessment of the impact of SG-IFRS 1 *First-time adoption of International Financial Reporting Standards* for the transition to the new reporting framework. Based on the Group's preliminary assessment, the Group expects that the impact on adoption of SG-IFRS 15 *Revenue from Contracts with Customers* and SG-IFRS 9 *Financial Instruments* will be similar to adopting FRS 115 and FRS 109 as described in this Note.

Other than arising from the adoption of new and revised standards, the Group does not expect to change its existing accounting policies on adoption of the new framework.

The Group is currently performing an analysis of the available policy choices, transitional optional exemptions and transitional mandatory exceptions under SG-IFRS 1 and the preliminary assessment may be subject to changes arising from the detailed analyses.

Applicable to 2019 financial statements

FRS 116 Leases

FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ("**ROU**") assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor. When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group is currently assessing the potential impact of adopting FRS 116 *Leases*, on the financial statements of the Group. The Group does not plan to adopt these standards early.

NOTES TO THE ***FINANCIAL STATEMENTS***

4. PROPERTY, PLANT AND EQUIPMENT

	Building $'000	Plant and machinery $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Renovation $'000	Construction site facilities $'000	Construction in progress $'000	Total $'000
Group								
Cost								
At 1 January 2015	–	35,639	159	638	182	–	1,808	38,426
Acquisition of a subsidiary	2,539	16,309	344	770	–	2,556	–	22,518
Additions	–	651	112	7	5	891	1,228	2,894
Disposals/write-off	–	(542)	(7)	(51)	–	–	(149)	(749)
Transfer	–	437	–	24	–	–	(461)	–
Transfer to assets held for sale	–	(6,434)	–	–	–	–	–	(6,434)
Effect of movements in exchange rates	(76)	(1,176)	20	47	–	(82)	(81)	(1,348)
At 31 December 2015	2,463	44,884	628	1,435	187	3,365	2,345	55,307
Additions	–	3,471	196	436	–	7,304	866	12,273
Disposals/write-off	–	(4,855)	(23)	(489)	–	–	(469)	(5,836)
Transfer	–	217	–	–	–	32	(249)	–
Effect of movements in exchange rates	(107)	(519)	(16)	(38)	–	(129)	16	(793)
Reclassification to assets held for sale (note 14)	–	(24,451)	(105)	(176)	–	–	(2,172)	(26,904)
At 31 December 2016	**2,356**	**18,747**	**680**	**1,168**	**187**	**10,572**	**337**	**34,047**
Group								
Accumulated depreciation								
At 1 January 2015	–	2,574	91	109	81	–	–	2,855
Depreciation	29	4,316	77	326	35	1,255	–	6,038
Disposals/write-off	–	(409)	(6)	–	–	–	–	(415)
Effect of movements in exchange rates	–	380	32	91	–	(8)	–	495
At 31 December 2015	29	6,861	194	526	116	1,247	–	8,973
Depreciation	82	9,270	197	348	34	3,783	–	13,714
Disposals/write-off	–	(1,360)	(16)	(331)	–	–	–	(1,707)
Effect of movements in exchange rates	(1)	83	–	(5)	–	(45)	–	32
Reclassification to assets held for sale (note 14)	–	(7,536)	(74)	(102)	–	–	–	(7,712)
At 31 December 2016	**110**	**7,318**	**301**	**436**	**150**	**4,985**	**–**	**13,300**
Carrying amounts								
At 1 January 2015	–	33,065	68	529	101	–	1,808	35,571
At 31 December 2015	2,434	38,023	434	909	71	2,118	2,345	46,334
At 31 December 2016	**2,246**	**11,429**	**379**	**732**	**37**	**5,587**	**337**	**20,747**

NOTES TO THE ***FINANCIAL STATEMENTS***

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

	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Renovation $'000	Total $'000
Company				
Cost				
At 1 January 2015	98	121	182	401
Additions	40	–	5	45
At 31 December 2015	138	121	187	446
Additions	2	–	–	2
Disposals/write-off	(13)	–	–	(13)
At 31 December 2016	**127**	**121**	**187**	**435**
Accumulated depreciation				
At 1 January 2015	88	121	82	291
Depreciation	10	–	34	44
At 31 December 2015	98	121	116	335
Depreciation	8	–	34	42
Disposals/write-off	(13)	–	–	(13)
At 31 December 2016	**93**	**121**	**150**	**364**
Carrying amounts				
At 1 January 2015	10	–	100	110
At 31 December 2015	40	–	71	111
At 31 December 2016	**34**	**–**	**37**	**71**

At 31 December 2016, the Group's plant and machinery with carrying amount of $6,274,000 (2015: $25,313,000) were acquired under finance leases (note 19).

At 31 December 2016, a building and certain machineries of the Group with carrying amount of $2,221,000 (2015: $2,434,000) and $96,000 (2015: $105,000) are pledged as securities to secure bank loans (note 19).

During the year, depreciation of $13,233,000 (2015: $5,845,000) and $481,000 (2015: $193,000) were charged to cost of goods sold and other operating expenses, respectively, in the consolidated profit or loss.

NOTES TO THE ***FINANCIAL STATEMENTS***

5. INTANGIBLE ASSETS AND GOODWILL

	Land use rights $'000	Customer list $'000	Order backlog $'000	Goodwill $'000	Total $'000
Group					
Cost					
At 1 January 2015	–	719	–	1,215	1,934
Acquisition of a subsidiary	6,788	–	452	9,518	16,758
Effect of movements in exchange rates	(203)	(33)	(13)	–	(249)
At 31 December 2015	6,585	686	439	10,733	18,443
Written off	–	–	(439)	(1,215)	(1,654)
Effect of movements in exchange rates	(285)	–	–	–	(285)
Reclassification to assets held for sale (note 14)	–	(686)	–	–	(686)
At 31 December 2016	**6,300**	**–**	**–**	**9,518**	**15,818**
Accumulated amortisation and impairment loss					
At 1 January 2015	–	166	–	–	166
Amortisation	37	158	441	–	636
Impairment loss	–	–	–	1,215	1,215
Effect of movements in exchange rates	–	(7)	(2)	–	(9)
At 31 December 2015	37	317	439	1,215	2,008
Amortisation	142	157	–	–	299
Written off	–	–	(439)	(1,215)	(1,654)
Effect of movements in exchange rates	–	(1)	–	–	(1)
Reclassification to assets held for sale (note 14)	–	(473)	–	–	(473)
At 31 December 2016	**179**	**–**	**–**	**–**	**179**
Carrying amounts					
At 1 January 2015	–	553	–	1,215	1,768
At 31 December 2015	6,548	369	–	9,518	16,435
At 31 December 2016	**6,121**	**–**	**–**	**9,518**	**15,639**

At 31 December 2016, the Group's land use rights with carrying amount of $6,121,000 (2015: $6,548,000) are pledged to a bank for banking facilities (note 19).

The amortisation of land use rights and customer list is included in other operating expenses; the amortisation of order backlog is included in cost of sales.

NOTES TO THE
FINANCIAL STATEMENTS

5. INTANGIBLE ASSETS AND GOODWILL (CONT'D)

Impairment testing for CGUs containing goodwill

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

	Group	
	2016	**2015**
	$'000	**$'000**
Infrastructure	**9,518**	9,518

Infrastructure

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

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

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

	2016	**2015**
Period of cash flow projections	**2017 – 2021**	2016 – 2020
Pre-tax discount rate	**17%**	17%
Terminal value growth rate	**4%**	4%

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

Mining Services

In 2015, as the recoverable amount of the mining services CGU was determined to be lower than its carrying amount and the goodwill in the mining services CGU was fully impaired. The goodwill in the mining services CGU was subsequently written off in 2016.

6. INVESTMENT PROPERTIES

	Group 2016 $'000	Group 2015 $'000
Cost		
At 1 January	**13,664**	–
Acquisition of a subsidiary	**–**	14,084
Effect of movements in exchange rates	**(596)**	(420)
At 31 December	**13,068**	13,664
Accumulated depreciation		
At 1 January	**207**	–
Depreciation	**480**	208
Effect of movements in exchange rates	**(8)**	(1)
At 31 December	**679**	207
Carrying amount		
At 31 December	**12,389**	13,457
Fair value		
At 31 December	**13,067**	14,084

Investment properties comprise a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period from 3 to 5 years, with annual rents indexed to consumer prices. No contingent rents are charged. See note 30 for further information.

Security

At 31 December 2016, investment properties of the Group with carrying amounts of $12,389,000 (2015: $13,457,000) are pledged as security to secure bank loans and bond (note 19).

Major properties held for investment

Location	Description	Existing use	Tenure of land	Remaining term of lease
Ranken Building No. 189 Wukexi Second Road Wuhou District, Chengdu City Sichuan Province, The People's Republic of China	Certain units within a 9-storey office building	Commercial	Leasehold	44 years
Floor 19 Sichuan International Building Shun Cheng Street, Qing Yang District, Chengdu	1 storey of 27-storey office building	Commercial	Leasehold	33 years

During the year, $727,000 (2015: $219,000) was recognised as rental income in profit or loss by the Group. Depreciation expenses included in other operating expenses amounted to $480,000 (2015: $208,000).

NOTES TO THE FINANCIAL STATEMENTS

7. SUBSIDIARIES

	Company	
	2016 $'000	2015 $'000
Equity investments at cost		
At 1 January	**131,704**	54,893
Acquisition of a subsidiary (note 29)	**–**	76,811
Reclassification to assets held for sale (note 14)	**(13,036)**	–
At 31 December	**118,668**	131,704
Less: Impairment losses		
At 1 January and 31 December	**41,857**	41,857
Net	**76,811**	89,847

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	
			2016 %	2015 %
Sapphire Construction & Development Pte. Ltd.[(1)] and its subsidiary:	Dormant	Singapore	**100**	100
– Tudor Jaya Sdn. Bhd.[(3) (6)]	Dormant	Malaysia	**100**	100
Sapphire Mineral Resources Pte. Ltd.[(6) (9)]	Dormant	Singapore	**100**	100
Ranken Infrastructure Limited[(2)] and its subsidiary:	Investment holding	Hong Kong	**100**	100
– Chengdu Kai Qi Rui Business Management Co., Ltd. and its subsidiary[(2)]	Enterprise management, engineering information and technology consultation	China	**98**	98
– Ranken Railway Construction Group Co., Ltd. and its subsidiaries[(2)]	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

7. SUBSIDIARIES (CONT'D)

Name of subsidiaries	Principal activities	Principal place of business/ Country of incorporation	Effective equity interest held by the Group 2016 %	2015 %
– Sichuan Xinlong Construction Co., Ltd[2]	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.[2]	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.[2]	Labor service subcontracting for construction industry; domestic labor dispatching service	China	**87.9**	87.9
– Chengdu Jialong Property Service Co., Ltd[2]	Property management and consulting services	China	**97.1**	97.1
– PT Tekgen Indonesia[3] [6]	Construction of electrical networks and other telecommunication channels	Indonesia	**97.6**	97.6
– Chengdu Ranken Railway Construction Group Co., Ltd. Saudi Arabia Branch[3] [6]	EPC for railway, highway, municipal, industrial and civil construction and water conservancy projects	Saudi Arabia	**97.6**	97.6
– Sichuan Yilong Equipment Co., Ltd.[2] [8]	Equipment maintenance and leasing	China	**97.6**	–

NOTES TO THE *FINANCIAL STATEMENTS*

7. SUBSIDIARIES (CONT'D)

Name of subsidiaries	Principal activities	Country of incorporation/ Place of business	Effective equity interest held by the Group 2016 %	2015 %
Subsidiaries reclassified to assets held for sale:				
Mancala Holdings Limited(4) (8)	Investment holding	Cayman Island	**100**	–
Mancala Holdings Pty Ltd(3) (7) and its subsidiaries:	Mining equipment hire	Australia	**100**	100
– Mancala Pty Ltd(3)	Vertical boring and shaft contractor	Australia	**100**	100
– Mancala Asia Ltd(3) and its subsidiary:	Mining labour hire	Hong Kong	**100**	100
– MCL Vietnam Industries Co. Ltd(3)	Contract mining	Vietnam	**49(5)**	49(5)
– Mancala Mining Pty Ltd(3)	Alliance mining	Australia	**100**	100
– Mancala Mine Services Pty Ltd(3)	Mining labour and equipment hire	Australia	**100**	100
– Spectrum Resources Australia Pty Ltd(3)	Dormant	Australia	**100**	100

Notes on auditors:

(1) Audited by KPMG LLP.
(2) Audited by other member firms of KPMG International.
(3) 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.
(4) Not required to be audited in accordance with the law of the country of incorporation.

Notes on shareholdings:

(5) Although the Group owns less than half of MCL's voting power, the management has determined that the Group controls the entity, by virtue of the shareholders' agreement with its other investor, and is entitled to all results of MCL.
(6) In the process of being struck off.
(7) The Company has pledged these shares to the vendors of Mancala Holding Pty Ltd, which will be released from encumbrance only when the consideration is paid by the Company (note 21).
(8) Incorporated during the financial year.
(9) The entity was struck off in 2017 (note 36).

8. OTHER INVESTMENTS

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Available-for-sale financial assets				
Quoted equity shares	**–**	86	**–**	1
Unquoted equity shares	**21**	–	**–**	–
	21	86	**–**	1

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

9. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Group				
Property, plant and equipment	**2,309**	1,365	**(6)**	(144)
Investment properties	**–**	–	**(158)**	(172)
Intangible assets	**–**	540	**(1,300)**	(1,500)
Trade receivables	**1,208**	158	**–**	–
Others	**253**	163	**–**	–
	3,770	2,226	**(1,464)**	(1,816)

9. DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

Movement in temporary differences during the year

	Balance as at 1 January 2015 $'000	Recognised in profit or loss $'000	Acquisition of a subsidiary (note 29) $'000	Exchange differences $'000	Balance as at 31 December 2015 $'000	Recognised in profit or loss $'000	Exchange differences $'000	Reclassification to assets/ liabilities held for sale (note 14) $'000	Balance as at 31 December 2016 $'000
Group									
Deferred tax assets									
Property, plant and equipment	–	(34)	1,442	(43)	1,365	1,001	(57)	–	2,309
Intangible assets	–	537	–	3	540	559	15	(1,114)	–
Trade receivables	–	–	162	(4)	158	1,055	(5)	–	1,208
Others	–	–	168	(5)	163	95	(5)	–	253
	–	503	1,772	(49)	2,226	2,710	(52)	(1,114)	3,770
Deferred tax liabilities									
Property, plant and equipment	(297)	145	(7)	15	(144)	4	–	134	(6)
Investment properties	–	2	(179)	5	(172)	9	5	–	(158)
Intangible assets	(166)	165	(1,553)	54	(1,500)	76	60	64	(1,300)
	(463)	312	(1,739)	74	(1,816)	89	65	198	(1,464)

NOTES TO THE FINANCIAL STATEMENTS

10. INVENTORIES

	Group	
	2016	**2015**
	$'000	**$'000**
Raw materials and consumables	**1,962**	3,442
Inventories recognised in cost of sales		
– Continuing operations	**39,055**	15,649
– Discontinued operations	**181**	9

As at 31 December 2016, inventories of $2,205,000 relating to raw materials and consumables were reclassified to assets held for sale (note 14).

11. CONSTRUCTION WORK IN PROGRESS

	Group	
	2016	**2015**
	$'000	**$'000**
Cost incurred plus attributable profit	**724,835**	534,728
Progress billings	**(659,018)**	(488,286)
	65,817	46,442
Comprising:		
Construction work in progress	**83,046**	54,858
Progress billings in excess of construction work in progress	**(17,229)**	(8,416)
	65,817	46,442

12. TRADE RECEIVABLES

	Group	
	2016	**2015**
	$'000	**$'000**
Trade receivables	**136,067**	124,691
Impairment loss	**–**	(75)
	136,067	124,616

At 31 December 2016, trade receivables of the Group included retention monies of $42,079,000 (2015: $46,295,000) related to construction work in progress.

At 31 December 2016, trade receivables of $2,156,000 (net of impairment loss of $276,000) were reclassified to assets held for sale (note 14).

The Group and the Company's exposure to credit and currency risks and impairment losses, are disclosed in note 33.

NOTES TO THE FINANCIAL STATEMENTS

13. OTHER RECEIVABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Non-current				
Loan due from a subsidiary	**–**	–	**–**	5,164
Current				
Amounts due from subsidiaries	**–**	–	**10,252**	3,011
Impairment loss	**–**	–	**–**	(2,197)
	–	–	**10,252**	814
Other receivables				
– third parties	**10,091**	17,225	**11**	25
– related parties	**–**	653	**–**	–
	10,091	17,878	**11**	25
Deposits	**7,089**	8,023	**62**	71
Prepayments	**4,661**	3,509	**31**	61
Club memberships, at cost	**103**	134	**103**	134
	21,944	29,544	**10,459**	1,105
	21,944	29,544	**10,459**	6,269

As at 31 December 2016, other receivables of $3,728,000 were reclassified to assets held for sale (note 14). Included in other receivables classified as held for sale are $3,503,000 receivables from third parties, deposits of $44,000 and prepayments of $181,000.

The loan due from a subsidiary bore interest at 4% annum, was unsecured and not repayable within the next twelve months. The loan was converted to a non-trade amount due from the subsidiary during the year. The amount ceased to bear interest upon conversion and is unsecured and repayable on demand.

As at 31 December 2016, the amounts due from subsidiaries included an amount of $6,846,000 due from Mancala Holdings Pty Ltd (note 14).

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

The Group and the Company's exposure to credit and currency risks and impairment losses, are disclosed in note 33.

14. ASSETS AND LIABILITIES HELD FOR SALE

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Plant and equipment	**–**	8,148	**–**	–
Assets held for sale	**41,425**	–	**13,036**	–
	41,425	8,148	**13,036**	–
Liabilities held for sale	**(20,479)**	–	**–**	–
	20,946	8,148	**13,036**	–

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

2015

The plant and equipment were classified as held for sale as management had the intent and commitment to dispose of them within the next 12 months. The plant and equipment were not being utilised.

2016

The Group's mining services business comprises investments in its 100% owned subsidiaries, namely Mancala Holdings Limited and Mancala Holdings Pty Ltd and its subsidiaries (collectively the "**Mining Services Business**"). On 30 December 2016, the Company entered into conditional sale and purchase agreements with China Vanadium Titano-Magnetite Mining Company Limited ("**CVT**") and Toe Teow Heng to sell 49% and 32% equity interest, respectively, in the Mining Services Business for an aggregate consideration of HK$63,200,000, of which HK$28,200,000 was to be satisfied in cash and HK$35,000,000 by allotment of new ordinary shares in the share capital of CVT. In view of the Board's intent and commitment to sell the Mining Services Business within the next 12 months, the assets and liabilities related to the Mining Services Business were classified as assets and liabilities held for sale in the balance sheet as at 31 December 2016. The sale was completed on 28 February 2017 (note 36).

Based on the aggregate consideration of the sale transactions that were entered into on an arms-length basis, the derived fair value less cost to sell of the Mining Services Business is $14,600,000, which is higher than the Group's and Company's carrying values of the Mining Services Business of $14,100,000 and $13,036,000 respectively.

Assets and liabilities of disposal group held for sale

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

	Note	Group 2016 $'000	Company 2016 $'000
Property, plant and equipment	4	**19,279**	–
Intangible assets	5	**213**	–
Subsidiaries	7	**–**	13,036
Deferred tax assets	9	**1,114**	–
Inventories	10	**2,205**	–
Trade receivables	12	**2,156**	–
Other receivables	13	**3,728**	–
Plant and equipment held for sale		**9,100**	–
Cash and cash equivalents	15	**3,630**	–
Assets held for sale		**41,425**	13,036
Deferred tax liabilities	9	**198**	–
Trade payables	20	**5,287**	–
Other payables	21	**16,953**	–
Financial liabilities	19	**3,730**	–
Current tax liabilities		**1,157**	–
		27,325#	–
Net Assets		**14,100**	13,036
# Liabilities of the Mining Services Business		**27,325**	–
Less: Amount owing to the Company		**(6,846)**	–
Liabilities held for sale		**20,479**	–

NOTES TO THE FINANCIAL STATEMENTS

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

As at 31 December 2016, included in the above assets held for sale are property and equipment with carrying amount of $7,702,000 that were acquired under finance lease.

Cumulative income or expenses recognised in other comprehensive income

At 31 December 2016, the Group had a cumulative translation loss of $140,000 recognised in other comprehensive income relating to the Mining Services Business.

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Cash and bank balances	**28,007**	28,550	**638**	3,831
Fixed deposits	**2,217**	6,529	**–**	1,960
Cash and cash equivalents in the statements of financial position	**30,224**	35,079	**638**	5,791
Bank overdrafts used for cash management purposes	**–**	(911)		
Fixed deposits pledged	**(2,217)**	(3,831)		
Cash and cash equivalents in the statement of cash flows	**28,007**	30,337		

Fixed deposits amounting to $2,082,000 (2015: $3,266,000) and $135,000 (2015: $565,000) were pledged to the bank for notes payable (trade) and banking facilities respectively at the end of the reporting period.

The weighted average effective interest rates per annum relating to cash and cash equivalents at the reporting date for the Group and the Company were 0.42% (2015: 0.82%) and 0.26% (2015: 0.84%) respectively. Interest rates are repriced within one year.

At 31 December 2016, assets held for sale (note 14) included cash and bank balances of $3,630,000.

16. SHARE CAPITAL

	2016		2015	
	No. of shares '000	**$'000**	**No. of shares '000**	**$'000**
Issued and fully paid ordinary shares, with no par value:				
At 1 January	**976,845**	**277,067**	810,949	260,489
Share consolidation[1]	**(651,234)**	**–**	–	–
Capital reduction[2]	**–**	**(189,183)**	–	–
Issued under the Sapphire Shares Award Scheme[3]	**186**	**49**	896	78
Issued pursuant to the acquisition of a subsidiary[4]	**–**	**–**	165,000	16,500
At 31 December	**325,797**	**87,933**	976,845	277,067

NOTES TO THE ***FINANCIAL STATEMENTS***

16. SHARE CAPITAL (CONT'D)

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

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

Notes:

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

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

Issue of ordinary shares

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

   On 18 May 2015, the Company issued 895,919 ordinary shares to certain Directors under the Sapphire Shares Award Scheme at $0.087 per share in partial settlement of directors' fees of $78,000 for the year ended 31 December 2014.

4. On 1 October 2015, the Company issued 165,000,000 ordinary shares pursuant to the acquisition of the subsidiary, Ranken Infrastructure Limited for $0.10 each totalling $16,500,000 in partial settlement of the purchase consideration. The fair value of the shares issued was $13,530,000. The difference of $2,970,000 between the fair value of the shares issued and the issue share price was recorded in capital reserve.

Capital management

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

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

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

The Group is not subjected to externally imposed capital requirements during the financial years ended 31 December 2016 and 2015.

NOTES TO THE ***FINANCIAL STATEMENTS***

17. RESERVES

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

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Capital reserve	**(1,735)**	(1,735)	**(1,886)**	(1,886)
Merger reserve	**418**	418	**–**	–
Other reserves	**(1,353)**	(1,353)	**(1,353)**	(1,353)
Translation reserve	**(5,874)**	(2,805)	**–**	–
Accumulated profits/(losses)	**17,781**	(181,030)	**3,061**	(186,520)
	9,237	(186,505)	**(178)**	(189,759)

Capital reserve comprises (1) the equity component of convertible bonds and convertible bank loan of the Group and the Company and (2) the difference between the issue share price and fair value of new shares issued for the acquisition of a subsidiary.

Merger reserve represents the difference between the nominal value of shares issued by the Company in exchange for the nominal value of shares acquired in respect of the acquisition of a subsidiary, Sapphire Construction & Development Pte Ltd, accounted for under the pooling of interest method.

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 of foreign subsidiaries.

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

NOTES TO THE *FINANCIAL STATEMENTS*

18. NON-CONTROLLING INTERESTS

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

	2016 $'000	2015 $'000
Attributable to NCI:		
Profit	**287**	27
Other comprehensive income	**(67)**	(47)
Total comprehensive income	**220**	(20)
Non-current assets	**43,002**	43,086
Current assets	**280,102**	223,672
Non-current liabilities	**(3,002)**	(12,330)
Current liabilities	**(242,643)**	(185,363)
Net assets	**77,459**	69,065
Net assets attributable to NCI	**1,764**	1,544
Cash flows from operating activities	**47,130**	4,501
Cash flows used in investing activities	**(11,467)**	(514)
Cash flows used in financing activities	**(30,117)**	(3,553)
Net increase in cash and cash equivalents	**5,546**	434

19. FINANCIAL LIABILITIES

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Non-current liabilities				
Finance lease liabilities	**–**	5,928	**–**	11
Secured bond	**3,002**	–	**–**	–
	3,002	5,928	**–**	11
Current liabilities				
Bank overdraft	**–**	911	**–**	–
Secured bank loans	**30,397**	50,247	**–**	–
Secured bond	**–**	7,444	**–**	–
Finance lease liabilities	**2,835**	8,250	**11**	10
	33,232	66,852	**11**	10
	36,234	72,780	**11**	21

As at 31 December 2016, finance lease liabilities of $3,730,000 were reclassified to liabilities held for sale (note 14).

Information about the Group's and the Company's exposure to interest rate, currency and liquidity risk are disclosed in note 33.

NOTES TO THE
FINANCIAL STATEMENTS

19. FINANCIAL LIABILITIES (CONT'D)

Terms and debt repayment schedule

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

				2016		2015	
	Currency	Nominal interest rate	Year of maturity	Face value $'000	Carrying amount $'000	Face value $'000	Carrying amount $'000
Group							
Bank overdraft[(1)]	AUD	13.20%	On demand	–	–	911	911
Secured bank loan[(1)]	AUD	7.77%	2016	–	–	1,047	1,047
Secured bank loan[(2)]	RMB	4.35%	2016	–	–	4,354	4,354
Secured bank loan[(2)]	RMB	4.35%	2016	–	–	2,177	2,177
Secured bank loan[(2)]	RMB	135% of LPR^	2016	–	–	1,089	1,089
Secured bank loan[(2)]	RMB	145% of LPR^	2016	–	–	4,354	4,354
Secured bank loan[(2)]	RMB	6.69%	2016	–	–	7,837	7,837
Secured bank loan[(2)]	RMB	6.77%	2016	–	–	3,265	3,265
Secured bank loan[(2)]	RMB	7.50%	2016	–	–	21,770	21,770
Secured bank loan[(2)]	RMB	BLR*	2016	–	–	4,354	4,354
Secured bank loan[(2)]	RMB	4.35%	2017	**6,246**	**6,246**	–	–
Secured bank loan[(2)]	RMB	145% of BLR*	2017	**2,082**	**2,082**	–	–
Secured bank loan[(2)]	RMB	145% of BLR*	2017	**4,164**	**4,164**	–	–
Secured bank loan[(2)]	RMB	115% of BLR*	2017	**6,246**	**6,246**	–	–
Secured bank loan[(2)]	RMB	115% of BLR*	2017	**1,249**	**1,249**	–	–
Secured bank loan[(2)]	RMB	5.22%	2017	**3,123**	**3,123**	–	–
Secured bank loan[(2)]	RMB	6.09%	2017	**3,123**	**3,123**	–	–
Secured bank loan[(2)]	RMB	BLR*	2017	**4,164**	**4,164**	–	–
Secured bond[(3)]	RMB	8.50%	2016	–	–	7,620	7,444
Secured bond[(4)]	RMB	7.30%	2018	**3,123**	**3,002**	–	–
Finance lease liabilities	RMB	120% of BLR*	2017	**2,862**	**2,824**	8,970	8,617
Finance lease liabilities	SGD	5.13%	2017	**12**	**11**	22	21
Finance lease liabilities	AUD	6.31% – 8.82%	2016 –2018	–	–	6,004	5,540
				36,394	**36,234**	73,774	72,780
Company							
Finance lease liabilities	SGD	5.13%	2017	**12**	**11**	22	21

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

Notes:
1. In 2015, the bank overdraft and short term bank loans are secured by personal guarantees granted by previous shareholders of subsidiary, Mancala Holdings Pty Ltd (Mancala) and subordinated loans of $5,164,000 from the Company to Mancala, as well as a registered mortgage debenture over assets and undertakings of certain entities of Mancala Holdings Pty Ltd and its subsidiaries.
2. These bank loans are secured by personal guarantees by previous beneficial owners of subsidiary, Ranken Infrastructure Limited and building, machineries, investment properties, land use rights with total carrying amount of $20,827,000 (2015: $22,544,000) (notes 4, 5 and 6), trade receivables $Nil (2015: $23,748,000) and deposits pledged of $135,000 (2015: $565,000) (note 15).
3. The bond is secured by investment properties with carrying amount of $Nil (2015: $441,000) (note 6), joint guarantee provided by a financial institution and directors of the subsidiary. The bond has been fully redeemed during the year.
4. The bond was secured by investment properties with carrying amount of $391,000 (2015: $Nil) (note 6), joint guarantee provided by a financial institution and directors of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL LIABILITIES (CONT'D)

Terms and debt repayment schedule (Cont'd)

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

		Cash flows		
	Carrying amount $'000	**Contractual cash flows $'000**	**Within 1 year $'000**	**Within 1 to 5 years $'000**
Group				
2016				
Non-derivative financial liabilities				
Secured bank loans	**30,397**	**(31,193)**	**(31,193)**	**–**
Secured bond	**3,002**	**(3,465)**	**(228)**	**(3,237)**
Finance lease liabilities	**2,835**	**(2,873)**	**(2,873)**	**–**
Trade and other payables	**188,018**	**(188,018)**	**(183,933)**	**(4,085)**
	224,252	**(225,549)**	**(218,227)**	**(7,322)**
2015				
Non-derivative financial liabilities				
Bank overdraft	911	(911)	(911)	–
Secured bank loans	50,247	(52,853)	(52,853)	–
Secured bond	7,444	(8,152)	(8,152)	–
Finance lease liabilities	14,178	(14,996)	(8,875)	(6,121)
Trade and other payables	154,218	(154,218)	(145,565)	(8,653)
	226,998	(231,130)	(216,356)	(14,774)
Company				
2016				
Non-derivative financial liabilities				
Trade and other payables	**13,249**	**(13,249)**	**(13,249)**	**–**
Finance lease liabilities	**11**	**(12)**	**(12)**	**–**
	13,260	**(13,261)**	**(13,261)**	**–**
2015				
Non-derivative financial liabilities				
Trade and other payables	14,690	(14,690)	(14,690)	–
Finance lease liabilities	21	(23)	(11)	(12)
	14,711	(14,713)	(14,701)	(12)

NOTES TO THE *FINANCIAL STATEMENTS*

19. FINANCIAL LIABILITIES (CONT'D)

Finance lease liabilities

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

	Future minimum lease payments $'000	Interest $'000	Present value of minimum lease payments $'000
Group			
2016			
Within one year	**2,873**	**38**	**2,835**
2015			
Within one year	8,875	625	8,250
Between one and five years	6,121	193	5,928
	14,996	818	14,178
Company			
2016			
Within one year	**12**	**1**	**11**
2015			
Within one year	11	1	10
Between one and five years	12	1	11
	23	2	21

20. TRADE PAYABLES

	Group 2016 $'000	Group 2015 $'000
Trade payables	**100,240**	66,316
Notes payable	**2,082**	3,266
Retention monies	**7,262**	4,779
	109,584	74,361

Notes payable are non-interest bearing and mature within 12 months after the year end.

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

As at 31 December 2016, trade payables of $5,287,000 were reclassified to liabilities held for sale (note 14).

The Group's and the Company's exposures to currency risk and liquidity risk related to trade payables are disclosed in notes 33 and 19, respectively.

NOTES TO THE FINANCIAL STATEMENTS

21. OTHER PAYABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Non-current				
Other payables	**4,085**	8,653	**–**	–
Current				
Accrued operating expenses	**446**	1,292	**440**	723
Employees benefits	**3,985**	3,941	**737**	464
Amount due to subsidiaries (non-trade)	**–**	–	**154**	257
Advance payments from customers	**36,250**	28,467	**–**	–
Deferred income	**347**	248	**–**	–
Deposit received	**3,956**	547	**3,956**	547
Other payables	**29,365**	36,709	**7,962**	12,699
	74,349	71,204	**13,249**	14,690
	78,434	79,857	**13,249**	14,690

Included in current other payables is the consideration of $7,574,000 (2015: contingent consideration of $10,937,000) payable for the acquisition of the subsidiary, Mancala Holdings Pty Ltd in 2014.

An interest-free loan payable to previous beneficial owners and holding companies of subsidiary, Ranken Infrastructure Limited amounting to $1,349,000 (2015: $Nil) and $4,085,000 (2015: $6,750,000) were classified under current and non-current other payables respectively.

In 2015, non-current other payables also included interest-free loans of $760,000 extended by the previous shareholders of subsidiary, Mancala Holdings Pty Ltd. These were reclassified as held for sale (note 14) during the year.

As at 31 December 2016, other payables of $16,953,000 were reclassified to liabilities held for sale (note 14). Included in other payables classified as held for sale are $7,843,000 payables to third parties, $1,427,000 accrued operating expenses, $837,000 payables to previous shareholders of Mancala Holdings Pty Ltd and $6,846,000 amount owing by Mancala Holdings Pty Ltd to the Company.

The Group's and the Company's exposures to currency risk and liquidity risk related to other payables are disclosed in notes 33 and 19, respectively.

22. REVENUE

	Group			
	Discontinued operations		Continuing operations	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Mining services	**26,065**	54,572	**–**	–
Infrastructure:				
– Construction contracts	**–**	–	**210,827**	57,194
– Rendering of services	**–**	–	**12,075**	4,585
– Equipment leasing	**–**	–	**1,042**	–
	26,065	54,572	**223,944**	61,779

NOTES TO THE ***FINANCIAL STATEMENTS***

23. OTHER INCOME

	Group			
	Discontinued operations		Continuing operations	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Project related:				
Consultancy fees	**–**	–	**833**	127
Unwinding of discount on retention monies	**–**	–	**732**	160
Other operating income:				
Interest income:				
– banks	**51**	49	**143**	905
– bond receivable	**–**	–	**–**	1,238
– others	**–**	272	**–**	–
Gain on disposal of other investment	**18**	–	**–**	–
Gain on disposal of plant and equipment held for sale	**62**	–	**–**	–
Gain on changes in fair value of contingent consideration	**–**	–	**1,094**	2,099
Gain on disposal of property, plant and equipment	**–**	75	**–**	–
Exchange gain (net)	**151**	370	**175**	3,061
Rental income	**–**	12	**727**	219
Government grant	**–**	–	**468**	–
Others	**24**	14	**682**	52
	306	792	**4,854**	7,861

24. FINANCE COSTS

	Group			
	Discontinued operations		Continuing operations	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Interest expense:				
– finance lease	**347**	635	**307**	130
– secured bonds	**–**	–	**676**	216
– banks	**220**	604	**1,510**	329
	567	1,239	**2,493**	675

NOTES TO THE FINANCIAL STATEMENTS

25. TAX EXPENSE

	Group					
	Discontinued operations		Continuing operations		Total	
	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000
Current tax expense						
Current year	**–**	1,155	**5,258**	1,149	**5,258**	2,304
Over provided in prior years	**–**	(805)	**–**	–	**–**	(805)
Withholding tax expense	**571**	1,291	**–**	–	**571**	1,291
	571	1,641	**5,258**	1,149	**5,829**	2,790
Deferred tax expense						
Origination and reversal of temporary differences	**(610)**	(729)	**(2,189)**	(86)	**(2,799)**	(815)
	(39)	912	**3,069**	1,063	**3,030**	1,975

Reconciliation of effective tax rate

	Note	2016	2015
		$'000	$'000
Continuing operations		**14,745**	4,743
Discontinued operations	26	**(1,800)**	3,728
Profit before tax		**12,945**	8,471
Tax using the Singapore tax rate of 17% (2015: 17%)		**2,201**	1,440
Effect of tax rates in foreign jurisdictions		**865**	229
Non-deductible tax expenses		**1,035**	445
Tax exempt income		**(1,210)**	(357)
Tax incentives		**(544)**	(537)
Deferred tax asset not recognised		**127**	269
Withholding tax expense		**556**	1,291
Over provided in prior years		**–**	(805)
		3,030	1,975

Income tax recognised in other comprehensive income

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

25. TAX EXPENSE (CONT'D)

Unrecognised deferred tax assets

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Deductible temporary differences	**–**	13,892	**–**	(323)
Tax losses	**68,687**	134,259	**53,538**	92,521
Unutilised capital allowances	**–**	2,393	**–**	–
	68,687	150,544	**53,538**	92,198

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. The unutilised tax losses and capital allowances which are available to set-off against future taxable income, are subject to agreement by the tax authorities and compliance with tax regulations prevailing in the respective countries.

26. DISCONTINUED OPERATIONS

Following the signing of conditional sale and purchase agreements to sell an aggregate of 81% equity in the Mining Services Business on 30 December 2016 (note 14), the comparative information on the profit and loss for the Mining Services Business has been re-presented as discontinued operations, separate from continuing operations. The results of the discontinued operations are as follows:

		Group	
	Note	**2016**	**2015**
		$'000	**$'000**
Results of discontinued operations			
Revenue	22	**26,065**	54,572
Cost of sales		**(19,430)**	(42,462)
Gross profit		**6,635**	12,110
Other income	23	**306**	792
Administrative expenses		**(7,050)**	(7,617)
Other expenses		**(1,124)**	(318)
(Loss)/profit from operating activities		**(1,233)**	4,967
Finance costs	24	**(567)**	(1,239)
(Loss)/profit before income tax		**(1,800)**	3,728
Tax	25	**39**	(912)
(Loss)/profit from discontinued operations, net of tax	27	**(1,761)**	2,816
Earnings per share – discontinued operations	28		
Basic (cents)		**(0.54)**	0.99
Diluted (cents)		**(0.54)**	0.99

The loss from discontinued operations of $1,761,000 (2015: profit of $2,816,000) is attributable entirely to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

26. DISCONTINUED OPERATIONS (CONT'D)

	Group	
	2016	**2015**
	$'000	**$'000**
Cash flows from discontinued operations		
Net cash from operating activities	**5,031**	7,022
Net cash used in investing activities	**(74)**	(560)
Net cash used in financing activities	**(2,877)**	(5,526)
Net cash flows for the year	**2,080**	936

27. PROFIT/(LOSS) FOR THE YEAR

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

	Group			
	Discontinued operations		**Continuing operations**	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Allowance for impairment losses on doubtful receivables	**276**	11	**–**	65
Bad debts written off	**–**	–	**–**	26
Amortisation of intangible assets	**157**	158	**142**	478
Audit fees paid and payable to:				
– auditors of the Company	**–**	69	**153**	83
– other auditors	**74**	14	**120**	176
Non-audit fees paid and payable to:				
– other auditors	**–**	–	**25**	162
Depreciation of property, plant and equipment	**2,636**	3,980	**11,078**	2,058
Depreciation of investment properties	**–**	–	**480**	208
Directors' remuneration and fees	**–**	–	**1,648**	1,540
Exchange gain (net)	**(151)**	(370)	**(175)**	(3,061)
Loss/(gain) on disposal of property, plant and equipment (net)	**422**	(75)	**317**	–
Gain on disposal of other investment	**(18)**	–	**–**	–
Impairment loss on goodwill	**–**	–	**–**	1,215
Gain on disposal of non-current assets held for sale	**(62)**	–	**–**	–
Operating lease expenses	**365**	427	**10,298**	3,251
Staff costs	**10,715**	15,993	**20,109**	6,023
Contributions to defined contribution plans included in staff costs	**674**	1,091	**4,359**	547

NOTES TO THE FINANCIAL STATEMENTS

28. EARNINGS PER SHARE

The calculation of basic earnings per share ("**EPS**") at 31 December 2016 was based on the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding of 325,710,000 (2015: 284,364,000), calculated as follows:

Profit attributable to ordinary shareholders

	2016			2015		
	Continuing operations $'000	Discontinued operation $'000	Total $'000	Continuing operations $'000	Discontinued operation $'000	Total $'000
Group						
Profit/(loss) attributable to ordinary shareholders	**11,389**	**(1,761)**	**9,628**	3,653	2,816	6,469

Weighted-average number of ordinary shares

	Group	
	2016 '000	2015 '000
Issued ordinary shares at 1 January	**976,845**	810,949
Effect of shares issued under the Sapphire Shares Award Scheme	**98**	440
Effect of shares issued pursuant to the acquisition of a subsidiary	**–**	41,704
Effect of share consolidation[(1)]	**(651,233)**	(568,729)
Weighted-average number of ordinary shares during the year	**325,710**	284,364

(1) On 9 March 2016, the Company consolidated its issued shares by consolidating every three (3) ordinary shares into one (1) consolidated ordinary share (note 16). The earnings per share for the current and the prior year have been presented after adjusting the number of weighted average number of shares in issue for the effects of the share consolidation.

In 2015 and 2016, the diluted earnings per share are the same as basic earnings per share as the Group does not have any dilutive equity instruments.

29. ACQUISITION OF A SUBSIDIARY

On 1 October 2015, the Group acquired 100% of the equity interest in Ranken Infrastructure Limited ("**Ranken**") and its subsidiaries, an Engineering, Procurement and Construction ("**EPC**") business specialising in design, construction and project consultation in China's rail transit sector.

The acquisition of Ranken has enabled the Group to venture into metro, urban rail transit and other major land transport infrastructure projects in China and Southeast Asia, with the ability to undertake and finance major projects in the fast-growing sector in China and other emerging markets.

In the 3 months to 31 December 2015, Ranken contributed revenue of $61.8 million and profit of $2.3 million to the Group's results. If the acquisition had occurred on 1 January 2015, management estimates that consolidated revenue and consolidated profit for the year would have been $181.6 million and $6.6 million, respectively. In determining these amounts, management has assumed that the fair value adjustments, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2015.

29. ACQUISITION OF A SUBSIDIARY (CONT'D)

Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred:

	Note	$'000
Cash		63,281
Equity instruments issued (165 million ordinary shares)	16	13,530
Total consideration transferred		76,811

Equity instruments issued

The fair value of the ordinary shares issued was based on the listed share price of the Company at 1 October 2015 of $0.082 per share.

Acquisition-related costs

The group incurred acquisition-related costs of $434,000 on legal fees and due diligence costs. These costs have been included in administrative expenses.

Identifiable assets acquired and liabilities assumed

The fair value of the consideration transferred and the assets and liabilities acquired are summarised as follows:

	Recognised value 2015 $'000
Property, plant and equipment	22,518
Intangibles	7,240
Investment properties	14,084
Deferred tax assets	1,765
Inventories	2,170
Construction work in progress	59,025
Trade and other receivables	178,228
Fixed deposit pledged	59,591
Cash and cash equivalents	23,071
Trade and other payables	(227,349)
Financial liabilities	(69,754)
Deferred tax liabilities	(1,732)
Total identifiable net assets	68,857
Non-controlling interest	(1,564)
Goodwill on acquisition	9,518
Total consideration	76,811
Cash consideration paid	(63,281)
Cash and cash equivalents acquired	23,071
Acquisition of a subsidiary, net of cash acquired	(40,210)

NOTES TO THE ***FINANCIAL STATEMENTS***

29. ACQUISITION OF A SUBSIDIARY (CONT'D)

Identifiable assets acquired and liabilities assumed (Cont'd)

The goodwill is attributable mainly to the control premium for the 100% acquisition of Ranken, the management, operational and technical skills and talent of its work force, various licenses, its permits and approvals in relation to construction, design engineering, labour services and supervision services as well as its growth potential in the railway infrastructure sector. None of the goodwill recognised is expected to be deductible for tax purposes.

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Items	Valuation technique
Assets acquired – Property (namely building), investment properties and intangible assets (namely land use rights)	*Income capitalisation and market comparison approach:* Income capitalisation approach considers the capitalisation of net rental income on a fully let basis having regards to existing tenancies and potential future reversions. Market comparison approach considers comparable market transactions of similar properties, adjusted for factors including time, location and environment.
– Plant and equipment	Carrying amount approximates fair value as most of the assets were purchased in 2015.
– Intangible assets (namely order backlog)	*Multi-period excess earnings method:* The multi-period excess earnings method considers the present value of net cash flows related to contributory assets.
– Trade receivables (namely retention monies)	*Discounted cash flow technique:* Expected collections are discounted to fair values based on appropriate discount rates.

The carrying amounts of the remaining assets and liabilities approximate the fair value due to their short-term nature.

30. COMMITMENTS

Operating lease expense commitments (as lessee)

At 31 December, the Group and the Company have commitments for future minimum lease payments in respect of non-cancellable operating leases as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Within 1 year	**2,002**	1,871	**194**	245
Between 1 and 5 years	**424**	923	**191**	21
	2,426	2,794	**385**	266

The Group and the Company leases a number of offices and housing under operating leases. The leases typically run for a period of one year to three years, with an option to renew the lease after that date. None of the leases includes contingent rentals.

Operating lease income commitments (as lessor)

The Group leases out its investment properties (note 6). The future minimum lease receivables under non-cancellable operating lease rentals are as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Less than one year	**407**	630
Between one and five years	**541**	1,513
	948	2,143

31. CONTINGENT LIABILITIES

The Group does not have any contingent liabilities as at 31 December 2016 and 31 December 2015.

Continuing financial support

In 2015, the Company gave a formal undertaking to provide financial support to Mancala to maintain/further its mining services business and financial support to its dormant companies in order for them to operate as a going concern, in addition to the subordinated loan from the Company to Mancala (note 19). The undertaking of financial support has not been extended due to the disposal of the Mining Services Business after the year end.

NOTES TO THE ***FINANCIAL STATEMENTS***

32. RELATED PARTIES

Transactions with key management personnel

Key management personnel compensation

Key management personnel compensation comprised:

	Group	
	2016	**2015**
	$'000	**$'000**
Short-term employee benefits	**1,865**	1,707
Post-employment benefits	**61**	29
	1,926	1,736

The Company has on 16 June 2016 (2015: 18 May 2015) granted to certain Directors an aggregate of 185,585 share (2015: 895,919 share) awards under the Sapphire Shares Award Scheme as partial payment of Directors' fees for the year ended 31 December 2016.

Other transactions with key management personnel

During the year, the Group and the Company had purchase of wine of $Nil (2015: $1,000) from a company in which a director of the Company has substantial equity interests. The sales were made on the same terms as other third parties.

33. 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.

33. FINANCIAL RISK MANAGEMENT (CONT'D)

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit and Risk Committee oversees how management monitors compliance with the Group risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The function of the Audit and Risk Committee is set out in the Corporate Governance Report.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents and trade and other receivables.

The carrying amounts of financial assets in the statements of financial position represent the Group's and the Company's maximum exposures to credit risk, before taking into account any collateral held. The Group and the Company do not hold any collateral in respect of their financial assets.

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Cash and fixed deposits are placed with regulated banks and financial institutions.

NOTES TO THE ***FINANCIAL STATEMENTS***

33. FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (Cont'd)

Trade and other receivables

Risk management policy

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which the customers operate, as these factors may have an influence on credit risk.

For 2016, the Group has a concentration of credit risk primarily from one debtor (2015: two debtors) representing approximately 31% (2015: 42%) of trade and other receivables of the Group.

Exposure to credit risk

The maximum exposure to credit risk for trade and other receivables (excluding prepayments and club memberships) at the reporting date by geographic region was as follows:

	Group Carrying amount		**Company Carrying amount**	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Singapore	**73**	93	**73**	93
China	**153,174**	137,436	**3,385**	3
Australia	**–**	5,920	**6,847**	5,978
Vietnam	**–**	6,371	**–**	–
Others	**–**	697	**20**	–
	153,247	150,517	**10,325**	6,074

Impairment losses

The ageing of trade and other receivables at the reporting date was:

	Gross 2016 $'000	**Impairment losses 2016 $'000**	**Net 2016 $'000**	**Gross 2015 $'000**	**Impairment losses 2015 $'000**	**Net 2015 $'000**
Group						
Not past due*	**148,416**	**–**	**148,416**	144,304	–	144,304
Past due 0 – 30 days	**–**	**–**	**–**	3,919	–	3,919
Past due 31 – 120 days	**2,903**	**–**	**2,903**	56	–	56
Past due 121 – 365 days	**–**	**–**	**–**	770	–	770
More than one year	**1,928**	**–**	**1,928**	1,543	(75)	1,468
	153,247	**–**	**153,247**	150,592	(75)	150,517

* Includes retention monies of $42,079,000 related to construction work-in-progress that is withheld until the end of the warranty period.

NOTES TO THE FINANCIAL STATEMENTS

33. FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (Cont'd)

Impairment losses (Cont'd)

	Gross 2016 $'000	Impairment losses 2016 $'000	Net 2016 $'000	Gross 2015 $'000	Impairment losses 2015 $'000	Net 2015 $'000
Company						
Not past due	**9,778**	**–**	**9,778**	5,725	–	5,725
Past due 0 – 30 days	**–**	**–**	**–**	–	–	–
Past due 31 – 120 days	**18**	**–**	**18**	52	–	52
Past due 121 – 365 days	**178**	**–**	**178**	154	–	154
More than one year	**351**	**–**	**351**	2,340	(2,197)	143
	10,325	**–**	**10,325**	8,271	(2,197)	6,074

The movements in allowance for impairment in respect of trade and other receivables (excluding prepayments and club memberships) during the year was as follows:

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
At 1 January	**75**	7,295	**2,197**	2,184
Impairment losses recognised	**276**	76	**–**	13
Impairment losses utilised	**(75)**	(7,295)	**(2,197)**	–
Translation differences	**–**	(1)	**–**	–
	276	75	**–**	2,197
Less: reclassification to assets held for sale	**(276)**	–	**–**	–
At 31 December	**–**	75	**–**	2,197

In 2015, the impairment loss for the Group and the Company are related to several customers that have indicated that they are not expecting to be able to pay their outstanding balances, mainly due to financial difficulties.

Based on the Group's monitoring of customer credit risk, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade and other receivables.

NOTES TO THE ***FINANCIAL STATEMENTS***

33. FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk

Risk management policy

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Analysis of contractual cash flows of financial liabilities is set out in note 19.

Market risk

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

Interest rate risk

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

Exposure to interest rate risk

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

	Group Carrying amount		Company Carrying amount	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Fixed rate instruments				
Amount due from subsidiaries	**–**	–	**–**	5,164
Secured bond	**(3,002)**	(7,444)	**–**	–
Finance lease liabilities	**(11)**	(5,561)	**(11)**	(21)
Bank overdraft	**–**	(911)	**–**	–
Secured bank loans	**(12,492)**	(40,450)	**–**	–
	(15,505)	(54,366)	**(11)**	5,143
Variable rate instruments				
Finance lease liabilities	**(2,824)**	(8,617)	**–**	–
Secured bank loans	**(17,905)**	(9,797)	**–**	–
	(20,729)	(18,414)	**–**	–

NOTES TO THE ***FINANCIAL STATEMENTS***

33. FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (Cont'd)

Interest rate risk (Cont'd)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, in respect of the fixed rate instruments, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	100 bp increase $'000	**100 bp decrease $'000**
Group		
31 December 2016		
Variable rate instruments	**(207)**	**207**
31 December 2015		
Variable rate instruments	(184)	184

Currency risk

Risk management policy

The Group is exposed to currency risk on sales, purchases, receipts, payments and borrowings, that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are the United States Dollar (USD), Australian dollar (AUD), Renminbi (RMB), Hong Kong dollar (HKD), Vietnam Dong (VND) and Euro (EUR).

NOTES TO THE ***FINANCIAL STATEMENTS***

33. FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (Cont'd)

Currency risk (Cont'd)

Exposure to currency risk

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

	USD $'000	AUD $'000	RMB $'000	HKD $'000	VND $'000	EUR $'000
Group						
2016						
Cash and cash equivalents	**–**	**–**	**4**	**597**	**–**	**–**
Trade and other payables	**–**	**(7,574)**	**–**	**(3,956)**	**–**	**–**
Net exposure	**–**	**(7,574)**	**4**	**(3,359)**	**–**	**–**
2015						
Trade and other receivables	973	–	–	–	5,293	–
Cash and cash equivalents	16	–	5,495	181	2,618	–
Trade and other payables	(3,819)	(10,937)	(1,079)	(547)	(1,216)	(1,789)
Net exposure	(2,830)	(10,937)	4,416	(366)	6,695	(1,789)

	USD $'000	AUD $'000	RMB $'000	HKD $'000
Company				
2016				
Cash and cash equivalents	**–**	**–**	**4**	**597**
Trade and other payables	**–**	**(7,574)**	**–**	**(3,956)**
Net exposure	**–**	**(7,574)**	**4**	**(3,359)**
2015				
Trade and other receivables	–	5,978	–	–
Cash and cash equivalents	–	–	5,495	181
Trade and other payables	(470)	(10,937)	(1,079)	(547)
Net exposure	(470)	(4,959)	4,416	(366)

NOTES TO THE ***FINANCIAL STATEMENTS***

33. FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (Cont'd)

Currency risk (Cont'd)

Sensitivity analysis – currency risk

A 10% strengthening of the Singapore dollar 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 $'000	Company Profit or loss $'000
31 December 2016		
AUD	**757**	**757**
RMB	**–***	**–***
HKD	**336**	**336**
31 December 2015		
USD	283	47
AUD	1,094	496
RMB	(442)	(442)
HKD	37	37
VND	(670)	–
EUR	179	–

* Less than $1,000

A 10% weakening of Singapore dollar 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.

The Group and the Company is not exposed to any significant equity price risk as at 31 December 2015 and 31 December 2016.

Fair value hierarchy

The tables below analyse fair value measurements for financial assets and financial liabilities, by the levels in the fair value hierarchy based on the inputs to valuation techniques. The different levels are defined as follows:

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

NOTES TO THE ***FINANCIAL STATEMENTS***

33. FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (Cont'd)

Fair value hierarchy (Cont'd)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets carried at fair value				
Group and Company				
31 December 2015				
Available-for-sale equity securities (quoted)	86	–	–	86

Transfers between Level 1 and 2

For 2015, there were no transfers of financial instruments between Levels 1, 2 and 3.

Financial assets and financial liabilities whose carrying amounts are measured on an amortised basis approximate their fair value due to their short-term nature and immaterial effects of discounting.

34. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

	Available-for-sale $'000	Loans and receivables $'000	Other financial liabilities within scope of FRS 39 $'000	Other financial liabilities outside scope of FRS 39 $'000	Total carrying amount $'000
Group					
2016					
Assets					
Other investments	**21**	**–**	**–**	**–**	**21**
Cash and cash equivalents	**–**	**30,224**	**–**	**–**	**30,224**
Trade and other receivables[(1)]	**–**	**153,247**	**–**	**–**	**153,247**
	21	**183,471**	**–**	**–**	**183,492**
Liabilities					
Trade and other payables	**–**	**–**	**188,018**	**–**	**188,018**
Secured bank loans	**–**	**–**	**30,397**	**–**	**30,397**
Secured bond	**–**	**–**	**3,002**	**–**	**3,002**
Finance lease liabilities	**–**	**–**	**–**	**2,835**	**2,835**
	–	**–**	**221,417**	**2,835**	**224,252**

34. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES (CONT'D)

	Available-for-sale $'000	Loans and receivables $'000	Other financial liabilities within scope of FRS 39 $'000	Other financial liabilities outside scope of FRS 39 $'000	Total carrying amount $'000
Group					
2015					
Assets					
Other investments	86	–	–	–	86
Cash and cash equivalents	–	35,079	–	–	35,079
Trade and other receivables[1]	–	150,517	–	–	150,517
	86	185,596	–	–	185,682
Liabilities					
Trade and other payables	–	–	154,218	–	154,218
Bank overdraft	–	–	911	–	911
Secured bank loans	–	–	50,247	–	50,247
Secured bond	–	–	7,444	–	7,444
Finance lease liabilities	–	–	–	14,178	14,178
	–	–	212,820	14,178	226,998
Company					
2016					
Assets					
Cash and cash equivalents	**–**	**638**	**–**	**–**	**638**
Trade and other receivables[1]	**–**	**10,325**	**–**	**–**	**10,325**
	–	**10,963**	**–**	**–**	**10,963**
Liabilities					
Trade and other payables	**–**	**–**	**13,249**	**–**	**13,249**
Finance lease liabilities	**–**	**–**	**–**	**11**	**11**
	–	**–**	**13,249**	**11**	**13,260**
2015					
Assets					
Other investments	1	–	–	–	1
Cash and cash equivalents	–	5,791	–	–	5,791
Trade and other receivables[1]	–	6,074	–	–	6,074
	1	11,865	–	–	11,866
Liabilities					
Trade and other payables	–	–	14,690	–	14,690
	–	–	–	21	21
	–	–	14,690	21	14,711

(1) Excludes prepayments and club memberships

35. SEGMENT REPORTING

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products or services, and are managed separately. For each of the strategic business units, the Group CEO reviews internal management reports of each segment at least quarterly. The following summary describes the operations in each of the Group's reportable segments:

- Infrastructure – Includes design, consultancy, civil engineering and construction for land transport infrastructure, major tunnelling works, underground structures, expressways, road and bridges for township development and urbanisation projects. This segment was acquired in October 2015 (note 29).
- Mining services – Includes contract mining, equipment hire, vertical boring and shaft contractor. This segment is presented as discontinued operation (notes 14 and 26).

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 Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities.

	Continuing operations Infrastructure $'000	Discontinued operations Mining services $'000	Total $'000
Revenue and expenses			
2016			
External revenues	**223,944**	**26,065**	**250,009**
Interest income	**128**	**51**	**179**
Unwinding of discount on retention monies	**732**	**–**	**732**
Interest expenses	**(2,493)**	**(567)**	**(3,060)**
Depreciation and amortisation	**(11,655)**	**(2,793)**	**(14,448)**
Reportable segment profit/(loss) before tax	**14,352**	**(1,800)**	**12,552**
Reportable segment assets	**315,475**	**41,425**	**356,900**
Capital expenditure	**11,612**	**660**	**12,272**
Reportable segment liabilities	**238,115**	**27,325**	**265,440**
2015			
External revenue	61,779	54,572	116,351
Interest income	887	321	1,208
Unwinding of discount on retention monies	160	–	160
Interest expenses	(675)	(1,239)	(1,914)
Depreciation and amortisation	(2,701)	(4,138)	(6,839)
Reportable segment profit before income tax	3,641	3,728	7,369
Reportable segment assets	266,758	51,950	318,708
Capital expenditure	1,576	1,273	2,849
Reportable segment liabilities	197,693	35,939	233,632

NOTES TO THE FINANCIAL STATEMENTS

35. SEGMENT REPORTING (CONT'D)

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

	2016 $'000	2015 $'000
Revenue		
Total revenue for reportable segments	**250,009**	116,351
Profit or loss		
Total profit before tax for reportable segments	**12,552**	7,369
Unallocated amounts:		
– Other income	**2,629**	6,668
– Other expense	**(2,236)**	(5,566)
– Tax expense	**(3,030)**	(1,975)
Consolidated profit for the year	**9,915**	6,496
Assets		
Total assets for reportable segments	**356,900**	318,708
Elimination of inter-segment assets	**(104)**	(667)
Other unallocated amounts	**10,438**	16,184
Consolidated total assets	**367,234**	334,225
Liabilities		
Total liabilities for reportable segments	**265,440**	233,632
Elimination of inter-segment liabilities	**(10,253)**	(5,978)
Other unallocated amounts	**13,113**	14,465
Consolidated total liabilities	**268,300**	242,119

	Reportable segment total $'000	Unallocated amounts $'000	Consolidated total $'000
Other material items 2016			
Interest income	**179**	**15**	**194**
Unwinding of discount on retention monies	**732**	**–**	**732**
Interest expenses	**(3,060)**	**–**	**(3,060)**
Capital expenditure	**(12,272)**	**(2)**	**(12,274)**
Depreciation and amortisation	**(14,448)**	**(45)**	**(14,493)**
Other material items 2015			
Interest income	1,208	1,256	2,464
Unwinding of discount on retention monies	160	–	160
Interest expenses	(1,914)	–	(1,914)
Capital expenditure	(2,849)	(45)	(2,894)
Depreciation and amortisation	(6,839)	(43)	(6,882)

NOTES TO THE ***FINANCIAL STATEMENTS***

35. SEGMENT REPORTING (CONT'D)

Geographical segments

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

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

Geographical information

	Revenue		Non-current assets	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Continuing Operations				
Singapore	**–**	–	**71**	111
China	**222,780**	61,657	**52,495**	52,604
Bangladesh	**1,094**	105	**–**	–
India	**70**	17	**–**	–
	223,944	61,779	**52,566**	52,715
Discontinued Operations				
Australia	**15,177**	33,702	**–**	19,287
Vietnam	**10,888**	20,870	**–**	6,536
	26,065	54,572	**–**	25,823
Total	**250,009**	116,351	**52,566**	78,538

Major customers

Revenue from two (2) customers of the Infrastructure segment (2015: one (1) customer of the Mining Services segment and one (1) customer of the Infrastructure segment) represents approximately 40% (2015: 23% and 11%) of the Group's total revenue.

36. SUBSEQUENT EVENTS

The disposal of the 81% equity interest in Mancala Holdings Limited and Mancala Holdings Pty Ltd and its subsidiaries (notes 14 and 26) was completed on 28 February 2017. Following the completion of the transactions, these entities cease to be subsidiaries of the Company. The remaining equity interest in Mancala Holdings Limited will be recognised at fair value as available-for-sale financial assets. Based on preliminary assessment, the Group has estimated the gain on disposal of the discontinued operations to be approximately $800,000 taking into account the CVT consideration share measured at the market value on date of completion. Actual results may differ from the preliminary estimates when the Group obtains additional financial information. Subsequent to initial recognition, the value of the CVT shares is subject to further changes due to fluctuations in its market price.

In March 2017, the Group struck off its wholly-owned subsidiary, Sapphire Mineral Resources Pte. Ltd., as part of the corporate restructuring plan to exit the non-core business.

SHAREHOLDINGS ***STATISTICS***

AS AT 20 MARCH 2017

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 20 MARCH 2017

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	927	11.28	34,521	0.01
100 – 1,000	1,955	23.79	913,374	0.28
1,001 – 10,000	4,019	48.90	15,901,637	4.88
10,001 – 1,000,000	1,297	15.78	65,451,346	20.09
1,000,001 AND ABOVE	21	0.25	243,496,464	74.74
TOTAL	**8,219**	**100.00**	**325,797,342**	**100.00**

TWENTY LARGEST SHAREHOLDERS AS AT 20 MARCH 2017

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	OCBC SECURITIES PRIVATE LTD	96,587,601	29.65
2	UOB KAY HIAN PTE LTD	67,438,532	20.70
3	HSBC (SINGAPORE) NOMINEES PTE LTD	11,999,999	3.68
4	NIPPON PAINT (SINGAPORE) COMPANY PRIVATE LIMITED	8,632,111	2.65
5	TEH WING KWAN	7,018,304	2.15
6	PHILLIP SECURITIES PTE LTD	6,184,845	1.90
7	SICHUAN SHUNTONG MINE INDUSTRY GROUP LTD	6,051,388	1.86
8	DBS NOMINEES PTE LTD	5,500,110	1.69
9	CITIBANK NOMINEES SINGAPORE PTE LTD	4,848,127	1.49
10	MAYBANK KIM ENG SECURITIES PTE LTD	4,686,157	1.44
11	RAFFLES NOMINEES (PTE) LTD	3,956,523	1.21
12	LOKE GIM TAY	3,788,066	1.16
13	UNITED OVERSEAS BANK NOMINEES PTE LTD	3,242,954	1.00
14	JAMES KOH JYH GANG	2,148,919	0.66
15	OCBC NOMINEES SINGAPORE PTE LTD	2,057,221	0.63
16	CIMB SECURITIES (SINGAPORE) PTE LTD	1,960,542	0.60
17	ZHANG ZHIHU	1,958,333	0.60
18	DBSN SERVICES PTE LTD	1,866,666	0.57
19	NIPPON PAINT (H.K.) COMPANY LIMITED	1,486,700	0.46
20	CHEONG WEE HUP	1,083,333	0.33
	TOTAL	**242,496,431**	**74.43**

SHAREHOLDINGS ***STATISTICS***

AS AT 20 MARCH 2017

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Best Feast Limited	91,171,293	27.98	–	–	91,171,293	27.98
Cheng Du Wu Xing Ke Trading Limited(1)	–	–	91,171,293	27.98	91,171,293	27.98
Ms Wang Heng(2)	–	–	91,171,293	27.98	91,171,293	27.98
Ou Rui Limited	56,523,667	17.35	–	–	56,523,667	17.35
Mr Li Xiaobo(3)	–	–	56,523,667	17.35	56,523,667	17.35

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 20 March 2017 approximately 51% 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 20 March 2017.

The Company does not have any subsidiary holdings as at 20 March 2017.

NOTICE OF ANNUAL *GENERAL MEETING*

NOTICE IS HEREBY GIVEN that the Thirty First Annual General Meeting of **SAPPHIRE CORPORATION LIMITED** (the "**Company**") will be held at 55 Market Street, #03-01, Singapore 048941 on Wednesday, 26 April 2017 at 11 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 2016 together with the Reports of the Auditors thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of $256,820 for the year ended 31 December 2016 (2015: $255,710) comprising:

   (a) $166,210 to be paid in cash; and
   (b) $90,610 to be paid in the form of share awards under the Sapphire Shares Award Scheme, with any residual balance to be paid in cash.

   [See Explanatory Note (i)] **(Resolution 2)**

3. (a) To re-elect Mr Duan Yang, Julien who retires pursuant to Regulation 88 of the Company's Constitution and who, being eligible, offers himself for re-election.

   [See Explanatory Note (ii)] **(Resolution 3)**

   (b) To re-elect Mr Lim Jun Xiong, Steven who retires pursuant to Regulation 89 of the Company's Constitution and who, being eligible, offers himself for re-election.

   [See Explanatory Note (iii)] **(Resolution 4)**

   (c) To re-elect Mr Fong Heng Boo who retires pursuant to Regulation 89 of the Company's Constitution and who, being eligible, offers himself for re-election.

   [See Explanatory Note (iv)] **(Resolution 5)**

   (d) To note the retirement of Mr Teo Cheng Kwee, retiring pursuant to Regulation 89 of the Company's Constitution and who has decided not to stand for re-election.

4. To re-appoint KPMG LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

5. 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:

6. Authority to allot and issue shares in the capital of the Company ("**Shares**") – 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 SGX-ST, authority be and is hereby given to the Directors of the Company to:

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

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

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

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

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and convertible securities to be issued pursuant to this Resolution shall not exceed fifty percent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to the shareholders of the Company shall not exceed twenty percent (20%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as at the time of passing of this Resolution);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares and convertible securities that may be issued under sub-paragraph (1) above on a pro-rata basis, the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

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

   (b) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual of the SGX-ST; and

   (c) any subsequent bonus issue, consolidation or subdivision of Shares.

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST as amended from time to time (unless such compliance has been waived by the SGX-ST) and the Constitution; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting is required by law to be held, whichever is the earlier."

[See Explanatory Note (v)] **(Resolution 7)**

7. Authority to Grant Awards and Issue Shares under the Sapphire Shares Award Scheme

   "That in accordance with the provisions of the Sapphire Shares Award Scheme ("**Scheme**") and pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, the Directors of the Company be and are hereby authorised to grant awards ("**Awards**") and allot and issue from time to time such number of shares in the capital of the Company as may be required to be allotted and issued pursuant to the vesting of Awards under the Scheme, provided that the aggregate number of new shares to be allotted and issued pursuant to the Scheme and any other shares based schemes of the Company shall not exceed fifteen percent (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time."

   [See Explanatory Note (vi)] **(Resolution 8)**

8. To transact any other business that may be transacted at an Annual General Meeting of which due notice shall have been given.

By Order of the Board

Gwendolyn Gn Jong Yuh
Company Secretary
Singapore, 11 April 2017

NOTICE OF ANNUAL ***GENERAL MEETING***

NOTES:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Act, a member is entitled to appoint not more than two (2) proxies to attend, speak and vote at the meeting where a member appoints more than one (1) proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.

2. A member who is a Relevant Intermediary (as defined in Section 181(1c) of the Act, is entitled to appoint more than two (2) proxies to attend, speak and vote at the AGM. A proxy need not be a member of the Company.

3. The form of proxy in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

4. If the form of proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.

5. If no name is inserted in the space for the name of your proxy on the form of proxy, the Chairman of the Annual General Meeting will act as your proxy.

6. The form of proxy or other instruments of appointment shall not be treated as valid unless deposited at the Share Registrar's office at 80 Robinson Road, #11-02, Singapore 068898 not less than 72 hours before the time appointed for holding the meeting and at any adjournment thereof.

7. For depositors holding their shares through The Central Depository (Pte) Limited in Singapore, the depositor proxy form, duly completed, must be deposited by the depositor(s) at the Share Registrar's office at 80 Robinson Road, #11-02, Singapore 068898 not less than 72 hours before the commencement of the Annual General Meeting.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Explanatory Notes:

(i) The Ordinary Resolution 2 proposed in item 2 above, if passed, will empower the Directors, to pay the Directors' fees of $256,820 for the financial year ended 31 December 2016 comprising a combination of cash and shares. If approved, the aggregate amount of Directors' fees of $256,820 will be paid as to $166,210 in cash, and $90,610 in the form of share awards under the Scheme with any residual balance to be paid in cash. The actual number of shares to be awarded will be rounded down to the nearest share, and any residual balance settled in cash.

(ii) Further to the re-election of Mr Duan Yang, Julien pursuant to Ordinary Resolution 3, he will continue to serve as a member of the Audit and Risk Committee and a member of the Remuneration Committee of the Company and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

(iii) Further to the re-election of Mr Lim Jun Xiong, Steven pursuant to Ordinary Resolution 4, he will continue to serve as Chairman of the Board, Chairman of the Nominating Committee, a member of the Audit and Risk Committee and a member of the Remuneration Committee of the Company and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

(iv) Further to the re-election of Mr Fong Heng Boo pursuant to Ordinary Resolution 5, he will continue to serve as Chairman of the Audit and Risk Committee, member of the Nominating Committee and member of the Remuneration Committee of the Company and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

(v) The Ordinary Resolution 7 proposed in item 6 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 7 is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

(vi) The Ordinary Resolution 8 proposed in item 7 above, if passed, will empower the Directors of the Company, to grant Awards pursuant to the Scheme and 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 extraordinary general meeting on 25 April 2008. Please refer to the Circular dated 9 April 2008 for further details.

SAPPHIRE CORPORATION LIMITED

Company Registration No. 198502465W

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "**Act**"), Relevant Intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their CPF monies to buy shares in the Company ("**CPF Investors**"), this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies or the appointment of their Agent Banks as proxies for the Annual General Meeting.

PERSONAL DATA PROTECTION ACT CONSENT

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms and set out in the Notice of Annual General Meeting dated 11 April 2017.

I/We, ______________________________ (name)

of ______________________________ (address)

being a member/members of **Sapphire Corporation Limited** (the "**Company**"), hereby appoint:

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing which, the Chairman of the meeting as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the 31st Annual General Meeting ("**AGM**") of the Company to be held at 55 Market Street, #03-01, Singapore 048941 on Wednesday, 26 April 2017 at 11.00 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	Ordinary Resolutions relating to:	Number of Votes For*	Number of Votes Against*
1.	To receive and adopt the Directors' Statement and Audited Financial Statements, and Report of the Auditors thereon, for the financial year ended 31 December 2016		
2.	To approve the payment of Directors' fees for the financial year ended 31 December 2016		
3.	To re-elect Mr Duan Yang, Julien as a Director of the Company		
4.	To re-elect Mr Lim Jun Xiong, Steven as a Director of the Company		
5.	To re-elect Mr Fong Heng Boo as a Director of the Company		
6.	To re-appoint KPMG LLP as the Company's Auditors and to authorise the Directors to fix their remuneration		
7.	To authorise the Directors to allot and issue new shares		
8.	To authorise the Directors to grant awards and issue shares under the Sapphire Shares Award Scheme		

* If you wish to exercise your entire votes "For" or "Against", please mark an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ________ day of ______________ 2017

Total Number of Shares Held

____

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 (the "**Act**"), a member is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting ("**AGM**"). Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.

2. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

3. A proxy need not be a member of the Company.

4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.

5. The instrument appointing a proxy or proxies must be deposited at the Company's Share Registrar's office at **80 Robinson Road #11-02, Singapore 068898**, not less than **72 hours** before the time set for the AGM.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.

7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

9. Investors who have used their CPF monies ("**CPF Investors**") to buy shares in the Company may attend and cast their vote at the meeting in person. CPF Investors who are unable to attend the meeting but would like to vote, may inform CPF Approved Nominees to appoint the Chairman of the meeting to act as their proxy, in which case, the CPF Investor shall be precluded from attending the meeting.

GENERAL:

The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the AGM.

PERSONAL DATA PRIVACY:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any AGM laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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CORPORATE INFORMATION

BOARD OF DIRECTORS
Mr Lim Jun Xiong, Steven (Chairman)
Mr Teh Wing Kwan
(Group Chief Executive Officer and Managing Director)
Mdm Cheung Kam Wa, Emma
(Chief Operating Officer)
Ms Wang Heng
Mr Cheung Wai Suen
Mr Fong Heng Boo
Mr Tao Yeoh Chi
Mr Yang Jian
Mr Duan Yang, Julien

AUDIT AND RISK COMMITTEE
Mr Fong Heng Boo (Chairman)
Mr Lim Jun Xiong, Steven
Mr Tao Yeoh Chi
Mr Duan Yang, Julien

NOMINATING COMMITTEE
Mr Lim Jun Xiong, Steven (Chairman)
Mr Teh Wing Kwan
Mr Tao Yeoh Chi
Mr Fong Heng Boo
Ms Wang Heng

REMUNERATION COMMITTEE
Mr Tao Yeoh Chi (Chairman)
Mr Lim Jun Xiong, Steven
Mr Fong Heng Boo
Mr Yang Jian
Mr Duan Yang, Julien

STRATEGY COMMITTEE
Mr Teh Wing Kwan
Ms Wang Heng
Mr Cheung Wai Suen
Ms Yang Li Jun (non-board member)

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

COMPANY SECRETARY
Gn Jong Yuh Gwendolyn

REGISTERED OFFICE
1 Robinson Road #17-00
AIA Tower
Singapore 048542
Tel: 6535 1944
Fax: 6535 8577

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

AUDITORS
KPMG LLP
Public Accountants and Chartered Accountants
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581

PARTNER-IN-CHARGE
Lee Jee Cheng Philip
(Partner from Financial Year Ended 2013)

PRINCIPAL BANKER
China Citic Bank International Limited
8 Marina View
#28-02 Asia Square Tower 1
Singapore 018960

Sapphire Corporation Limited
Registration No.: 198502465W

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