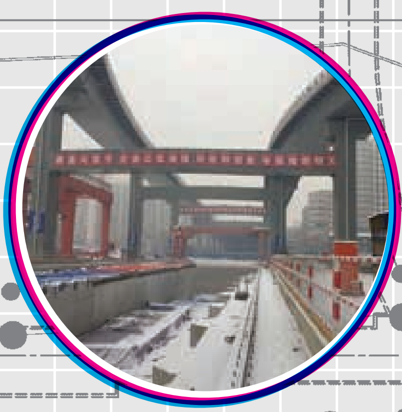
SAPPHIRE

盛世企业



ENGINEERED FOR GROWTH

ANNUAL REPORT

2018

CONTENTS

CORPORATE PROFILE

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

Sapphire is incorporated in Singapore and has been listed on the Mainboard of the Singapore Exchange since 1999. The Group owns a 100% stake in China-based EPC business Ranken 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 urban rail transport infrastructure groups in China. Ranken holds full Triple-A qualifications and licences for design, supervision, construction and project consultation in the urban rail sector. Ranken's expertise includes civil engineering works for metro lines, urban rail transit, expressways, roads and bridges as well as water conservancy and environmental projects. Its track record includes major infrastructure projects in China and South Asia.

In 2018, Ranken was awarded "Top 50 Private Enterprises in Wuhou District" and "Top 100 Private Enterprises in Chengdu".

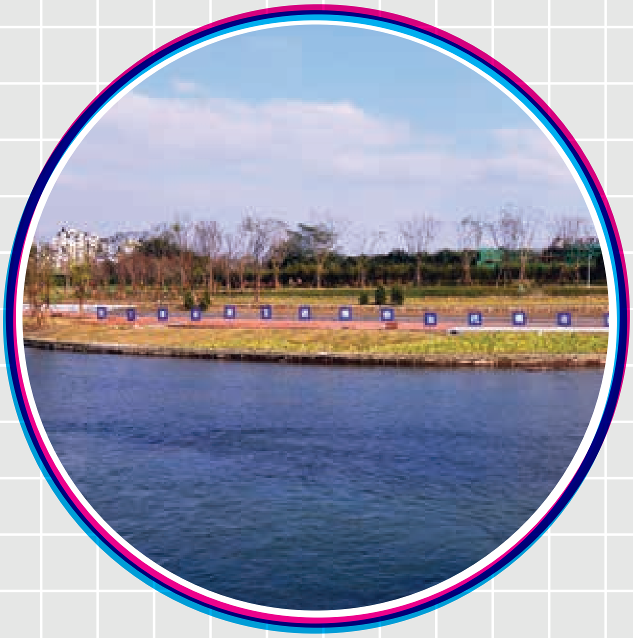
盛世股份有限公司(以下简称"盛世"或"盛世集团")是一家投资管理和控股公司，其经营模式与目前中国城市化趋势保持一致。集团主要从事与中国陆地交通基础设施和水利环保项目相关的工程、采购和建设("EPC")业务。

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

成立于1998年，中铁隆在香港注册，总部设在成都。它是一家成熟的EPC公司，同时也是中国最大的民营城市轨道交通建设集团之一。中铁隆拥有城市轨道交通行业相关的设计、监理，建设和咨询的AAA资质和执照。中铁隆擅长地铁、城市轨道交通、高速公路、公路桥梁以及水利和环境工程方面的项目。它在中国和南亚的重大基础设施项目中都有着良好的业绩记录。

2018年中铁隆被评为"武侯区民营企业50强"、"成都市百强民营企业"。

CORPORATE DEVELOPMENT



KEY CORPORATE MILESTONES

APRIL 2018

- Strategic collaboration with Haitong International Securities Group (Singapore) Co., Ltd
- Appointment of New Independent Directors, Professor Chew Yong Tian
- Ranken awarded Chengdu Mayor Quality Nomination Prize (成都市市长质量提名奖)

NOVEMBER 2018

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

DECEMBER 2018

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

CORPORATE TRANSFORMATION

MARCH 2016

- Appointment of Ms Wang Heng and Mr Cheung Wai Suen as Executive Directors; their extensive experience in the engineering and construction sector is expected to benefit the Group

NOVEMBER 2016

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

DECEMBER 2016

- Signs SPA for disposal of 81% stake in Mancala (completed in February 2017)
- FY2016 Full Year Results – Secured RMB1.7 billion worth of contracts. Posts Profit of RMB 46.8 million (announced in February 2017)

2018 2017 2016 2015

MAY 2017

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

AUGUST 2017

- Ranked certified as High-Tech Enterprise by Sichuan Competent Authorities

DECEMBER 2017

- Appointment of New CEO, Ms. Wang Heng
- Appointment of New Independent Directors, Mr. Oh Eng Bin and Mr. Zhai Guiwu
- Growing Multinational Enterprise Award conferred by Chengdu Government
- FY2017 Full Year Results – Secured RMB2.2 billion worth of contracts. Posts Profit of RMB31.8 million (revised in FY2018 due to accounting standards changes)

SEPTEMBER 2015

- EGM – Obtained shareholders' approval for Acquisition of Ranken

OCTOBER 2015

- Completion of Acquisition of Ranken

DECEMBER 2015

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

FINANCIAL HIGHLIGHTS

REVENUE (RMB'000)

2018	**1,796,982**
2017#^	1,308,719
2016#	1,078,209
2015#	282,052
2014*	282,276

GROSS PROFIT (RMB'000)

2018	**133,989**
2017#^	153,554
2016#	131,136
2015#	32,356
2014*	71,144

PROFIT (RMB'000)

2018	**16,364**
2017^	31,775
2016	46,834
2015	29,534
2014	666

SHAREHOLDERS' FUNDS (RMB'000)

2018	**505,917**
2017^	500,003
2016^	468,311
2015	414,693
2014	340,683

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

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

* Excludes discontinued Steel Business.

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Sapphire Corporation Limited ("Sapphire" or "the Group") for the financial year ended 31 December 2018 ("FY2018").

Since the Group exited its legacy steel business, we have been focused in broadening the business model of our engineering, procurement and construction ("EPC") business to tap opportunities in new and adjacent growth platforms aligned towards China's macro urbanisation trends and environmental policies under the country's 2016-2020 13th Five-Year Plan.

As an established integrated infrastructure design and construction group in China, we have also taken significant steps forward in our business model with a two-prong strategy to tap new business opportunities as follows:

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

Adopting this two-prong strategy, we have achieved encouraging progress in FY2018 and I shall leave it to our Executive Director and Chief Executive Officer, Ms Wang Heng, to share more details in the next few pages.

Recognising that our strategy to target larger-scale projects will require the Group to have more financial resources, we have explored various means of fundraising. For now, an equity fundraising option is more favorable to the Group. Hence, on 30 December 2018, the board has decided to propose a non-renounceable non-underwritten rights issue ("Rights Issue").

With a larger equity base and stronger financial position, we will have the financial flexibility to continue our growth momentum by seizing new business opportunities related to our two-prong strategy.

REVIEW OF FY2018 FINANCIAL PERFORMANCE

In FY2018, we continued our unbroken streak of year-on-year revenue growth, which grew 37.3% to a record revenue of RMB1.8 billion in FY2018. This exemplified our ability in project execution as well as taking advantage of evolving market trends.

While revenue increased significantly during FY2018, the Group's gross profit in FY2018 was affected mainly due to 3 key reasons as follows:

(i) the fluctuations in raw material costs including cement, construction sand, steel, etc, as new government directives were issued to limit production so as to reduce pollution and environmental impact;

(ii) the increase in labour cost due to the higher wages for new employees to replace retired employees as well as inflationary pressures;

(iii) delays during construction due to higher frequency of environmental supervision as a result of higher environmental standards imposed by the regulatory bodies.

各位股东：

我很荣幸代表董事会全体董事，提交盛世集团2018年度的年度报告和经审计的财务报表。

自盛世退出传统钢铁业务以来，我们一直致力于拓展城市基础设施建设EPC业务，在符合中国2016-2020“十三五”规划的城镇化宏观趋势和环境政策下，发展新的业务增长平台。

2018年，作为一家在中国设立的综合性基础设施设计和建设集团，我们在业务模式拓展上迈出了重要的一步，制定了双主业发展战略，旨在发掘新的商机。双主业战略下，集团的业务将包括：

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

在2018年度，我们的双主业战略取得了令人鼓舞的进展。在后文中，我们的首席执行官和执行董事王恒女士将为我们分享介绍更多的细节。

集团的战略目标是竞标更大规模的项目，这要求集团拥有更多的财务资源。我们考虑了各种融资方式，目前看来，股权融资是对集团更为合适的融资方式，为此，我们在2018年12月30日宣布了进行供股。更大的股本基础和更强的财务实力将使我们拥有足够的财务灵活性，集团将在双主业的发展战略下寻求新商机，保持持续增长。

2018年度财务业绩回顾：

2018年度，集团营收同比继续实现增长，全年增幅达到37.3%，营收为人民币18亿元，创历史新高。这证明了公司在项目执行和判断市场趋势方面的能力。

虽然2018财年收入大幅增长，但影响集团2018财年毛利的主要原因有3个：

i）原材料成本上升。为了减少污染和环境影响，政府出台限制性生产政策，使得水泥、建筑用砂、钢材等原材料成本产生波动；

ii）劳动力成本上升。施工工人年龄逐渐老化，新一代工人工资要求较高，加之通货膨胀压力，造成劳动力成本增加；

iii）由于监管机构实施的环保标准提高，环境监管频率提高，造成建设工期延误。

CHAIRMAN'S MESSAGE

The Group's selling and distribution costs rose by RMB1.8 million to RMB10.5 million due to higher travelling expenses in FY2018. Administrative expenses rose marginally by RMB1.4 million to RMB58.1 million in FY2018 as staff expenses increased more than the decline in corporate expenses during the year.

The Group's finance costs decline in FY2018 due to lower interest expense incurred in relation to bank loans and financial institution and corporate bond, which was offset by higher interest expense for finance leases.

Overall, the Group registered a net profit attributable to shareholders of approximately RMB16.4 million in FY2018.

Particularly, it was our ongoing focus on operational cashflow – which exceeded RMB206 million in FY2018 – that was a bright spot in our financial performance.

With a conservative financial management policy, the Group's total assets increased to approximately RMB2.2 billion as at 31 December 2018, of which current assets accounted for the majority component at approximately RMB1.8 billion that includes contract assets (RMB980.2 million), trade receivables (RMB379.5 million), other receivables (RMB229.1 million), cash and cash equivalents (RMB203.9 million), inventories (RMB23.4 million) and other investment (RMB5.8 million).

As at end December 2018, the Group's total liabilities increased to approximately RMB1.7 billion, which was mainly due to the increase in trade payables, other payables and financial liabilities.

As at 31 December 2018, the Group's shareholders' equity increased to approximately RMB505.9 million, while net asset value per share stood at RMB155.2 cents.

More details of the Group's Audited Financial Statements for FY2018 can be found within this annual report.

BOARD AND EXECUTIVE CHANGES

We continue to recruit and bring in new talents to enhance the Group's skillset and capabilities, which will be extremely helpful to our future plans as we move forward. During the year, we welcome some new additions to our executive team and board of directors as follows:

- Dr Ding Rui was appointed as Chief Technical Officer of the Group on 28 February 2018;
- Doctor Chew Yong Tian was appointed as Independent Non-Executive Director of the Company and Member of the Nominating Committee with effect from 30 April 2018;
- Mr Foo Yong How was appointed as Chief Corporate Officer of the Group on 28 June 2018.

Separately, as announced previously during FY2018, Mr Teh Wing Kwan, Non-Independent Non-Executive Director of our Company, and Mdm Cheung Kam Wa, Chief Operating Officer of the Group, have stepped down from their respective roles in the Company.

Please join me in giving thanks to both of them for their professionalism and dedication during their tenure in our Company. We wish them the best in their future endeavors.

NOTE OF APPRECIATION

It has been amazing to see the complex infrastructure projects that our team has accomplished during the year and it would not have been possible without the collective teamwork, dedication, and passion of our management and employees.

We have undertaken a strategy to enhance our business model and we are looking to collaborate with industry leaders in our targeted markets to deepen our business presence and extend our track record.

We truly believe that our focus on partnership and collaboration will enable the Group to tap more opportunities from China's macro urbanisation trends and environmental policies. I couldn't be more excited about the future and what we can achieve together in the journey ahead.

CHEUNG WAI SUEN
Executive Chairman

2018财年差旅费上涨，集团销售和分销成本增加人民币180万元，至人民币1050万元。2018财年，管理费用微增人民币140万元，至人民币5810万元，其中员工费用增幅大于公司费用降幅。

2018财年集团融资成本下降，银行贷款、融资公司、公司债券利息支出下降，抵消了融资租赁利息支出的上升。

2018财年集团股东应占净利润约人民币1640万元。

特别是我们持续关注的运营现金流—2018财年超过人民币2.06亿元—这是我们财务业绩中的一个亮点。

在保守的财务管理原则下，2018年12月31日集团总资产增至约人民币22亿元，其中流动资产占大多数，大约为人民币18亿元，包括合同资产(9.802亿)、应收账款(3.795亿)、其他应收款(2.291亿)、现金和现金等价物(2.039亿)、存货(2340万)和其他投资(580万)。

截至2018年12月底，集团总负债近17亿元，主要是贸易应付款、其他应付款和金融负债增加所致。

截至2018年12月31日，集团股东权益增至约人民币5.059亿元，每股净资产为人民币1.552元。

关于集团2018财年经审计财务报表的更多细节，请参阅本年度报告。

董事会及管理人员变动

集团发展需要新鲜血液，新成员的加入能为我们带来新的思路、新的经验和技能，帮助集团更好地走向未来的发展。我们欢迎新成员加入我们的董事会和管理团队，主要包括：

- 丁睿博士于2018年2月28日被任命为集团首席技术官；
- 周永祥博士被任命为公司独立非执行董事和提名委员会成员，自2018年4月30日起生效；
- 符永澔先生于2018年6月28日被任命为集团首席企业官。

此外，正如先前在2018财政年度所宣布，本公司非独立非执行董事郑永权先生及集团首席营运官张锦华女士已分别辞去在本公司的职务。

让我们一起感谢他们在集团工作期间的敬业精神和奉献精神。祝愿他们在未来的努力中一切顺利。

感谢辞

在过去的一年里，我们的团队完成了许多复杂的基础设施项目，这是令人惊叹的。如果没有我们管理层和员工的集体合作、奉献和激情，这一切都是不可能的。

我们已经加强了我们的商业模式，我们希望能够与目标市场的行业领导者合作，在扩大我们的市场份额的同时，提升业务经验。

我们坚信，通过集团自身努力及加强与相关行业领军企业的合作，将使集团从中国宏观城市化趋势和环境政策中获得更多机遇，使我们得以在未来的旅程中取得令人欣喜的成就。

张伟瑄
执行主席

CEO'S REVIEW

DEAR SHAREHOLDERS,

Over the past year, the trade spat between China and the United States threatens to slow the Chinese economy.

With external demand growth being hindered, the Chinese government has ordered policies and resources to give a broad-based boost to domestic consumption and infrastructure investments.

In addition, we are seeing more government support towards the growth of Chinese private enterprises that includes the reduction of the tax, prioritising financing needs, enabling a level playing field and improving policy execution.

With a renew focus towards domestic infrastructure construction investments and more initiatives to boost private sector development, we strongly believe that Sapphire will be well-positioned to benefit from these macro trends given that our EPC business, Ranken Infrastructure Limited ("Ranken"), is one of China's largest private urban rail engineering companies.

As highlighted by our Executive Chairman earlier, our two-prong strategy is aligned with the urbanisation trends and environmental policies under China's 2016-2020 13th Five-Year Plan.

As a testament to our business strategy and efforts, I am pleased to share the following recent milestones achieved:

– The Group secured new large-scale subway infrastructure construction contract of RMB436 million;

– The Group won a RMB64 million water treatment upgrading project which added to our growing track record of city water environmental projects in China;

– The Group and our consortium partners secured a Public-Private-Partnership ("PPP") Project in Chengdu which marks the Group's maiden participation in a PPP Project as a 25% stakeholder; and

– The Group was awarded the EPC contract of RMB832 million related to our PPP Project in Chengdu and this was the largest single contract win by the Group in recent years.

While the projects we are pursuing are of bigger scale under this two-prong strategy, we balance our risks and opportunities together with well-known industry partners whom bring their own industry expertise, technical knowledge and financial resources to these projects.

Henceforth, the Group will be able to strengthen our business foundation and create new revenue streams that delivers long-term competitive advantages and sustainable growth.

BROADENING OUR OPPORTUNITIES IN URBAN RAILWAY TRANSIT RELATED PROJECTS

Over the past 10 years, China's urbanisation has accelerated the growth and expansion of its urban railway transportation system, which has become one of the most popular and convenient mode of transport.

China's railway transportation system comprised of city subway lines, light rail, municipal rapid rail and high-speed railway. Currently, these four key networks of China's railway transportation system are built and managed separately, hence there is a lack of coordination and planning.

各位股东：

过去的一年里，中美贸易战逐渐威胁到了中国的经济发展。

由于外部需求增长受到阻碍，中国政府已下令出台政策、提供资源，全面刺激国内消费和基础设施投资的发展。

此外，我们看到政府对中国民营企业的增长给予了更多的支持，包括减税、优先考虑融资需求、创造公平的竞争环境和改善执行政策等。

我们的EPC业务--中铁隆工程建设有限公司（"中铁隆"）是中国最大的私营城市轨道建设公司之一，随着对国内基础设施建设投资的重新关注，以及更多促进民营公司发展举措的出台，我们坚信盛世将很好地从这些宏观趋势中受益。

正如刚才执行主席强调的那样，我们"双主业"的战略符合中国2016-2020年"十三五"规划的城镇化趋势和环境保护政策。

为了检验我们的商业战略和努力成果，我很高兴与大家分享我们最近取得的一些成就：

– 集团获得人民币4.36亿元的大型地铁基础设施建设合同；

– 集团赢得人民币6,400万元的污水处理项目，在公司不断增长的水处理项目业绩中又增添了一笔；

– 集团与合作伙伴在成都获得公私合营（PPP）项目，标志着集团首次以25%的股东身份参与PPP项目建设；

– 集团获得了与成都PPP项目相关的人民币8.32亿元EPC合同，这是集团近年来获得的最大单笔合同。

我们在"双主业"战略下推行的项目规模都很大，与业内知名的伙伴合作将有助于平衡我们的风险与商业机会。我们的合作伙伴也会将自己的行业专长、技术知识和财务资源引入到了这些项目中。

由此，我们将会继续加强我们的业务基础，创造新的收入来源，发挥长期竞争优势，寻求可持续增长。

发掘城市铁路运输项目相关的机遇

近10年来，中国城市化进程加快了城市铁路运输体系的发展壮大，铁路运输已成为最受欢迎、最便捷的交通方式之一。

中国的铁路运输系统由城市地铁、轻轨、城市快轨和高速铁路组成。目前，中国铁路运输系统的四大关键网络是分开建设和管理的，缺乏协调和规划。

To adapt to the growing needs of urbanisation, the Chinese government is encouraging the integration of the four key rail networks to create faster response, new synergies and cost efficiencies so as to provide commuters with ease of transportation and better user experience.

With the progressive integration of the four key rail networks, it is projected that there will be higher levels of utilisation rates, thereby increasing user dependency on this transportation system. As a result, there will be more investments in railway infrastructure construction, which lead to new opportunities in the market in which we operate.

On this front, Ranken is continuing its efforts to strengthen its business presence in this area through the EPC business or PPP model.

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

Nevertheless, we will continue to deepen our business presence in existing markets and at the same time, expand our outreach to new key geographical markets in China.

In recent years, we also have observed the concept of Transit-Oriented Development ("TOD") – a strategy that promotes dense, mixed-use, and walkable development near transit stations – that has gained momentum in urban cities in China due to road congestion, air pollution and traffic safety issues.

Through overall planning of transportation and the development of land resources, as well as the integration of different types of land uses, TOD can be an ideal and value added solution, and is able to bring a win-win situation for the government, urban rail transit companies, investors and citizens.

Many cities in China with urban rail transit projects have the intentions to develop TOD along with their urban rail transit development plans.

This is particularly evident in Chengdu, where Ranken's headquarters is located, the local authorities are initiating 13 demonstration TOD working projects within 2 years, which are expected to amount to RMB hundreds of billions of investments.

With a sterling track record in Chengdu, Ranken's design, construction, supervision, information management system and engineering capabilities in urban railway construction are recognised and trusted by the local state-owned railway companies and local authorities.

On top of our commitment in expanding our EPC business presence, we are focused in tapping new business opportunities in the TOD area.

Since October 2018, Ranken's design institute has been involved in the design of three TOD projects. This marks a good start to our venture in TOD market as we set our sights in this niche high-growth area.

In Asia, the TOD model has been successfully implemented in various cities or countries such as Hong Kong, Taiwan, Singapore and Japan. As such, we are looking to partner with established companies in the TOD market to explore more opportunities together in China, particularly in Chengdu.

HUGE POTENTIAL IN THE PPP PROJECTS RELATED TO ENVIRONMENTAL CONSERVATION AND WATER ENVIRONMENTAL IMPROVEMENT PROJECTS IN CHINA

In FY2017, the Group clearly outlined the environmental conservation and water environmental improvement market in China as another key aspect of our business model.

After years of heavy industrialisation, China's environmental challenges are nearing a tipping point. On the back of increasingly stringent environmental protection regulations in China, investments in environmental conservation and water environmental improvement projects in China is expected to reach RMB3.3 trillion under China's 13th Five-Year Plan.

为适应日益增长的城市化需求，中国政府正在鼓励四大关键铁路网的整合，以创造更快的反应速度、新的协同效应和成本效益，为通勤者提供更便捷的交通和更好的用户体验。

随着四个主要铁路网的逐步整合，预计会有更高的使用率，从而增加用户对这一运输系统的依赖。因此，铁路基础设施建设将有更多的投资，这将为我们经营的市场带来新的机遇。

在这方面，中铁隆正继续努力，通过EPC业务或PPP模式加强其在该领域的业务存在。

值得注意的是，中铁隆在中国18个城市拥有城市铁路基础设施项目的业绩，就参与项目地域而言，在中国城市铁路基础设施建设的私营企业中稳居首位。

除此之外，我们将继续深化现有市场的业务，同时扩大国内其他重要城市的业务范围。

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

通过交通的整体规划和土地资源的开发，以及不同类型土地利用的整合，TOD可以成为一个理想的增值解决方案，能够为政府、城市轨道交通公司、开发商和市民带来双赢的局面。

中国许多有城市轨道交通项目的城市，在制定城市轨道交通发展规划的同时，都在计划推行TOD。

这一点在中铁隆总部所在的成都尤为明显，当地政府正在启动13个TOD示范工作项目，预计将在两年内投入数千亿人民币。

中铁隆在成都有着良好的业绩，其在城市铁路建设的设计、施工、监理及信息化工程能力得到了当地地铁公司和地方政府的认可和信任。

在我们扩大地铁建设EPC业务的基础上，我们也将关注拓展TOD领域的新业务机会。

自2018年10月以来，中铁隆设计院已经参与了三个TOD设计项目。这标志着我们在TOD这一特定业务领域有一个良好的开始。

在亚洲，TOD模式已在香港、台湾、新加坡、日本等多个国家和地区成功实施。因此，我们希望与这些地区有成熟TOD运作经验的公司合作，在中国、尤其是成都共同探索更多的机会。

中国环境保护和污水处理相关的PPP项目潜力巨大

在2017财年，集团明确将中国的环境保护和水环境治理市场作为我们另一业务发展方向。

经过多年的重工业发展，中国的环境挑战日益严峻。在中国环境保护法规执行力度日益严格的背景下，在中国"十三五"规划下，环境保护和水环境改善项目的投资预计将达到3.3万亿元人民币。

CEO'S REVIEW

During FY2017, we entered into strategic partnerships with major Chinese conglomerates and state-owned enterprises, Beijing Enterprises Water Group (北控水务集团有限公司) and China Railway Investment Group (中铁投资集团有限公司) to explore civil engineering and infrastructure projects relating to environmental conservation and water management under the PPP model.

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

On this note, I am especially pleased to share that our strategy and relentless efforts have been validated when we secure our maiden PPP project, together with our well-known consortium partners, during FY2018 for the first phase of Wuhou District, "Liveable River Bank" project in Chengdu, Sichuan Province, China.

With just a small equity investment as a stakeholder in the PPP project, we had the first mover advantage to secure the large EPC contract and operations management contract related to these projects. This strategy culminated to the Group's largest single EPC contract win of RMB832 million in recent years.

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

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

By partnering with local and international partners, this is a further step that aims to open up new promising business opportunities for Sapphire, while strengthening the Group's innovativeness and track record in this industry.

DELIVERING ON OUR PRIORITIES

Despite the ongoing uncertainty in the global economic environment, we enter the new year optimistic about our prospects for growth in China.

Internally, we will concentrate on managing our business activities more efficiently. Stronger coordination drives improved operational and cost efficiencies, leading to higher margin expansion.

We strongly believe that our two-prong strategy will create a bigger boost to our business fundamentals and enable us to continue our track record of growth as we become an even stronger player in China's infrastructure market.

With big ambitions ahead, I remain grateful to our Board of Directors, management team and employees who work cohesively together with our stakeholders to deliver our business priorities.

I want to thank shareholders for your ownership, trust, and support, and I look forward to more corporate milestones that we can achieve together.

Regards,

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

在2017财年，我们与中国大型国有企业--北控水务集团有限公司和中铁投资集团有限公司建立了战略合作伙伴关系，共同探讨PPP模式下，有关环境保护和水资源管理的基础设施项目。

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

在此，我特别高兴地告诉大家，我们的战略和不懈努力已经得到了验证，我们与数家行业内知名企业一起，在2018财年争取到了我们的首个PPP项目--中国四川省成都市武侯区"宜居水岸"项目一期。

作为PPP项目的股东之一，虽然我们只进行了少量的股权投资，但是这让我们得以在取得项目项下的大型EPC合同和运营管理合同方面具有先发优势。由此，集团获得了8.32亿元人民币的大型EPC合同，这也是集团近年来最大金额的EPC合同。

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

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

通过与当地和国际合作伙伴的合作，盛世将会积极寻求新的有前景的商业机会，提高集团在该行业的创新能力。

落实工作重点

尽管全球经济环境仍存在不确定性，但进入新的一年，我们对中国的增长前景仍旧感到乐观。

在内部，我们专注于更有效地管理我们的业务活动。更强的内部协作推动了运营和成本效率的提高，从而带来更高的利润扩张。

我们坚信，随着我们成为中国基础设施市场上更强大的参与者，我们的双主业的战略将对我们的业务基本面产生更大的提振，并使我们能够继续保持增长记录。

我要感谢我们的董事、管理团队和员工，他们怀着远大的抱负，为了公司的利益与相关各方团结一致地工作，才实现了我们的重点业务发展。

我要感谢股东们的信任和支持，我期待着我们共同实现更多的企业目标。

谢谢。

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

BOARD OF DIRECTORS
& KEY EXECUTIVES

MR CHEUNG WAI SUEN
Executive Chairman

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

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

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

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

张伟瑄先生
执行主席

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

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

张先生是中国人民大学法学学士和北京大学光华管理学院工商管理硕士。

张先生于2016年4月27日再次当选为公司董事。

MS WANG HENG
Chief Executive Officer and Executive Director

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

A qualified engineer and technician, Ms Wang started her career with CRB China, where she worked in engineering technology and marketing for almost 10 years before founding Ranken Railway. She has worked in the civil engineering sector for 28 years, and has accumulated a wealth of experience in urban mass transit. She specializes in strategic management, market expansion and resource integration. Under her leadership, Ranken Railway has a presence in 18 cities and ranks among the top Chinese private enterprises in urban rail transit.

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

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

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

王恒女士
首席执行官兼执行董事

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

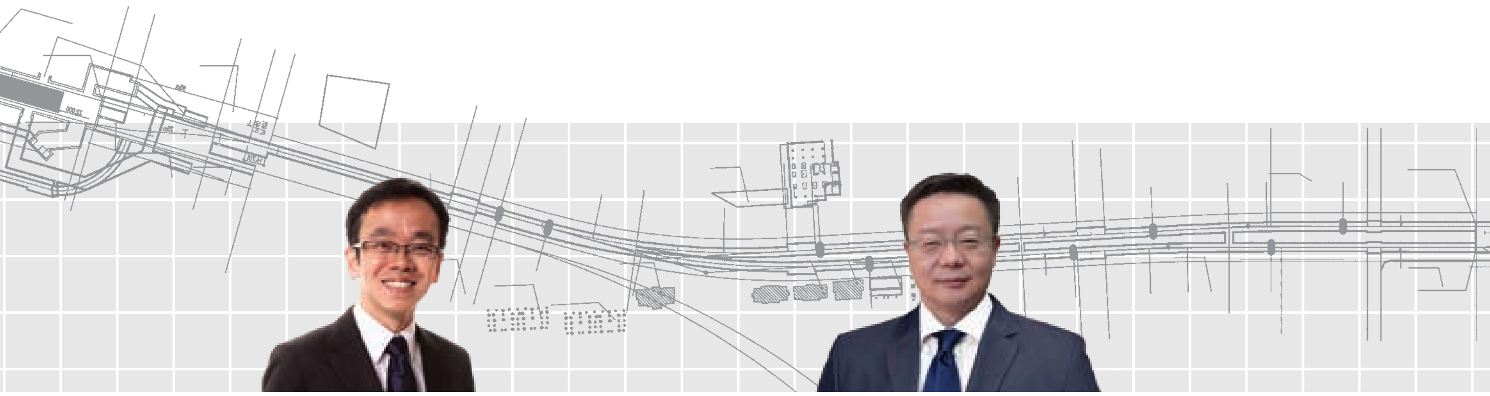
王恒女士是资深工程师和技术员。在加入中铁隆之前，她在中国铁建从事工程技术和市场营销工作将近十年之久。她在土木工程建设领域已有二十八年的工作经历，在城市轨道交通及其关联领域拥有丰富的经验和资源，擅长于战略管理、市场拓展和资源整合。在她的领导下，中铁隆目前已经进入中国18个城市参与城市轨道交通建设，在中国从事城市轨道交通建设的民营企业中名列前茅。

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

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

王恒女士于2018年4月26日再次当选为公司董事。

BOARD OF DIRECTORS
& KEY EXECUTIVES



MR OH ENG BIN
Non-Executive Lead Independent Director

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

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

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

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

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

胡荣明先生
非执行首席独立董事

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

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

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

胡先生持有新加坡国立大学法律学士学位（荣誉），获得新加坡执业律师资格。

胡先生于2018年4月26日再次当选为公司董事。

MR DUAN YANG
Non-Executive Independent Director

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

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

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

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

段杨先生
非执行独立董事

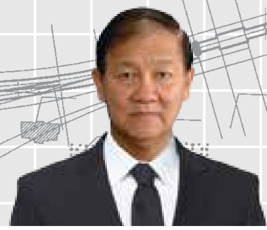
段先生于2017年3月24日获委任为非执行独立董事。

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

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

段先生于2017年4月26日再次当选为公司董事。

BOARD OF DIRECTORS
& KEY EXECUTIVES



MR ZHAI GUIWU
Non-Executive Independent Director

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

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

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

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

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

翟桂武先生
非执行独立董事

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

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

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

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

翟先生于2018年4月26日再次当选为公司董事。

PROFESSOR CHEW YONG TIAN
Non-Executive Independent Director

Prof Chew Yong Tian was appointed to the Board with effect from 30 April 2018.

Prof Chew was an Adjunct Professor at the Faculty of Engineering of the National University of Singapore ("NUS") and a part-time professor at Jiangsu University of Science and Technology. He has taught at universities in Singapore, China and the United States, and has a track record of successful consultancy projects for government bodies and firms in South-east Asia, specialising in wind effects and hydraulic modelling.

Prior to joining the Board, Prof Chew was Deputy Director of the Institute for Engineering Leadership, Head of Department of Mechanical Engineering and Deputy Director at the Office of Research at NUS. He was also President of the Institution of Engineers Singapore and Board Member of the Professional Engineers Board, Singapore. He holds a Master of Engineering from the University of Western Australia and a PhD from Cambridge University.

周永祥教授
非执行独立董事

周永祥教授于2018年4月30日获委任为非执行独立董事。

周教授是新加坡国立大学工程学院的教授，也是江苏科技大学的兼职教授。他曾在新加坡、中国和美国的大学任教，并曾为东南亚的政府机构和企业提供成功的咨询项目，专注研究风力效应和水力模型。

在加入董事会之前，周教授曾任新加坡国立大学工程领导学院副院长、机械工程系系主任和研究室副主任。他还是新加坡工程师学会主席和新加坡专业工程师理事会理事，持有西澳大利亚大学工程硕士学位和剑桥大学博士学位。

BOARD OF DIRECTORS
& KEY EXECUTIVES

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

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

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

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

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

丁睿先生
首席技术官（非董事局成员）

丁先生于2018年02月28日获委任为首席技术官。

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

丁先生曾担任中铁系统技术中心副主任，中铁系统成渝客专指挥部副指挥长。

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

MR FOO YONG HOW
Chief Corporate Officer (Non-Board Member)

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

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

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

符永澔先生
企业首席企业官(非董事会成员)

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

在2018年6月加入本集团前，符先生曾任Wise Torch投资公司的高级董事，也曾担任国际康慧医疗集团（现名为华联力宝医疗保健有限公司）的总经理，协助董事会管理和监督企业运营、财务管理以及市场营销，同时还兼任了部分临时过渡委员会的工作，在新董事被选举任命后，才被暂停了其临时过渡委员会成员的工作职能和权力。

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

BOARD OF DIRECTORS
& KEY EXECUTIVES

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

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

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

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

吴海麒先生
集团首席财务官（非董事局成员）

吴海麒先生于2015年11月23日获委任为首席财务官。

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

吴先生毕业于特许公认会计师公会，是新加坡特许公认会计师公会的会员。

OPERATIONAL AND FINANCIAL REVIEW

Overview

- Continued year-on-year revenue growth of 37.3% to a record revenue of RMB1.8 billion in FY2018.
- The strategic partnership with Beijing Enterprises Water Group ("BEWG") in May 2017, materialised with Ranken and its consortium partners (including BEWG) securing a water treatment and municipal environmental protection PPP project in Chengdu, Sichuan Province, China (the "**Project**") in November 2018.
- The Group invested RMB25 million for 25% shareholding in Chengdu Derun Jinlong Environmental Management Co., Ltd., a company incorporated for the Project in December 2018 and was awarded RMB832 million EPC contract for the Project (announced in January 2019).

Results

	Group 2018 RMB'000	Group 2017 RMB'000
Continuing Operations		
Revenue	1,796,982	1,308,719
Cost of sales	(1,662,993)	(1,155,165)
Gross profit	**133,989**	**153,554**
Other income	9,359	5,886
Selling and distribution costs	(10,545)	(8,795)
Administrative expenses	(58,149)	(56,783)
Impairment loss on trade and other receivables and contract assets	(15,447)	(3,223)
Other expense	(8,634)	(12,177)
Profit from operating activities	**50,573**	**78,462**
Finance costs	(20,421)	(25,673)
Profit before tax	**30,152**	**52,789**
Tax expense	(13,329)	(20,614)
Profit from continuing operations	**16,823**	**32,175**
Discontinued operations		
Operating loss of discontinued operations	–	(3,232)
Net gain on disposal of subsidiaries	–	4,075
Profit from discontinued operations, net of tax	**–**	**843**
Profit for the year	**16,823**	**33,018**
Profit attributable to:		
Owners of the Company	16,364	31,775
Non-controlling interests	459	1,243
Profit for the year	**16,823**	**33,018**

Revenue
Rose by RMB488.3 million to RMB1.8 billion mainly due to continued focus on the execution of ongoing projects.

Gross profit
Fell by RMB19.6 million to RMB134.0 million; overall gross profit margin in FY2018 was 7.5% as compared to 11.7% in FY2017. Gross profit margin was mainly affected by a reversal of revenue due to modification of a build-and-transfer contract, rising costs of construction materials such as cement, construction sand and gravel due to government directives issued to limit production in order to reduce pollution and environment impact as well as the sale of railway sleepers (which commanded lower margins).

Other income
Rose by RMB3.5 million to RMB9.4 million due mainly to fair value gain on financial assets, unwinding of discount for long-term receivables, higher rental income and government grants.

Selling and distribution costs
Rose by RMB1.8 million to RMB10.5 million, due mainly to higher travelling expenses.

Administrative expenses
Rose by RMB1.4 million to RMB58.1 million, due mainly to Ranken's higher staff costs, offset by lower corporate expenses.

Impairment loss on trade and other receivables and contract assets
Rose by RMB12.2 million to RMB15.4 million, mainly due to the receipt of termination letters for two projects in Sri Lanka after the year ended 31 December 2018; and the adoption of SFRS(I) 9, where a forward-looking expected credit loss on all trade and other receivables and contract assets was recorded and none in FY2017.

Other expenses
Fell by RMB3.5 million to RMB8.6 million mainly due to the absence of discount on long-term receivable and fair value loss on financial assets and lower loss on disposal of plant and equipment.

Finance costs
Fell by RMB5.3 million to RMB20.4 million mainly due to lower interest expense incurred for banks and financial institution and corporate bond, offset by higher interest expense for finance leases.

Tax expense
Fell by RMB7.3 million to RMB13.3 million due to lower operating profit.

Discontinued operations
The disposal of Mining Services Business (Discontinued Operations) was completed on 28 February 2017. The Group has ceased to recognise the financial results of the Mining Services Business from the date of completion onwards.

OPERATIONAL AND
FINANCIAL REVIEW

Other Comprehensive Income

	Group 2018 RMB'000	2017 RMB'000
Profit for the year	**16,823**	**33,018**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Equity investments at fair value through other comprehensive income – net change in fair value	(7,701)	–
Items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation differences	1,821	(769)
Net change in fair value of available-for-sale financial assets	–	(1,516)
Realisation of reserve upon disposal of subsidiaries	–	1,756
Other comprehensive income for the year, net of tax	**(5,880)**	**(529)**
Total comprehensive income for the year	**10,943**	**32,489**
Total comprehensive income attributable to:		
Owners of the Company	10,484	31,246
Non-controlling interests	459	1,243
Total comprehensive income for the year	**10,943**	**32,489**

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

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

REVENUE 37.3% to
RMB 1.8
billion

Invested **RMB 25** million for 25% shareholding in Chengdu Derun Jinlong Environmental Management Co., Ltd., a water treatment and municipal environmental protection PPP project in Chengdu.

OPERATIONAL AND FINANCIAL REVIEW

Financial Position

Total Assets	Group 31.12.2018 RMB'000	31.12.2017 RMB'000
Assets		
Property, plant and equipment	170,634	138,328
Intangible assets and goodwill	70,453	71,134
Investment properties	54,684	57,094
Associate	25,000	–
Other investments	4,970	12,630
Other receivables	14,153	21,310
Deferred tax assets	13,971	13,794
Total non-current assets	**353,865**	**314,290**
Other investments	5,815	4,529
Inventories	23,432	32,603
Contract assets	980,244	949,703
Trade receivables	379,457	340,224
Other receivables	229,143	203,234
Cash and cash equivalents	203,949	125,748
Total current assets	**1,822,040**	**1,656,041**
Total assets	**2,175,905**	**1,970,331**

Property, plant and equipment
Rose by RMB32.3 million due mainly to purchase of a tunnel boring machine by way of finance lease and other plant and equipment for on-going projects, net of depreciation.

Intangible assets and goodwill
Comprised Ranken's land use rights of RMB28.1 million and goodwill on acquisition of Ranken of RMB42.4 million.

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

Associate
This relates to the Group's 25% shareholding in Chengdu Derun Jinlong Environmental Management Co., Ltd., a company incorporated for water treatment and municipal environmental protection PPP project in Chengdu, Sichuan Province, China.

Long term other investments
Fell by RMB7.7 million due to decrease in fair value of 19% stake in a former subsidiary company (Mancala) held at fair value through other comprehensive income.

Other receivables
Fell by RMB7.2 million mainly due to receipt from Mancala during the year.

Short term other investments
Rose by RMB1.3 million mainly due to increase in fair value of quoted shares classified as financial assets at fair value through profit or loss.

Inventories
Fell by RMB9.2 million due to sale of railway sleeper stock for the Meng Hua project.

Contract assets
Rose by RMB30.5 million mainly due to work completed in stages that have yet to be certified (and thus not invoiced and not recognized as trade debtors).

Trade receivables
Rose by RMB39.2 million (turnaround time of 77 days) given Ranken's higher revenue.

Other receivables
Rose by RMB25.9 million related mainly to Ranken's materials procured on behalf of project owners and refundable security deposits placed with the project owners.

99% of trade and other receiveables and contract assets were not overdue.

Cash and cash equivalents
Rose by RMB78.2 million mainly due to operating cash inflow of RMB206.7 million, partially offset by cash outflow for the investing activities (mainly purchase of plant and equipment for on-going projects and investment in associate) and the financing activities (net repayment of loans and borrowings).

CASH BALANCE

RMB 204

million

Financial Position

Total Equity and Liabilities	Group 31.12.2018 RMB'000	31.12.2017 RMB'000
Equity		
Share capital	413,839	413,839
Reserves	92,078	86,164
Equity attributable to owners of the Company	**505,917**	**500,003**
Non-controlling interests	10,219	9,831
Total equity	**516,136**	**509,834**
Liabilities		
Loans and borrowings	27,829	120,145
Deferred tax liabilities	6,677	6,852
Total non-current liabilities	**34,506**	**126,997**
Trade payables	970,570	650,445
Other payables	175,084	170,199
Contract liabilities	215,152	348,437
Loans and borrowings	253,968	144,201
Current tax liabilities	10,489	20,218
Total current liabilities	**1,625,263**	**1,333,500**
Total liabilities	**1,659,769**	**1,460,497**
Total equity and liabilities	**2,175,905**	**1,970,331**

Equity
Rose by RMB5.9 million due to earnings of RMB16.4 million and movements of foreign currency translation reserve of RMB1.8 million, net of net change in fair value of equity investments at FVOCI of RMB7.7 million, the effects of the adoption of SFRS(I) 9 of RMB3.0 million and dividend declared of RMB1.6 million.

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

Total current and long-term loans and borrowings
Rose by RMB17.5 million due mainly to new finance lease liabilities, refinancing of bank loans, net of repayments during the year.

Trade payables
Rose by RMB320.1 million mainly due to higher operating activities during the year.

Other payables
Rose by RMB4.9 million mainly due to higher other payables to third parties offset by amount paid to vendors of Mancala during the year.

Contract liabilities
Fell by RMB133.3 million mainly due to lower billings in excess of contract work to be completed in stages.

NET ASSETS PER SHARE

RMB 155.2 cents

or

Singapore 30.8

cents

OPERATIONAL AND FINANCIAL REVIEW

Cash Flow

	2018 RMB'000	2017 RMB'000
Cash flows from operating activities		
Operating profit before working capital changes	126,100	135,997
Changes in working capital	102,982	(106,697)
Cash flows generated from operations	**229,082**	**29,300**
Tax paid	(22,385)	(21,334)
Net cash generated from operating activities	**206,697**	**7,966**
Net cash used in operating activities from discontinued operations (Note A)	–	(5,057)
	206,697	**2,909**
Cash flows from investing activities		
Net cash used in investing activities	**(83,616)**	**(82,259)**
Net cash generated from investing activities from discontinued operations (Note A)	–	13,101
	(83,616)	**(69,158)**
Cash flows from financing activities		
Net cash (used in)/generated from financing activities	**(44,123)**	**37,247**
Net cash used in financing activities from discontinued operations (Note A)	–	(2,250)
	(44,123)	**34,997**
Cash and cash equivalents in the cash flow statement	**196,040**	**117,729**

Net cash generated from operating activities

Rose by RMB198.7 million after accounting for (i) operating profit before working capital changes of RMB126.1 million and (ii) net working capital changes of RMB103.0 million, net of tax payment of RMB22.4 million.

Net cash used in investing activities

Rose by RMB1.4 million mainly due to investment of RMB25 million for 25% shareholding in Chengdu Derun Jinlong Environmental Management Co., Ltd., a company incorporated for water treatment and municipal environmental protection PPP project in Chengdu, Sichuan Province, China, offset by lower payment for purchase of plant and equipment for on-going projects.

Net cash (used in)/generated from financing activities

Cash flows used in financing activities mainly due to net repayment of Ranken's loans and borrowings and costs when the loans and a bond were due during the year.

Overall

Cash and cash equivalents rose by RMB78.3 million (net of fixed deposits pledged) during FY2018.

Note A

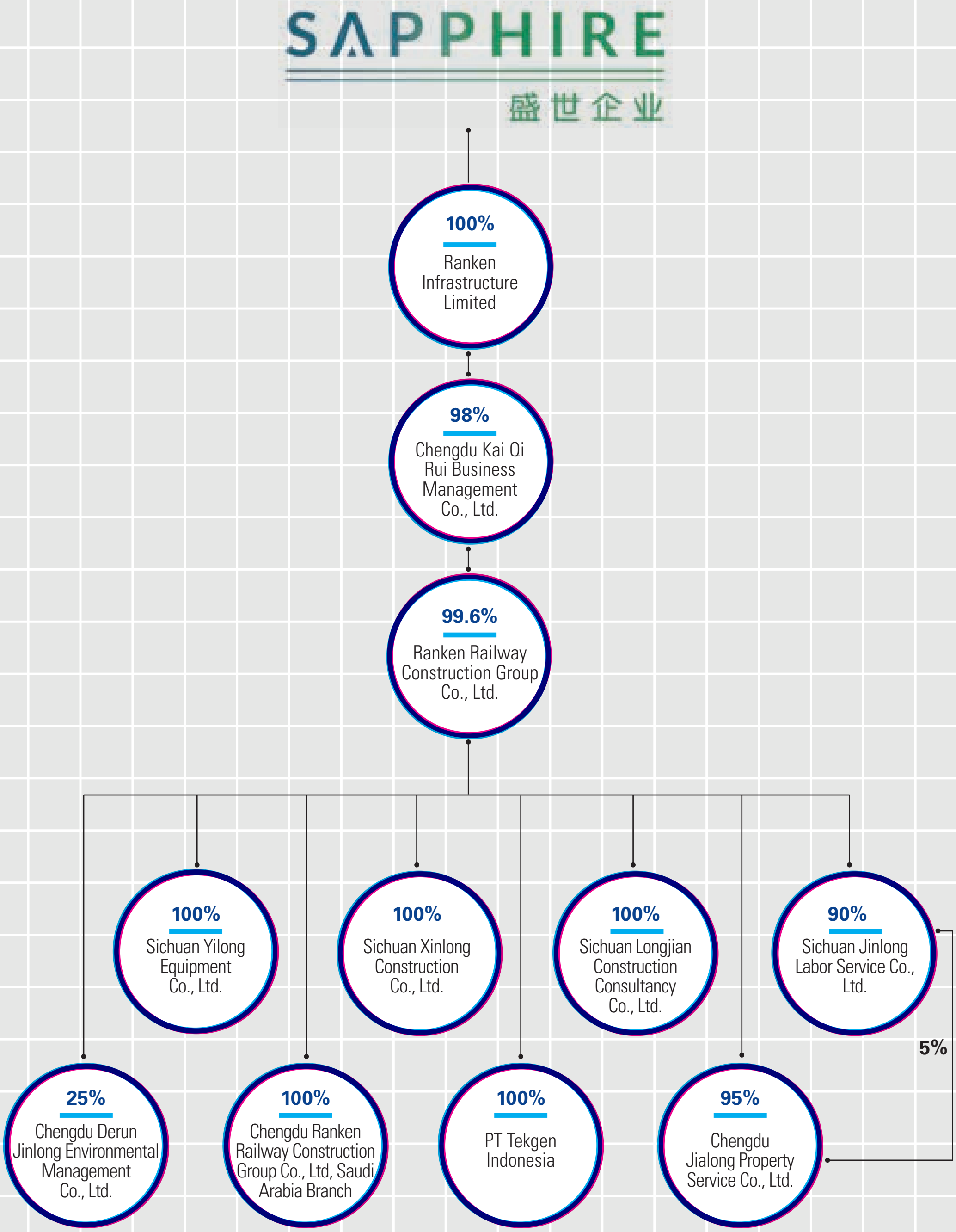
Cash flows from discontinued operations relate to that of the Mining Services Business which was disposed on 28 February 2017.

CASH

RMB 78

million

CORPORATE STRUCTURE



SUSTAINABILITY REPORT

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

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

SCOPE OF REPORT

The Sustainability Report focuses on addressing material ESG factors to provide readers with an accurate and meaningful overview on how sustainability issues are managed, in line with The Singapore Stock Exchange ("SGX-ST") Listing Rules 711A and 711B and the SGX-ST Sustainability Reporting Guide.

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

The Sustainability Report includes all entities (excluding the associate) disclosed in the Corporate Structure on page 19 of the Annual Report. The Sustainability Report covers the fiscal period from 1 January 2018 to 31 December 2018. The information and data are reported in good faith as the Group continually strengthens its data collection processes.

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

OTHER BUSINESS INFORMATION

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

ASSOCIATION MEMBERSHIP

Ranken is a member of the below associations:

- China Civil Engineering Society（中国土木工程学会）
- China National Association of Engineering Consultants（中国工程质询协会）
- China Association of International Engineering Consultants（中国国际工程质询协会）
- Architectural Society of China（中国建筑学会）
- China Society of Explosives and Blasting（中国工程爆破协会）
- China Urban Rail Transit Association（中国城市隧道交通协会）
- China Geotechnical and Anchoring Association（中国岩土锚固工程协会）
- China Association of Railway Engineering Construction（中国铁道工程建设协会）
- China Association of Construction Enterprise Management（中国施工企业管理协会）

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

Ningbo Metro Line 4 – Successful tunnelling

REVENUE

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

	2018	2017
Construction contracts (including related interest income)	88.3%	91.2%
Rendering of services	4.4%	5.2%
Leasing and sale of equipment	0.4%	1.5%
Sale of railway sleepers	6.9%	2.1%
Total	**100%**	**100%**

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

	2018	2017
China	98.1%	94.8%
Other countries (Bangladesh, India and Sri Lanka)	1.9%	5.2%
Total	**100%**	**100%**

ISO CERTIFICATES

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

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

ANTI-CORRUPTION

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

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

SUSTAINABILITY REPORT

SUSTAINABLE BUSINESS EXPANSION

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

"Liveable River Bank" project

AWARDS

During the year, Ranken was awarded "Top 50 Private Enterprises in Wuhou District" and "Top 100 Private Enterprises in Chengdu".

CEO Ms Wang Heng at Chengdu's Private Economy Sustainable Development Conference

SUSTAINABILITY TARGETS

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

The Group maintains a programme of ongoing stakeholder engagement and continually monitors the impact that its business activities or actions may have on the environment and communities in which it operates, and recognises the importance of healthy ecosystems and social equity.

MATERIAL ESG FACTORS

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

(i) Employees

– Fair and standard employment

– Training and development

– Occupational health and safety

(ii) Environment

(iii) Community

(iv) Innovation

(v) Stakeholder Communication

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

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

EMPLOYEES

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

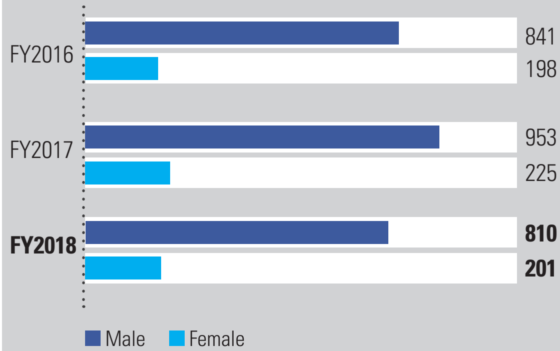
Celebrating International Women's Day
(三八妇女节)

FAIR AND STANDARD EMPLOYMENT

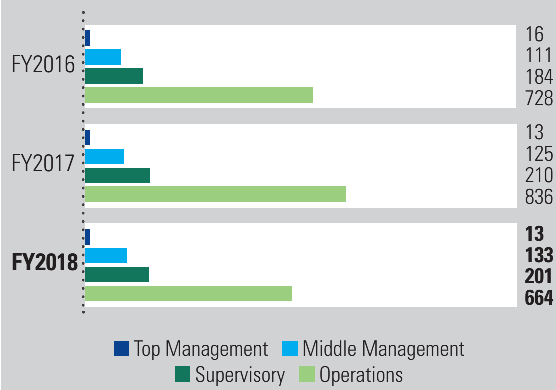
The Group practices fair hiring without prejudice, regardless of age, gender, religion and ethnicity. The Group does not and strictly forbids its labour sub-contractors to hire child labour, in accordance with the People's Republic of China's ("PRC") Labour Law and the Law on Protection of Minors (《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

As at 31 December 2018, the Group had approximately 1,011 employees, the majority of whom are stationed in the PRC. Approximately 20% of the Group's workforce and 30% of top management is female. The Group also employs minority ethnic people and they comprise 3% of the Group's workforce. The Group provides reasonable incentives and competitive salaries. All employees are entitled to annual leave depending on their grade and there is no differentiation of pay packages between male and female employees. The Group also pays employees adequate social insurance and housing funds to protect employees' interests.

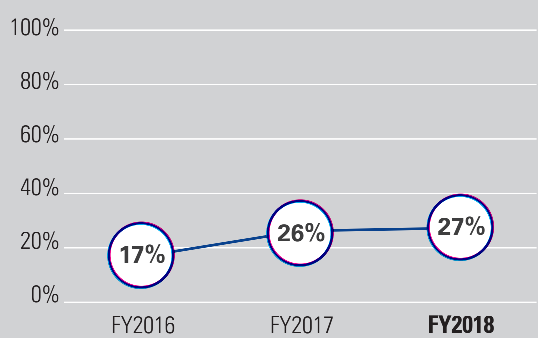
GENDER DISTRIBUTION OF EMPLOYEES:



EMPLOYMENT TYPE



YEARLY TURNOVER RATE



SUSTAINABILITY REPORT

TRAINING AND DEVELOPMENT

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

In 2018, the Group invested approximately RMB605,000 in training with total training hours of 11,898 hours. The Group is committed to continuously providing quality training and development programs to help employees maximise their potential. The Group also has a one-to-one mentorship policy for talent development "导师带徒", where teachers and apprentices communicate regularly to improve the junior employees' professional and technical knowledge and quality of work as well as guide their development.

Visit of Southwest Jiaotong University Jiu Li Di Campus

Tutor's on-the-spot training for employees.

Visit of Southwest Jiaotong University Jiu Li Di Campus

To improve the employees' capability in the field of tunnel boring, the Group held several trainings on tunnel boring, including inviting Professor Qi Qixiang from the Civil Engineering College of Southwest Jiaotong University to teach the development and trend of tunnel boring, construction principles and techniques as well as management and operations such as commissioning and maintenance. The trainings include students' on-site observation of the Group's tunnel boring operations.

To encourage employees' innovative spirit and to broaden their horizons, the Group organised for certain employees of the Group to visit Southwest Jiaotong University Jiu Li Di Campus, where Chinese scientists have built the world's first prototype testing platform for an ultra-high-speed vacuum magnetic levitation (maglev) train that can travel at 1,000 kilometers per hour under ideal conditions, and the Ministry of Education's platform for research and testing of tunnel boring engineering and technology.

Whilst the Group is result-oriented focus on the output, quality and labor efficiency, the Group follows the principle of "objectivity, fairness, openness and scientific system "客观、公正、公开、科学" in staff appraisal. It continues to implement 360-degree performance appraisal. Job promotions and adjustments, bonuses and increments are based on the results of these evaluations.

On-site observation at Beijing Metro Line 12

OCCUPATIONAL HEALTH AND SAFETY

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

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

Health and Wellness

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

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

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

Work Safety Policies and Management Systems

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

Work safety month activity.

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

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

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

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

The Group also recognise the importance of efficient and effectiveness of responses for emergencies and organised practice drills for flood control and prevention, tunnel collapse and fire emergency rescues during the year.

Practice drills

SUSTAINABILITY REPORT

Certificates and Awards

The Group now has 12 safety engineers registered with the Ministry of Human Resources and Social Security of the PRC and 160 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, 5, 57 and 98 staff hold Work Safety Certificates in Categories A, B and C, respectively.

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

For the Group's project in Taiyuan, Shanxi, it was awarded:

– 2018 Provincial Advanced Company for Construction Work Safety (2018年度全省建筑安全生产先进单位);

– 2018 Provincial Construction Work Safety and Green Construction Model Project (2018年度全省建筑安全绿色施工示范项目);

– 2018 Provincial Construction Work Safety and Standardization Model Project (2018年全省建筑安全工程施工标准化示范项目); and

– 2018 Civilized Construction Management Winning Company (2018年度文明施工管理优胜单位)

ENVIRONMENT

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

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

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

The Group has been certified compliant with ISO14001: 2015 – Environmental Management System, where measures are implemented to reduce pollutant emissions and reduce consumption of energy and resources. The Group did not commit any major violation of environmental issues during the year.

COMMUNITY

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

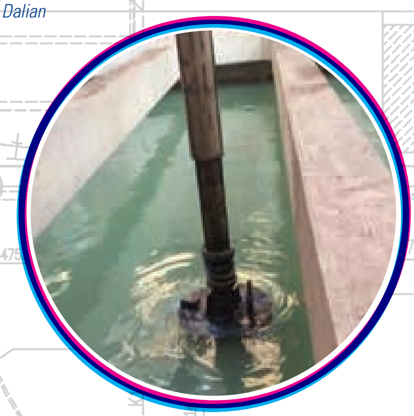
The Group is committed to promoting education and career development and held 11 "Ranken Conferences" (中铁隆大讲堂) where the Group invited guest speakers who are professors and industry experts from Tsinghua University, Renmin University and other universities to Southwest Jiaotong University to give talks on history and current affairs affecting China and the world.

The Group continued to participate in charitable donation activities including:

– the continuing collaborative activities with various villages in the township of Baiyü County (白玉县), a county in China's far western Sichuan province which borders the Tibet Autonomous Region with a view to elevate poverty in the region;

Ranken Conference at Southwest Jiaotong University

Mid-Autumn Festivity in Dalian



Under water excavation

Under water excavation

– Visits of the elderly at Gonghe Road community 共和路社区 in Wuhou District and Shuanggui Village, Sanxing Town, Jianyang City (简阳市三星镇双桂村); and

– Participated in the organisation of mid-autumn festivity for the community and visits of elderly and needy in Dalian

INNOVATION

The Group believes that innovation is one of the core pillars of sustainability and a key aspect of corporate growth. In 2018, the Group submitted and was awarded 9 patents for its innovation. The Group currently has 21 patents and software copyrights.

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

Its achievements during the year include:

– Ranken's "Application of BIM Technology in the Life Cycle of Urban Rail Transit Project" won Sichuan Science and Technology Progress Third Prize awarded by Sichuan Provincial People's Government on Science and Technology. It is evaluated that its technology including prediction of major risk based on artificial intelligence and BIM has reached international advanced level.

– Li Xiaogang and Xu Yang, employees of Ranken, were recently awarded the "Baijia(百佳)" Star Creator in Chengdu. Li Xiaogang is the inventor of 8 national patents and the author of 2 Sichuan-level work procedures and laws. Xu Yang won the award with the provision of a solution for an underwater excavation and sealing method to be applied in Beijing Metro Line 8 outside Yongding Station. Yongdingmen Outer Station is the first subway station constructed by "underwater excavation" method in China.

STAKEHOLDER COMMUNICATION

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

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

During the year, the Group was diligent in disclosing its quarterly results to the financial community in Singapore, where it is listed on the SGX Mainboard. At the FY2017 AGM on 26 April 2018, the CEO Ms Wang Heng held a lengthy and meaningful discussion with shareholders.

CONTENTS

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 2018 ("**FY2018**"), in compliance with and the principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**") and rules of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). 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 the 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 where applicable. Where the Company has 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.

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

- to set and guide the corporate strategy and the directions of the Group, approve the broad policies, strategies and financial objectives of the Group;
- provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- to establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;
- to review and monitor the performance of management;
- to identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;

CORPORATE
GOVERNANCE REPORT

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

Types of material transactions that require board approval include:

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

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

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

CORPORATE GOVERNANCE REPORT

In FY2018, the Board held 4 meetings. The attendance of the Directors at meetings of the Board and Board Committees during FY2018 is as follows:

	BOARD		AUDIT AND RISK COMMITTEE		NOMINATING COMMITTEE		REMUNERATION COMMITTEE	
	No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr Cheung Wai Suen(1)	4	3	4	3^	1	1^	1	1^
Ms Wang Heng	4	4	4	4^	1	1	1	1^
Mr Oh Eng Bin(2)	4	4	4	4	1	1	1	1
Mr Zhai Guiwu	4	3	4	3	1	1	1	1
Mr Duan Yang, Julien	4	3	4	3	1	1	1	1
Professor Chew Yong Tian(3)	3	3	3	3^	–	–	–	–
Mr Teh Wing Kwan(4)	1	1	1	1^	1	1	1	1^

Notes:

^ By invitation

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

(2) On 28 February 2018, Mr Oh Eng Bin was appointed as Lead Independent Director.

(3) On 30 April 2018, Professor Chew Yong Tian was appointed to the Board as an Independent Non-Executive Director and a member of the NC.

(4) Mr Teh Wing Kwan retired at the AGM held on 26 April 2018.

When new Directors are appointed to the Board, they are provided with a formal letter setting out the Director's duties and responsibilities, and are required to undergo an orientation programme. The orientation programme for a new Director is intended to provide background information on the Group and industry-specific knowledge, and includes briefings by the Chief Executive Officer ("**CEO**") on the Group's investment strategies, growth initiatives, business policies and governance practices; arrangements for on-site visits to the various overseas places of operations are made to familiarise a new Director with the Group operations. Where a new Director has no prior experience as a director of an issuer listed on the Singapore Exchange, he must undergo training in the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST. If the NC is of the view that training is not required because the Director has other relevant experience, the basis of the NC's assessment must be disclosed. During FY2018, Professor Chew attended the training course conducted by the Singapore Institute of Directors in order to understand the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST.

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

CORPORATE GOVERNANCE REPORT

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

During FY2018, the Board was briefed on the global sustainability issues, developments and reporting requirements, changes and developments in financial reporting standards by the external auditors, policies changes in countries where the Group operates and information technology (including cyber-security), etc. Information on conference, seminars and programmes organised by external parties received from time to time are made available to the Directors for their participation.

The 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 FY2018, the Board comprised 6 Directors, 4 of whom are Independent Directors and 2 are Directors of the Company who perform an executive function ("**Executive Directors**").

Pursuant to Guideline 2.3 of the Code, 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. In determining Directors' independence, the Board further considers the new Rule 210(5)(d) of the SGX-ST Listing Manual, which took effect on 1 January 2019. Pursuant to Rule 210(5)(d) SGX-ST Listing Manual, the Board considers an Independent Director as one who is not or has not been employed by the Company or any of its related corporations for FY2018 or any of the past three financial years. An Independent Director will also not have an immediate family member who is employed or has been employed by the Company or any of its related corporations for the past three financial years, and whose remuneration is determined by the RC of the Company.

The Chairman is an Executive Director and in accordance with Guideline 2.2 of the Code, Independent Directors comprised more than half of the Board in FY2018. Accordingly, the Board is able to exercise objective judgment on corporate affairs independently and constructively challenge key decisions and strategies taking into consideration the long term interests of the Group and its shareholders. Each of the ARC, NC and RC is also chaired by an Independent Director and comprised of a majority of Independent Directors.

The Board comprises the following members:

Mr Cheung Wai Suen	–	Executive Director and Chairman of the Board
Ms Wang Heng	–	Executive Director and CEO
Mr Oh Eng Bin	–	Lead Independent Non-Executive Director
Mr Duan Yang, Julien	–	Independent Non-Executive Director
Mr Zhai Guiwu	–	Independent Non-Executive Director
Professor Chew Yong Tian	–	Independent Non-Executive Director (appointed on 30 April 2018)

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 and SGX-ST Listing Manual's definition of what constitutes an Independent Director in its review. Each Independent Director is also required to complete a Director's Independence declaration form annually to confirm his independence based on the guidelines as set out in the Code and the SGX-ST Listing Manual. The Company's current Independent Directors, namely Mr Oh Eng Bin, Mr Duan Yang, Julien, Mr Zhai Guiwu and Professor Chew Yong Tian have each confirmed that they do not have any relationship with the Company or shareholders, its related corporations or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interests of the Company. The Independent Directors have further confirmed that each of them (i) is not or has not been employed by the Company or any of its related corporations for FY2018 or any of the past three financial years; and (ii) does not have immediate family members who are or have been employed by the Company or any of its related corporations for the past three financial years and whose remuneration is determined by the remuneration committee of the Company. The Board, with the recommendation and concurrence of the NC, has reviewed and determined that the said Directors are independent.

For FY2018, Independent Directors made up more than half of the Board.

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

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

All Independent Directors are Non-Executive Directors, who also aid in the development of strategic proposals and oversee the effective implementation by management to achieve set objectives.

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

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

CORPORATE GOVERNANCE REPORT

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, where required. The Board comprises business leaders and professionals with the relevant industry and financial background.

The NC also reviews the re-nomination of Directors who retire by rotation, taking into consideration the requirements under the Constitution of the Company, the Code, independent-mindedness, contribution and performance (such as attendance, participation, preparedness and candour) and any other factors as may be determined by the NC.

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

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

Whilst the Board has no formal policy with regard to diversity in identifying Director nominees, the Board has one female Director and its members have diverse competencies in areas of business (including the business of the Group), 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, skills, experience, and knowledge, as a factor.

The Board is of the view that the current board size of 6 Directors is sufficient for the nature and scope of the Group's operations for the effective conduct of the Group's affairs. The Board and the NC believe that the Board and its Board Committees have a good balance and diversity of Directors who have extensive business, financial, accounting, human resource and management experience, as well as gender diversity. Details of the Directors' academic and professional qualifications are set out in the "Board of Directors" section of this Annual Report.

In accordance with Regulation 89 of the Constitution of the Company, Mr Cheung Wai Suen and Mr Duan Yang, Julien will retire by rotation at the forthcoming AGM. Mr Cheung Wai Suen and Mr Duan Yang, Julien have each consented to offer himself for re-election at the forthcoming AGM.

In addition, in accordance with Regulation 88 of the Constitution of the Company, Professor Chew Yong Tian will retire at the forthcoming AGM and shall and has consented to offer himself for re-election at the forthcoming AGM.

If Mr Cheung Wai Suen, Mr Duan Yang, Julien and Professor Chew Yong Tian are re-elected at the forthcoming AGM, the Board will comprise 6 Directors, including 4 Independent Directors and 2 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 moving forward.

CORPORATE GOVERNANCE REPORT

The Board is also supported by the Board Committees. The composition of the Board Committees in FY2018 was as follows:

Board Composition and Committees

Board Member	Audit and Risk Committee	Nominating Committee[(2)]	Remuneration Committee
Mr Cheung Wai Suen *(Executive Chairman)*	–	–	–
Ms Wang Heng *(Executive Director and CEO)*	–	M	–
Mr Oh Eng Bin *(Lead Independent Non-Executive Director)*	M	M	C
Mr Duan Yang, Julien *(Independent Non-Executive Director)*	C	M	M
Mr Zhai Guiwu *(Independent Non-Executive Director)*	M	C	M
Professor Chew Yong Tian[(1)] *(Independent Non-Executive Director)*	–	M	–

Notes:

C: Chairman

M: Member

(1) Appointed on 30 April 2018.

(2) Mr Teh Wing Kwan ceased to be a member of the NC on 26 April 2018.

In FY2018, each of the ARC, NC and RC was chaired by Independent Directors, and the ARC and the RC comprised entirely of Independent Directors. Membership in the different Board Committees is carefully managed to ensure that there is equitable distribution of responsibilities among the Board members. This is to maximise the effectiveness of the Board and to foster active participation and contribution from the Board Committee members. Diversity of experience, knowledge, competencies and appropriate skills of the composition of Board Committees are also considered. The 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

The Chairman is an Executive Director and Mr Oh Eng Bin had been appointed as the Lead Independent Director. In accordance with Guideline 3.3 of the Code, Mr Oh Eng Bin, as Lead Independent Director, is available to shareholders should they have any concerns for which contact through the normal channels of the Chairman, CEO or the Chief Financial Officer ("**CFO**") has failed to resolve or is inappropriate.

CORPORATE GOVERNANCE REPORT

The Board is of the view that it is in the best interests of the Group to have Mr Cheung Wai Suen as the Chairman of the Board, taking into consideration his deep industry experience, which puts him in the best position to provide guidance and leadership to the Board on the strategic direction of Group.

The key roles of the Chairman, among others, are:

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

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

The Chairman and CEO are not immediate family members.

PRINCIPLES 4 AND 5: NOMINATING COMMITTEE

The NC, whose terms of reference are approved by the Board, comprises the following 5 Directors, of which 4 are Independent Directors, as at the date of this Annual Report:

Mr Zhai Guiwu	–	Chairman, Independent Non-Executive Director
Mr Duan Yang, Julien	–	Independent Non-Executive Director
Mr Oh Eng Bin	–	Lead Independent Non-Executive Director
Ms Wang Heng	–	CEO and Executive Director
Professor Chew Yong Tian	–	Independent Non-Executive Director

The NC has written terms of reference. The key roles of the NC are:

- to identify candidates and review and make recommendations to the Board on all appointments and re-appointments having regard to the Director's contribution and performance (e.g. attendance, preparedness, participants and candour) of members of the Board;
- to review the board succession plans for Directors, in particular, the Chairman and for the CEO;

CORPORATE GOVERNANCE REPORT

- to make recommendations on the development of a process for evaluation of the performance of the Board, its Board Committees and Directors;
- to review the training and professional development programs for the Board;
- to evaluate and assess the effectiveness of the Board as a whole, and the contribution by each Director to the effectiveness of the Board; and
- to determine the independence of Directors in accordance with 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 FY2018 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 among others, Board and Board Committee cohesion, robustness, sufficiency and quality of discussion and deliberation, regularity of meetings, performance against specific targets and Directors' independence. Key performance indicators used to assess individual Directors include chairmanship/membership of Board Committees, attendance record at the meetings of the Board and the relevant committees, intensity of participation at meetings, contributions to quality of discussions, helping to gain access to new businesses and/or new markets and any special contributions. The Board also considers the Group'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 FY2018. 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 diversity and mix of skills, knowledge and experience of the existing Board. The NC does so by first evaluating the existing strengths and capabilities of the Board, before it proceeds to assess the likely future needs of the Board, and assesses whether this need can be fulfilled by the appointment of one person and if not, then to consult the Board with respect to the appointment of two persons. The NC will then source for potential candidates and resumes for review, undertake background checks on the resumes received, narrow this list of resumes and finally to invite the shortlisted candidates to an interview. This interview may include a briefing of the duties required to ensure that there is no expectation 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.

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

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

Name	Other directorship with public listed companies	Position	Listed on	Past directorship with other public listed companies (held in the last 5 years)	Position	Listed on
Mr Oh Eng Bin	– SHS Holdings Ltd – KPM Holdings Limited	ID ID	SGX HKEX	– Weiye Holdings Limited	ID	HKEX

Note:
ID: Independent director

Ms Wang Heng, Mr Cheung Wai Suen, Mr Duan Yang, Julien, Mr Zhai Guiwu and Professor Chew Yong Tian 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 Executives section" of this Annual Report. The shareholdings of the individual Directors of the Company are set out in the "Directors' Report" section of this Annual Report.

In accordance with the Company's Constitution, one third of the Directors are required to retire from office at each AGM of the Company. Mr Cheung Wai Suen and Mr Duan Yang, Julien will be retiring by rotation at the forthcoming AGM pursuant to Regulation 89. Mr Cheung Wai Suen and Mr Duan Yang, Julien have each consented to offer himself for re-election at the forthcoming AGM. In addition, Regulation 88 of the Constitution provides that a newly appointed Director must retire and submit himself for re-election at the next AGM following his appointment. In accordance with Regulation 88 of the Constitution, Professor Chew Yong Tian will be retiring and has consented to offer himself for re-election at the forthcoming AGM. Thereafter, he is subject to be re-elected at least once every three years pursuant to Regulation 89 of the Constitution.

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.

The Company's current policy stipulates that if a Director is an Executive Director or a key management personnel, he/she should not hold more than 6 listed company board representation concurrently, as the Board is of the view that more than 6 concurrent board representations will interfere with the Executive Director or key management personnel's ability to devote sufficient time and attention to the affairs of the Company. During FY2018, no Director held more than 6 board seats in other listed companies concurrently.

The NC takes into account the results of the assessment of the effectiveness of each individual Director and the respective Directors' actual conduct on the Board in making 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 FY2018, notwithstanding their multiple board representations in other listed companies. As at the date of this report, none of the current Directors holds more than 3 directorships in other listed companies concurrently.

PRINCIPLE 6: ACCESS TO INFORMATION

The Directors are regularly provided with complete and timely information prior to meetings to enable them to fulfil their duties. The management provides quarterly management accounts and other relevant information such as risk assessments, audit plans, annual budgets and explanation on material forecasts variances to the Board, as applicable. The management also submits the periodic group performance report and other relevant information to the Board such as board papers, copies of disclosure documents, budgets, forecasts and quarterly internal financial statements. In addition, all other relevant information on material events and transactions are circulated by electronic mail and/or facsimile to the Directors for review and approval. The senior management staff may be invited to attend the Board and ARC meetings to answer queries and to provide insights into the Group's operations. Where appropriate, the senior management staff will also arrange for external consultants engaged on specific projects or professional consultants to attend Board and Board Committee meetings to address the Board's queries. The Board may also request for management to take pro-active steps (such as requesting for management to engage external professionals and consultants) to provide the Board with additional information as required by the Directors to fulfil their duties properly.

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

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

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

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

(B) REMUNERATION MATTERS

PRINCIPLES 7 AND 8: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The RC, whose terms of reference are approved by the Board, comprises the following 3 Independent Directors as at the date of this Annual Report:

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

The RC has written terms of reference. The RC's main functions are:

- to review and recommend to the Board in consultation with management and Chairman of the Board, a framework of remuneration and to determine specific remuneration packages and terms of employment for each of the Executive Directors and key executives of the Group including those employees related to Executive Directors and substantial/controlling shareholders of the Group;
- to recommend to the Board in consultation with management and the Chairman of the Board, the Sapphire Shares Award Scheme or any long term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith; and
- to carry out its duties in the manner that it deemed expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board of Directors from time to time.

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

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

No Director is involved in deciding his own remuneration.

The fees of Independent 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. Independent Directors shall not be over-compensated to the extent that their independence may be compromised. The 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.

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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 adopted by the Company in April 2018 (the "**2018 Scheme**") after the expiry of the Sapphire Shares Award Scheme adopted by the Company in April 2008 (the "**2008 Scheme**"). Similar to the 2008 Scheme, the purpose of the 2018 Scheme is to provide an opportunity for people who are full-time employees of the Group ("**Group Employees**"), and Executive Directors, who have met their performance targets, to be remunerated not just through cash bonuses but also by an equity stake in the Company. The 2018 Scheme is also extended to Independent Directors (and non-executive Directors, if any) as a show of appreciation for their significant contributions to the growth of the Company, even though they are not employed by the Company.

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

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

(i) The aggregate number of ordinary shares in the share capital of the Company ("**Shares**") available under the 2018 Scheme, when added to all Shares, options or awards granted under any other share option scheme, share award scheme or share incentive scheme of the Company then in force, shall not exceed 15% of the total issued share capital (excluding treasury shares and subsidiary holdings) of the Company from time to time.

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

  (a) the financial performance of the Group;

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

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

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

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

During FY2018, no Shares were awarded under the 2008 Scheme nor the 2018 Scheme. The aggregate number of Shares awarded under the 2008 Scheme was 3,614,462 shares to the date on which the 2008 Scheme was expired.

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

Non-Executive Directors are encouraged to purchase shares in the Company and to hold them until they leave the Board. The RC is of the view that this will further align the interests of the Non-Executive Directors with the interests of Shareholders.

The RC will seek independent professional advice in discharging its functions, if necessary. No external consultants were engaged in FY2018.

PRINCIPLE 9: DISCLOSURE OF REMUNERATION

The remuneration for the Directors and key executives in FY2018 received in all forms is as follows:

	Remuneration Band	Salary	Bonus	Other Benefits	Directors' Fees[1]	Total
Name	**$**	**%**	**%**	**%**	**%**	**%**
Present and Past Directors						
Ms Wang Heng	0 to 199,999	73	17	10	–	100
Mr Cheung Wai Suen	0 to 199,999	78	13	9	–	100
Mr Oh Eng Bin	70,000 to 79,999	–	–	–	100	100
Professor Chew Yong Tian[2]	40,000 to 49,999	–	–	–	100	100
Mr Duan Yang, Julien	30,000 to 39,999	–	–	–	100	100
Mr Zhai Guiwu	30,000 to 39,999	–	–	–	100	100
Mr Teh Wing Kwan[3]	0 to 9,999	–	–	–	100	100
Key Executives[4]						
Mr Ng Hoi-Gee Kit	200,000 to 399,999	86	7	7	0	100
Mr Foo Yong How[5]	0 to 199,999	85	7	8	0	100
Mr Ding Rui	0 to 199,999	73	17	10	0	100
Mdm Cheung Kam Wa, Emma[6]	200,000 to 399,999	70	9	21	0	100

Notes:

(1) These fees comprise Board and Board Committee fees for FY2018, which had been approved at the AGM of the Company on 26 April 2018.

(2) On 30 April 2018, Professor Chew Yong Tian was appointed to the Board as an Independent Non-Executive Director and a member of the NC and his Director's fees are pro-rated.

(3) Mr Teh Wing Kwan retired at the AGM held on 26 April 2018 and his Director's fees are pro-rated.

(4) 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. For FY2018, the Company had only had 4 key executives, one of which joined in June 2018 and one of which resigned in August 2018 (who are not also Directors or the CEO) and their remuneration for FY2018 has been disclosed.

(5) Mr Foo Yong How was appointed as Chief Corporate Officer on 28 June 2018.

(6) Mdm Cheung Kam Wa, Emma resigned and ceased to be the Chief Operating Officer with effect from 31 August 2018.

The Company has disclosed the remuneration of its Executive Directors and key management personnel in bands of $200,000, and the remuneration of its Non-Executive Directors in bands of $10,000. The Company has not disclosed the remuneration of each Director to the nearest dollar and is of the view that given the sensitive and confidential nature of employees' remuneration, detailed disclosure is not in the best interests of the Company and the Group. Such disclosure would disadvantage the Group in relation to its competitors and may affect adversely the cohesion and spirit of team work prevailing among the management and employees of the Group. The Company believes that the disclosure of its Executive Directors and key management personnel in bands of $200,000, and the remuneration of its Non-Executive Directors in bands of $10,000 with a percentage breakdown, sufficiently allows shareholders to have a understanding of the remuneration packages of its Directors and key executives while preserving the business interests of the Group.

The annual aggregate remuneration paid to Directors and key executives for FY2018 is disclosed in Note 31 of the Notes to Financial Statements.

The Company does not have any employee share option schemes or other long-term incentive scheme for Directors except for the 2018 Scheme which was adopted by the Company in April 2018.

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

There were no employees of the Group who are immediate family members of a Director or the CEO in FY2018.

(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 and other announcements to shareholders, including interim and other price sensitive public reports and reports to regulators, if required. 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.

The Board also ensures that there are written policies (such as the policies relating to the black-out period) to ensure compliance with legislative and regulatory requirements, including requirements under the SGX-ST Listing Rules.

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AUDIT AND RISK COMMITTEE

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

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

The Board considers that the members of the ARC are appropriately qualified to fulfil their responsibilities as the members bring with them invaluable managerial and professional expertise in the financial, business and industry domains. In particular, the Board considers at least 2 members of the ARC to have recent and relevant accounting or related financial management expertise or experience.

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

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

- to review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- to review and report to the Board annually on the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls;
- to review the Group's audit plans, scope and results of the external audit, and the independence and objectivity of the external auditors;
- to review the co-operation given by the Group's officers to the external auditors;
- to review and approve the quarterly and year-end announcement results and annual financial statements before submission to Board of Directors;
- to review interested parties transactions;
- to make recommendations to the Board on proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- to review the effectiveness of the Company's internal audit function; 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.

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

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

The Company has a whistle-blowing policy to encourage and provide a channel to employees to report in good faith and in confidence, their concerns about possible improprieties in financial reporting or other matters, such as suspected fraud, corruption, dishonest practices etc. Pursuant to such whistle-blowing procedures, employees are free to submit complaints confidentially or anonymously to the chairman of the ARC and in this regard a dedicated email address has been set up which is accessible only by the chairman of the ARC and/or a designated member of the ARC and/or the internal auditors. The procedures for submission of complaints have been explained to all employees of the Group. All complaints are to be treated as confidential and are to be brought to the attention of the ARC. All reports including unsigned reports, reports weak in details and verbal reports are considered. In the event that the report is about a Director, that Director shall not be involved in the review and any decisions with respect to that report. Assessment, investigation and evaluation of complaints are conducted by or at the direction of the ARC and the ARC, if it deems appropriate, may engage independent advisors at the Company's expense. Following investigation and evaluation of a complaint, the ARC will then decide on recommended disciplinary or remedial action, if any. The action so determined by the ARC to be appropriate shall then be brought to the Board for authorisation and to the appropriate members of senior management for implementation. The policy aims to encourage the reporting of such matters in good faith, with the confidence that any employees making such reports will be treated fairly and be protected from reprisals. Details of the whistle-blowing policy have been made available to all employees. There were no incidents of improprieties in financial reporting or other matters, such as suspected fraud, corruption, dishonest practices etc. reported to the ARC through the whistle blowing procedures in FY2018.

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

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 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 audit function is therefore staffed with persons with the relevant qualifications and experience and is independent of the activities it audits. The internal auditors report directly to the Chairman of the ARC.

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The internal auditors submit a report on their findings to the ARC for review and approval yearly. The internal auditors have adopted the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The internal auditors have unrestricted access to the ARC and access to the Company's documents, records, properties and personnel, where relevant to their work. To ensure the adequacy of the internal audit functions, the Audit Committee has reviewed the internal auditors' qualifications, experience, activities, resources and standing in the Company, on a yearly basis. The ARC has reviewed the internal audit reports and based on the controls in place, is satisfied that the internal audit function of the Group is adequate resourced, has appropriate standing within the Company, and is independent of the activities it audits.

The Company confirms that it has complied with SGX Listing Rules 712 and 715 for FY2018.

FINANCIAL REPORTING AND SIGNIFICANT FINANCIAL ISSUES

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

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

Matters considered	Action
Revenue recognition (Note 22 to the financial statements)	The ARC reviewed the methodology and gained comfort in this area through discussion with management in relation to revenue recognition based on percentage of work completed with reference to surveyor's report, the status of the projects, as well as the procedures applied for revenue cut-off. The ARC also obtained an understanding on the work performed by the external auditors. As a result of the above procedures, the ARC was satisfied with revenue recognition as recorded in the financial statements.
Impairment of non-financial assets (Notes 4 and 5 to the financial statements)	The ARC reviewed the forecast and reasonableness of the key assumptions used including projected revenue growth, terminal growth rate and discount rate, used in the discounted cash flow computation to determine the recoverable amount for the cash-generating unit ("**CGU**"), through discussion with management. The ARC also obtained an understanding on the work performed by the external auditors. As a result of the above procedures, the ARC was satisfied that there is no impairment of non-financial assets.
Impairment of trade receivables and contract assets (Notes 12 and 13 to the financial statements)	The ARC reviewed the identification of trade receivables and contract assets that are credit-impaired and appropriateness of the Expected Credit Loss model and the underlying assumptions through discussion with management. The ARC also obtained an understanding on the work performed by the external auditors. As a result of the above procedures, the ARC was satisfied that loss allowance for trade receivables and contract assets is reasonable.

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NON-AUDIT FEES

The audit fees paid to the external auditors of the Company for FY2018 was approximately $283,000. (FY2017: $283,000).

There were no non-audit fees paid to the external auditors of the Company for FY2018 and FY2017.

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

RISK MANAGEMENT

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

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

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

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

The Group has identified certain key operational risks in relation to its investment in Infrastructure Business and other general risks. These risks have been disclosed in pages 48 to 49.

The Board has received assurance from the CEO and 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.

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

KEY OPERATIONAL RISKS

Subsequent to the disposal of 81% of Mancala Holdings Pty Ltd on 28 February 2017, the Group's continuing operations are now the corporate functions and infrastructure business (the "**Infrastructure Business**"). The Infrastructure Business is carried out by the Company's subsidiary, Ranken.

The Board is aware of the operational risks, which may adversely affect Ranken if any of these risk factors and uncertainties develops into actual events. It should also be noted that the following is not intended to be an exhaustive list of the risk factors to which the Group's Infrastructure Business is exposed. 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 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 and water conservancy projects particularly in China and other countries in which Ranken undertakes on significant projects. Any slowdown, delay or reduction in such investment initiatives may adversely affect the financial performance and financial position of Ranken.

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

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

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

CORPORATE GOVERNANCE REPORT

General

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

(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.

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

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

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

During the year under review, the Group was diligent in disclosing its quarterly results to the financial community in Singapore where it is listed on SGX mainboard. Its senior management personally engaged with institutional or retails investors and analysts from securities houses. The CEO also communicated with the public via several media interviews. In addition to the AGM, through these IR engagements and as set out in the "Sustainability Report" section of this Annual Report, the Group seeks to understand the views of the shareholders and with other stakeholders, as the Group seeks to align its business interests with that of all stakeholders.

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 constitution allows a shareholder of the Company who is not a relevant intermediary (as defined in the Companies Act) to appoint up to two proxies to speak, attend and vote in place of the shareholder. Further, a shareholder which is a relevant intermediary (as defined in the Companies Act) may appoint more than two proxies to speak, attend and vote at general meetings. The Company's constitution contains the appropriate regulations to allow for absentia voting by mail, facsimile or email. Separate resolutions on each distinct issue are proposed at general meetings for approval.

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

CORPORATE GOVERNANCE REPORT

The external auditors are also present to assist the Directors to address any queries raised by shareholders about the conduct of the audit and the preparation and content of the auditors' report. The Company has also complied with the provisions of the Listing Manual of the SGX-ST and has introduced poll voting at all general meetings. The voting results are validated by an independent scrutineer and announced on SGXNET on the same day as the general meeting. Minutes of general meetings which include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management, are prepared and will be made available to shareholders upon request.

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

(a) an Annual Report explaining the financial performance and position of the Group;

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

(c) other announcements on important developments; and

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

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

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

The financial statements are released on SGXNET. All shareholders will receive the notice of AGM by post and through notices published in the newspapers with the requisite notice period. In compliance with the rules of the SGX-ST Listing Manual on electronic communications, the Annual Report of the Company will be released and made accessible on SGXNET, and a physical copy of the same will be provided upon request.

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 FY2018, given the Group's intention to make strategic investments into and the development of water and environmental management projects ("**WEM Projects**"). Such WEM Projects include public-private partnership ("**PPP**") projects such as the "Liveable River Bank" project in Chengdu, Sichuan Province, the details of which were disclosed in the Company's announcement dated 19 November 2018, 30 December 2018 and 14 January 2019. The Group is exploring further opportunities in such WEM Projects and sufficient funding will be crucial in allowing it to respond in a timely manner to opportunities as and when such opportunities present themselves through strategic investments into and the development of such projects. Furthermore, the Group requires working capital to fund its existing order book of RMB2.6 billion as at 31 December 2018.

CORPORATE GOVERNANCE REPORT

With the aforesaid in mind, the Group had on 30 December 2018 proposed to undertake a non-renounceable non-underwritten rights issue of up to 81,517,978 new ordinary shares in the capital of the Company (the "**Rights Shares**") at an issue price of S$0.128 for each Rights Share, on the basis of one Rights Share for every four Shares held by the shareholders of the Company as at a books closure date to be determined by the Board at a later date, subject to approval by the SGX-ST and shareholders at the EGM.

DEALINGS IN SECURITIES

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

INTERESTED PERSON TRANSACTIONS

The Company has in place a policy in respect of any transactions with interested person and has established procedures for review and approval of the interested person transactions entered into by the Group. In FY2018, there were no interested person transactions (including transactions less than $100,000). The information required pursuant to Listing Rules 907 and 1207(17) of the SGX-ST Listing Manual is set out below:

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

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

MATERIAL CONTRACTS

There were no material contracts involving the Group with the CEO, Directors, Controlling Shareholders or their associates during FY2018.

CORPORATE GOVERNANCE REPORT

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

SUMMARY OF DISCLOSURES

Guideline	**Questions**	**Page reference to responses in the Annual Report**
Guideline 1.5	What are the types of material transactions which require approval from the Board?	Page 30
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why. (b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up to date?	Page 31 and Page 32
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Page 32 and Page 33
Guideline 2.2	The independent directors should make up at least half of the Board where: (a) the Chairman of the Board (the "Chairman") and the chief executive officer (or equivalent) (the "CEO") is the same person; (b) the Chairman and the CEO are immediate family members; (c) the Chairman is part of the management team; or (d) the Chairman is not an independent director.	Page 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 34

CORPORATE GOVERNANCE REPORT

Guideline	Questions	Page reference to responses in the Annual Report
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number? (b) If a maximum number has not been determined, what are the reasons? (c) What are the specific considerations in deciding on the capacity of directors?	Page 38
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 31, Page 32 and Page 39
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Page 41 to 43
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	Page 41 to 43
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	None – Page 43

CORPORATE GOVERNANCE REPORT

Guideline	Questions	Page reference to responses in the Annual Report
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 40 and Page 41
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems. (b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	Page 47 and Page 48 Page 47
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year. (b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	Page 47 None – Page 47
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why	Page 45 and Page 46
Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? (c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	Page 50 and Page 51
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	Page 51 and Page 52

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 2018.

In our opinion:

(a) the financial statements set out on pages 67 to 178 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International);

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

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

DIRECTORS

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

Mr Cheung Wai Suen	(Chairman and Executive Director)
Ms Wang Heng	(Chief Executive Officer and Executive Director)
Mr Oh Eng Bin	(Lead Independent Non-Executive Director)
Mr Duan Yang, Julien	(Independent Non-Executive Director)
Mr Zhai Guiwu	(Independent Non-Executive Director)
Prof Chew Yong Tian	(Independent Non-Executive Director) (Appointed on 30 April 2018)

DIRECTORS' INTERESTS

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

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

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 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 2019.

Except as disclosed under the "Sapphire Shares Award Scheme 2008" and "Sapphire Shares Award Scheme 2018" sections of this statement, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SAPPHIRE SHARES AWARD SCHEME 2008

The Sapphire Shares Award Scheme 2008 (the "**2008 Scheme**") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 25 April 2008, and expired on 25 April 2018.

The purpose of the 2008 Scheme was to improve the flexibility and effectiveness in rewarding, retaining and motivating its employees (including Directors) and to improve their performance. The terms of the 2008 Scheme are materially similar to the terms of the Sapphire Shares Award Scheme 2018 (the "**2018 Scheme**"), of which the purpose and terms are set out under the "Sapphire Shares Award Scheme 2018" section of this statement.

The details of the aggregate number of shares to be delivered ("**Award Shares**") awarded to the participants of the 2008 Scheme in accordance with the 2008 Scheme are as follows:

Participants	Award Shares granted during the financial year	Aggregate number of shares awarded since commencement of 2008 Scheme to 25 April 2018
Former Executive Directors	–	1,160,000
Former Non-Executive Directors	–	1,310,463
Former Key Executives	–	733,333
Former Group Employees	–	410,666
Total Award Shares granted	–	3,614,462

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

DIRECTORS' STATEMENT

The aggregate number of Shares awarded under the 2008 Scheme was 3,614,462 shares to the date on which the 2008 Scheme expired during year on 25 April 2018.

None of the persons who at any time during the financial year were Directors of the Company held, or whose nominees held, shares or debentures acquired in pursuant of the Sapphire Shares Award Scheme 2008.

SAPPHIRE SHARES AWARD SCHEME 2018

Upon the expiry of the 2008 Scheme, the new Sapphire Shares Award Scheme (the "**2018 Scheme**") of the Company was approved and adopted by its members at the Annual General Meeting held on 26 April 2018. The 2018 Scheme is administered by the Company's Remuneration Committee whose function is to assist the Board of Directors in reviewing remuneration and related matters.

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

Name	**Appointment**
Oh Eng Bin	Chairman of Remuneration Committee/Lead Independent Non-Executive Director
Zhai Guiwu	Independent Non-Executive Director
Duan Yang, Julien	Independent Non-Executive Director

Similar to the Sapphire Shares Award Scheme 2008, the purpose of the new 2018 Scheme is to provide an opportunity for any person who is a full-time employee of the Group ("**Group Employees**"), and a director of the Company who performs an executive function ("**Executive Directors**"), who have met their performance targets, to be remunerated not just through cash bonuses but also by an equity stake in the Company. The 2018 Scheme is also extended to non-executive directors of the Company ("**Non-Executive Directors**"), as a show of appreciation for their significant contributions to the growth of the Company, even though they are not employed by the Company.

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

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

(i) The aggregate number of ordinary shares in the share capital of the Company ("**Shares**") available under the 2018 Scheme, when added to all Shares, options or awards granted under any other share option scheme, share award scheme or share incentive scheme of the Company then in force, shall not exceed 15% of the total issued share capital (excluding treasury shares and subsidiary holdings) of the Company from time to time.

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

(a) the financial performance of the Group;

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

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

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

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

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

Since the commencement of the 2008 Scheme and 2018 Scheme, no shares have been granted to the controlling shareholders of the Company or their associates and no participant under the 2008 Scheme and 2018 Scheme has received 5% or more of the total share awards available under the 2008 Scheme and 2018 Scheme.

During the financial year, there were:

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

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

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

DIRECTORS' STATEMENT

AUDIT AND RISK COMMITTEE

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

Name	Appointment
Duan Yang, Julien	Chairman of the ARC/Independent Non-Executive Director
Oh Eng Bin	Lead Independent Non-Executive Director
Zhai Guiwu	Independent Non-Executive Director

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

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

The ARC also reviewed the following:

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

The ARC has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The ARC also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

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

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

DIRECTORS' STATEMENT

AUDITORS

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

On behalf of the Board of Directors

Wang Heng
Director

Cheung Wai Suen
Director

29 March 2019

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY SAPPHIRE CORPORATION LIMITED

Report on audit of the financial statements

Opinion

We have audited the financial statements of Sapphire Corporation Limited (the "**Company**") and its subsidiaries (the "**Group**"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, 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 178.

In our opinion, the accompanying consolidated financial statements of the Group and the statements of financial position and changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "**Act**") and Singapore Financial Reporting Standards (International) ("**SFRS(I)s**") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 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, which are recognised over time as each performance obligation is satisfied and when the Group has an enforceable right to payment for performance completed to date.

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

How the matter was addressed in our audit:

In assessing the reasonableness of the revenue recognised, we checked the revenue computations to the contractual terms of the construction contracts. As the progress towards complete satisfaction of each performance obligation is recognised over time using the percentage of completion, we also compared the percentage of completion computed by the Group to quantity surveyors' reports, where available, and followed up on discrepancies, if any, to assess the reasonableness of the revenue recognised.

Our findings:

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

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

Risk:

The net asset position of the Group of RMB505.9 million was higher than the market capitalisation of RMB195.6 million as at 31 December 2018, indicating that non-financial assets could be overstated.

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

How the matter was addressed in our audit:

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

Our findings:

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

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY SAPPHIRE CORPORATION LIMITED

Impairment of trade receivables and contract assets

(Refer to Notes 12 and 13 to the financial statements)

Risk:

As at 31 December 2018, the Group has trade receivables and contract assets amounting to RMB379,457,000 and RMB980,244,000 respectively.

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

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

How the matter was addressed in our audit:

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

Our findings:

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

Other information

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

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

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

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

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY SAPPHIRE CORPORATION LIMITED

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

INDEPENDENT
AUDITORS' REPORT
MEMBERS OF THE COMPANY SAPPHIRE CORPORATION LIMITED

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

kpmg llp

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
29 March 2019

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Group			Company		
		31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
Assets							
Property, plant and equipment	4	**170,634**	138,328	99,649	**93**	138	334
Intangible assets and goodwill	5	**70,453**	71,134	71,815	**–**	–	–
Investment properties	6	**54,684**	57,094	59,504	**–**	–	–
Subsidiaries	7	**–**	–	–	**387,151**	375,420	368,930
Associate	8	**25,000**	–	–	**–**	–	–
Other investments	9	**4,970**	12,630	100	**4,966**	12,476	–
Other receivables	14	**14,153**	21,310	–	**14,153**	21,310	–
Deferred tax assets	10	**13,971**	13,794	16,437	**–**	–	–
Total non-current assets		**353,865**	314,290	247,505	**406,363**	409,344	369,264
Other investments	9	**5,815**	4,529	–	**5,815**	4,529	–
Inventories	11	**23,432**	32,603	9,423	**–**	–	–
Contract assets	12	**980,244**	949,703	754,229	**–**	–	–
Trade receivables	13	**379,457**	340,224	304,870	**–**	–	–
Other receivables	14	**229,143**	203,234	105,397	**6,829**	16,892	50,243
Assets held for sale		**–**	–	198,973	**–**	–	62,615
Cash and cash equivalents	15	**203,949**	125,748	145,167	**251**	2,076	3,064
Total current assets		**1,822,040**	1,656,041	1,518,059	**12,895**	23,497	115,922
Total assets		**2,175,905**	1,970,331	1,765,564	**419,258**	432,841	485,186
Equity							
Share capital	16	**413,839**	413,839	413,393	**413,839**	413,839	413,393
Reserves	17	**92,078**	86,164	54,918	**1,822**	2,364	8,106
Equity attributable to owners of the Company		**505,917**	500,003	468,311	**415,661**	416,203	421,499
Non-controlling interests	18	**10,219**	9,831	8,588	**–**	–	–
Total equity		**516,136**	509,834	476,899	**415,661**	416,203	421,499
Liabilities							
Other payables	21	**–**	–	19,620	**–**	–	–
Loans and borrowings	19	**27,829**	120,145	14,419	**–**	–	–
Deferred tax liabilities	10	**6,677**	6,852	7,028	**–**	–	–
Total non-current liabilities		**34,506**	126,997	41,067	**–**	–	–
Trade payables	20	**970,570**	650,445	526,341	**–**	–	–
Other payables	21	**175,084**	170,199	182,993	**3,597**	16,638	63,637
Contract liabilities	22	**215,152**	348,437	256,866	**–**	–	–
Loans and borrowings	19	**253,968**	144,201	159,619	**–**	–	50
Current tax liabilities		**10,489**	20,218	23,418	**–**	–	–
Liabilities held for sale		**–**	–	98,361	**–**	–	–
Total current liabilities		**1,625,263**	1,333,500	1,247,598	**3,597**	16,638	63,687
Total liabilities		**1,659,769**	1,460,497	1,288,665	**3,597**	16,638	63,687
Total equity and liabilities		**2,175,905**	1,970,331	1,765,564	**419,258**	432,841	485,186

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RMB'000	Group 2017 RMB'000
Continuing operations			
Revenue	22	**1,796,982**	1,308,719
Cost of sales		**(1,662,993)**	(1,155,165)
Gross profit		**133,989**	153,554
Other income	23	**9,359**	5,886
Selling and distribution costs		**(10,545)**	(8,795)
Administrative expenses		**(58,149)**	(56,783)
Impairment losses on trade and other receivables and contract assets		**(15,447)**	(3,223)
Other expenses		**(8,634)**	(12,177)
Profit from operating activities		**50,573**	78,462
Finance costs	24	**(20,421)**	(25,673)
Profit before tax		**30,152**	52,789
Tax expense	25	**(13,329)**	(20,614)
Profit from continuing operations		**16,823**	32,175
Discontinued operations			
Profit from discontinued operations, net of tax	26	**–**	843
Profit for the year	27	**16,823**	33,018
Profit attributable to:			
Owners of the Company		**16,364**	31,775
Non-controlling interests		**459**	1,243
Profit for the year		**16,823**	33,018
Earnings per share	28		
Basic (cents)		**5.02**	9.75
Diluted (cents)		**5.02**	9.75
Earnings per share – continuing operations	28		
Basic (cents)		**5.02**	9.49
Diluted (cents)		**5.02**	9.49

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018

	Group	
	2018	2017
	RMB'000	RMB'000
Profit for the year	**16,823**	33,018
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income – net change in fair value	**(7,701)**	–
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences	**1,821**	(769)
Net change in fair value of available-for-sale financial assets	**–**	(1,516)
Realisation of reserve upon disposal of subsidiaries	**–**	1,756
	1,821	(529)
Other comprehensive income for the year, net of tax	**(5,880)**	(529)
Total comprehensive income for the year	**10,943**	32,489
Total comprehensive income attributable to:		
Owners of the Company	**10,484**	31,246
Non-controlling interests	**459**	1,243
Total comprehensive income for the year	**10,943**	32,489

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2018

		Attributable to owners of the Company									
	Note	Share capital RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Fair value reserve RMB'000	Other reserves RMB'000	Translation reserve RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Group											
At 1 January 2017		413,393	(7,585)	2,075	–	(6,777)	–	67,205	468,311	8,588	476,899
Total comprehensive income for the year											
Profit for the year		–	–	–	–	–	–	31,775	31,775	1,243	33,018
Other comprehensive income											
Foreign currency translation differences		–	–	–	–	–	(769)	–	(769)	–	(769)
Net change in fair value of available-for-sale financial assets		–	–	–	(1,516)	–	–	–	(1,516)	–	(1,516)
Realisation of reserve upon disposal of subsidiaries		–	–	(2,075)	–	–	1,756	2,075	1,756	–	1,756
Total other comprehensive income		–	–	(2,075)	(1,516)	–	987	2,075	(529)	–	(529)
Total comprehensive income for the year		–	–	(2,075)	(1,516)	–	987	33,850	31,246	1,243	32,489
Transactions with owners, recognised directly in equity											
Contributions by and distributions to owner											
Issue of shares during the year	16	446	–	–	–	–	–	–	446	–	446
Total contributions by and distributions to owners		446	–	–	–	–	–	–	446	–	446
At 31 December 2017		413,839	(7,585)	–	(1,516)	(6,777)	987	101,055	500,003	9,831	509,834

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2018

	Note	Attributable to owners of the Company								
		Share capital RMB'000	Capital reserve RMB'000	Fair value reserve RMB'000	Other reserves RMB'000	Translation reserve RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Group										
At 1 January 2018		413,839	(7,585)	(1,516)	(6,777)	987	101,055	500,003	9,831	509,834
Adjustment on initial application of SFRS(I) 9, net of tax		–	–	–	–	–	(3,004)	(3,004)	(71)	(3,075)
Adjusted balance at 1 January 2018		413,839	(7,585)	(1,516)	(6,777)	987	98,051	496,999	9,760	506,759
Total comprehensive income for the year										
Profit for the year		–	–	–	–	–	16,364	16,364	459	16,823
Other comprehensive income										
Foreign currency translation differences		–	–	–	–	1,821	–	1,821	–	1,821
Net change in fair value – equity investments at fair value through other comprehensive income		–	–	(7,701)	–	–	–	(7,701)	–	(7,701)
Total other comprehensive income		–	–	(7,701)	–	1,821	–	(5,880)	–	(5,880)
Total comprehensive income for the year		–	–	(7,701)	–	1,821	16,364	10,484	459	10,943
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owner										
Dividends declared	17	–	–	–	–	–	(1,566)	(1,566)	–	(1,566)
Total contributions by and distributions to owners		–	–	–	–	–	(1,566)	(1,566)	–	(1,566)
At 31 December 2018		413,839	(7,585)	(9,217)	(6,777)	2,808	112,849	505,917	10,219	516,136

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

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2018

	Note	Share capital RMB'000	Capital reserve RMB'000	Fair value reserve RMB'000	Other reserve RMB'000	Translation reserves RMB'000	Accumulated profits/ (losses) RMB'000	Total equity RMB'000
Company								
At 1 January 2017		413,393	(8,294)	–	(6,777)	–	23,177	421,499
Total comprehensive income								
Loss for the year		–	–	–	–	–	(11,682)	(11,682)
Other comprehensive income								
Foreign currency translation differences		–	–	–	–	7,456	–	7,456
Net change in fair value of available-for-sale financial assets		–	–	(1,516)	–	–	–	(1,516)
Total other comprehensive income		–	–	(1,516)	–	7,456	–	5,940
Total comprehensive income for the year		–	–	(1,516)	–	7,456	(11,682)	(5,742)
Transactions with owners, recognised directly in equity								
Issue of shares during the year	16	446	–	–	–	–	–	446
Total contributions by and distributions to owners		446	–	–	–	–	–	446
At 31 December 2017		413,839	(8,294)	(1,516)	(6,777)	7,456	11,495	416,203

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

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2018

	Note	2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Profit before tax		**30,152**	52,789
Adjustments for:			
Allowance for impairment losses on doubtful receivables and contract assets		**15,447**	3,223
Amortisation of intangible assets		**681**	681
Change in fair value of financial asset mandatorily at fair value through profit or loss		**(1,115)**	–
Change in fair value of financial asset designated as fair value through profit or loss		**–**	2,855
Depreciation of property, plant and equipment		**59,343**	45,572
Depreciation of investment properties		**2,410**	2,410
Discount on long-term receivables		**–**	2,227
Interest income		**(363)**	(378)
Interest expense		**20,421**	25,673
Loss on disposal of property, plant and equipment, net		**36**	499
Other investment written off		**150**	–
Share awards scheme		**–**	446
Unwinding of discount on long-term receivables		**(1,062)**	–
Operating profit before working capital changes		**126,100**	135,997
Changes in:			
Inventories		**9,171**	(23,180)
Contract assets		**(39,470)**	(195,474)
Contract liabilities		**(133,285)**	91,571
Trade and other payables		**331,930**	132,444
Trade and other receivables		**(65,364)**	(112,058)
Cash flows generated from operations		**229,082**	29,300
Tax paid		**(22,385)**	(21,334)
Net cash generated from operating activities		**206,697**	7,966
Net cash used in operating activities from discontinued operations	26	**–**	(5,057)
		206,697	2,909
Cash flows from investing activities			
Acquisition of other investments		**–**	(54)
Acquisition of property, plant and equipment		**(60,178)**	(78,210)
Investment in associate		**(25,000)**	–
Interest received		**363**	378
Proceeds from sale of property, plant and equipment		**1,199**	1,703
Refund of deposit to a potential acquirer of a former subsidiary		**–**	(6,076)
Net cash used in investing activities		**(83,616)**	(82,259)
Net cash generated from investing activities from discontinued operations	26	**–**	13,101
		(83,616)	(69,158)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

	Note	2018 RMB'000	2017 RMB'000
Cash flows from financing activities			
Interest paid		**(16,835)**	(23,144)
Repayment to a previous shareholder of Ranken's subsidiary		**(6,920)**	(19,180)
Proceeds from refinancing of finance lease liabilities		**–**	70,000
Proceeds from bank loans		**129,000**	155,000
Proceeds from secured borrowing from financial institution		**45,000**	–
Proceeds from bond issued		**–**	35,000
Payment of finance lease liabilities		**(35,837)**	(28,985)
Repayment of bank loans		**(142,000)**	(146,000)
Repayment of bond issued		**(15,000)**	–
Payment of transactions costs related to loans and borrowings		**–**	(8,075)
Release of fixed deposits pledged, net		**35**	2,631
Dividends paid to owners of the Company		**(1,566)**	–
Net cash (used in)/generated from financing activities		**(44,123)**	37,247
Net cash used in financing activities from discontinued operations	26	**–**	(2,250)
		(44,123)	34,997
Net increase/(decrease) in cash and cash equivalents		**78,958**	(31,252)
Cash and cash equivalents at 1 January		**117,729**	134,517
Cash and cash equivalents classified as held for sale at beginning of the year		**–**	17,435
Effect of exchange rate fluctuations on cash held		**(647)**	(2,971)
Cash and cash equivalents at 31 December	15	**196,040**	117,729

Significant non-cash transactions

During the financial year, the Group acquired plant and equipment with an aggregate cost of RMB92,880,000 (2017: RMB86,446,000) of which RMB32,702,000 (2017: RMB8,236,000) were acquired by means of finance lease arrangements.

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 29 March 2019.

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 2018 comprise the Company and its subsidiaries (together referred to as the "**Group**" and individually as "**Group entities**") and the Group's interest in equity-accounted investee.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("**SFRS(I)**"). These are the Group's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore ("**FRS**"). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial position, financial performance and cash flows is provided in Note 34.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2. BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements

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

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

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

- Note 22 – Identifying performance obligations and measuring progress

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

- Note 4 – Valuation of property, plant and equipment
- Note 5 – Valuation of goodwill
- Note 22 – Revenue recognition for construction contracts/measurement of provision for onerous contracts
- Note 32 – Valuation of trade and other receivables and contract assets

Measurement of fair values

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

Measurement of fair values (Continued)

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

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

Further information about the assumptions made in measuring fair values is included in Note 6 and 32.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I)s statements of financial position at 1 January 2017 for the purposes of the transition to SFRS(I)s, unless otherwise indicated.

The accounting policies have been applied consistently by the Group entities.

3.1 Basis of consolidation

Business combinations

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

Acquisitions from 1 January 2017

For acquisitions from 1 January 2017, the Group measures goodwill at the date of acquisition as:

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

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

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Acquisitions from 1 January 2017 (Continued)

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

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

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

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as 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 NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Acquisitions before 1 January 2017

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

Subsidiaries

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Loss of control

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

Investment in associate (equity-accounted investee)

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

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

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

Transactions eliminated on consolidation

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

Subsidiaries 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency

Foreign currency transactions

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

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

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of an investment in equity securities designated as at FVOCI are recognised in OCI (2017: available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss)).

Foreign operations

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

Foreign currency differences are recognised in OCI. Since 1 January 2017, the Group's date of transition to SFRS(I), such differences have been recognised in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

NOTES TO THE
FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

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

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

(ii) Classification and subsequent measurement

Non-derivative financial assets – Policy applicable from 1 January 2018

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

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

Financial assets at amortised cost

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

(a) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
(b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments at fair value through other comprehensive income

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(ii) ***Classification and subsequent measurement*** (Continued)

Non-derivative financial assets – Policy applicable from 1 January 2018 (Continued)

Financial assets at fair value through profit or loss

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

Financial assets: Business model assessment – Policy applicable from 1 January 2018

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

NOTES TO THE
FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018

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

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

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

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

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(ii) ***Classification and subsequent measurement*** (Continued)

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018 (Continued)

Financial assets at amortised cost

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

Equity investments at FVOCI

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

Non-derivative financial assets – Policy applicable before 1 January 2018

The Group classified non-derivative financial assets into the following categories: financial assets at FVTPL, loans and receivables and available-for-sale financial assets.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 January 2018

Financial assets at FVTPL

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

Financial assets designated at FVTPL comprised equity securities that otherwise would have been classified as available for sale.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 January 2018 (Continued)

Loans and receivables

Loans and receivables were financial assets with fixed or determinable payments that were 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 were measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprised cash and cash equivalents, and trade and other receivables (excluding prepayments).

Available-for-sale financial assets

Available-for-sale financial assets were non-derivative financial assets that were designated as available-for-sale or were 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 were measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on available-for-sale debt investments, were recognised in OCI and accumulated in the fair value reserve in equity. When these amounts were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Available-for-sale financial assets comprised equity investments.

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

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

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised bank loans, bond, bank overdrafts, and trade and other payables.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

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

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

(iv) Offsetting

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

(v) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(vi) Share capital

Ordinary shares

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

3.4 Property, plant and equipment

Recognition and measurement

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (Continued)

Subsequent costs

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

Depreciation

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Intangible assets and goodwill

Goodwill

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

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

Other intangible assets

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

Subsequent expenditure

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

Amortisation

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

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

Land use rights – 50 years

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Investment properties

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

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

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

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

3.7 Leased assets

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

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

3.8 Inventories

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (see Note 3.10) and are reclassified to receivables when the right to the consideration has become unconditional.

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

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

3.10 Impairment

(i) Non-derivative financial assets and contract assets

Policy applicable from 1 January 2018

The Group recognises loss allowances for expected credit losses ("**ECLs**") on:

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment (Continued)

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

Policy applicable from 1 January 2018 (Continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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

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

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

Measurement of ECLs

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

Credit-impaired financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment (Continued)

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

Policy applicable from 1 January 2018 (Continued)

Presentation of allowance for ECLs in the statement of financial position

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

Write-off

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

Policy applicable before 1 January 2018

A financial asset not carried at FVTPL, including an interest in an associate was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets (including equity investments) were impaired included 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 would 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 was objective evidence of impairment.

Loans and receivables and contract assets

The Group considered evidence of impairment for loans and receivables and contract assets at both an individual asset and collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment (Continued)

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

Policy applicable before 1 January 2018 (Continued)

Loans and receivables and contract assets (Continued)

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets were recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The amount reclassified was 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. If the fair value of an impaired available-for-sale debt security subsequently increased and the increase was related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale were not reversed through profit or loss.

(ii) Non-financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment (Continued)

(ii) Non-financial assets (Continued)

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

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

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

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

3.11 Non-current assets and liabilities held for sale

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Employee benefits

Defined contribution plans

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

Short-term employee benefits

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

Share-based payment transactions

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

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

3.13 Provisions

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

Onerous contracts

The Group assesses at every reporting date whether any allowance for onerous contracts is required. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

NOTES TO THE
FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue

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

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

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

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

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

Mining services

Revenue is recognised over time based on the percentage of completion reflecting the progress towards complete satisfaction of that PO. The percentage of completion is calculated using the contract costs incurred for work performed to date over the estimated total contract costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue (Continued)

Construction contracts

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

When the outcome of a PO can be reasonably measured, construction revenue is recognised over time as each PO is satisfied and when the Group has an enforceable right to payment for performance completed to date. The progress towards the completed satisfaction of each PO is measured using the output method based on direct measurements of the value of services delivered or surveys of work performed.

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

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

Rendering of services

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

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised at the point in time when the Group satisfies a PO by transferring the promised good to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Equipment leasing

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue (Continued)

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 Government grant

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

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

3.16 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.

3.17 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Tax

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

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

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

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

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

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

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Tax (Continued)

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

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

3.19 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 at the earlier of 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.

3.20 Earnings per share

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Segment reporting

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

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

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

3.22 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in Note 35.

NOTES TO THE FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT

	Building RMB'000	Renovation RMB'000	Plant and machinery RMB'000	Furniture, fittings and office equipment RMB'000	Construction site facilities RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Group								
Cost								
At 1 January 2017	11,315	893	90,049	3,266	50,784	5,611	1,613	163,531
Additions	–	–	24,567	2,234	47,545	2,234	9,866	86,446
Disposals/write-off	–	–	(2,699)	(436)	–	(915)	–	(4,050)
Transfer	–	–	(2,582)	–	2,389	193	–	–
Effect of movements in exchange rates	–	18	–	11	–	7	–	36
At 31 December 2017	11,315	911	109,335	5,075	100,718	7,130	11,479	245,963
Additions	–	–	36,829	2,447	36,854	5,554	11,196	92,880
Disposals/write-off	–	(24)	(1,286)	(566)	–	(1,239)	–	(3,115)
Transfer	–	–	65	–	–	(65)	–	–
Effect of movements in exchange rates	–	26	–	16	–	4	–	46
At 31 December 2018	**11,315**	**913**	**144,943**	**6,972**	**137,572**	**11,384**	**22,675**	**335,774**
Accumulated depreciation								
At 1 January 2017	529	719	35,138	1,452	23,942	2,102	–	63,882
Depreciation	293	169	12,978	1,182	29,602	1,348	–	45,572
Disposals/write-off	–	–	(806)	(409)	–	(633)	–	(1,848)
Transfer	–	–	(744)	–	732	12	–	–
Effect of movements in exchange rates	–	10	–	9	–	10	–	29
At 31 December 2017	822	898	46,566	2,234	54,276	2,839	–	107,635
Depreciation	293	4	13,121	1,880	42,315	1,730	–	59,343
Disposals/write-off	–	(18)	(370)	(317)	–	(1,175)	–	(1,880)
Transfer	–	–	65	–	–	(65)	–	–
Effect of movements in exchange rates	–	29	–	9	–	4	–	42
At 31 December 2018	**1,115**	**913**	**59,382**	**3,806**	**96,591**	**3,333**	**–**	**165,140**
Carrying amounts								
At 1 January 2017	10,786	174	54,911	1,814	26,842	3,509	1,613	99,649
At 31 December 2017	10,493	13	62,769	2,841	46,442	4,291	11,479	138,328
At 31 December 2018	**10,200**	**–**	**85,561**	**3,166**	**40,981**	**8,051**	**22,675**	**170,634**

NOTES TO THE FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Renovation RMB'000	Furniture, fittings and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Company				
Cost				
At 1 January 2017	893	605	581	2,079
Disposals/write-off	–	(116)	–	(116)
Effect of movements in exchange rates	18	9	10	37
At 31 December 2017	911	498	591	2,000
Additions	–	7	–	7
Disposals/write-off	(24)	(50)	(595)	(669)
Effect of movements in exchange rates	26	16	4	46
At 31 December 2018	**913**	**471**	**–**	**1,384**
Accumulated depreciation				
At 1 January 2017	719	445	581	1,745
Depreciation	169	33	–	202
Disposals/write-off	–	(116)	–	(116)
Effect of movements in exchange rates	10	11	10	31
At 31 December 2017	898	373	591	1,862
Depreciation	4	23	–	27
Disposals/write-off	(18)	(27)	(595)	(640)
Effect of movements in exchange rates	29	9	4	42
At 31 December 2018	**913**	**378**	**–**	**1,291**
Carrying amounts				
At 1 January 2017	174	160	–	334
At 31 December 2017	13	125	–	138
At 31 December 2018	**–**	**93**	**–**	**93**

At 31 December 2018, the Group's plant and machinery with carrying amount of RMB59,910,000 (2017: RMB34,290,000) were acquired under finance leases (Note 19).

At 31 December 2018, a building and certain machineries of the Group with carrying amount of RMB10,200,000 (2017: RMB10,493,000) and RMB Nil (2017: RMB402,000) respectively are pledged as securities to secure bank loans (Note 19).

During the year, depreciation of RMB56,537,000 (2017: RMB43,482,000) and RMB2,806,000 (2017: RMB2,090,000) were charged to cost of goods sold and other operating expenses, respectively.

NOTES TO THE FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Source of estimation uncertainty

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

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

5. INTANGIBLE ASSETS AND GOODWILL

	Land use rights RMB'000	Goodwill RMB'000	Total RMB'000
Group			
Cost			
At 1 January 2017, 31 December 2017 and 31 December 2018	30,250	42,417	72,667
Accumulated amortisation and impairment loss			
At 1 January 2017	852	–	852
Amortisation	681	–	681
At 31 December 2017	1,533	–	1,533
Amortisation	681	–	681
At 31 December 2018	**2,214**	**–**	**2,214**
Carrying amounts			
At 1 January 2017	29,398	42,417	71,815
At 31 December 2017	28,717	42,417	71,134
At 31 December 2018	**28,036**	**42,417**	**70,453**

At 31 December 2018, the Group's land use rights with carrying amount of RMB28,036,000 (2017: RMB28,717,000) are pledged to a bank for banking facilities (Note 19).

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

5. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Impairment testing for CGUs containing goodwill

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

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Infrastructure	**42,417**	42,417

Infrastructure

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

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

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

	2018	**2017**
Period of cash flow projections	**2019 – 2023**	2018 – 2022
Pre-tax discount rate	**17%**	17%
Terminal value growth rate	**4%**	4%

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

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately RMB65,000,000 (2017: RMB257,000,000). Management has identified that a reasonably possible change in one key assumption could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which the assumption would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

5. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Infrastructure (Continued)

	Change required for carrying amount to equal the recoverable amount	
	2018	**2017**
	%	**%**
Pre-tax discount rate	**2%**	5%
Terminal value growth rate	**(2%)**	N.M.

N.M. – not meaningful

Source of estimation uncertainty

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

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

6. INVESTMENT PROPERTIES

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Cost		
At 1 January and 31 December	**62,763**	62,763
Accumulated depreciation		
At 1 January	**5,669**	3,259
Depreciation	**2,410**	2,410
At 31 December	**8,079**	5,669
Carrying amount		
At 31 December	**54,684**	57,094
Fair value		
At 31 December	**74,334**	62,763

6. INVESTMENT PROPERTIES (CONTINUED)

Investment properties comprise a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period from 2 to 5 years, with annual rents indexed to consumer prices. No contingent rents are charged. See Note 29 for further information.

Security

At 31 December 2018, investment properties of the Group with carrying amounts of RMB54,684,000 (2017: RMB57,094,000) 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, PRC	Certain units within a 9-storey office building	Commercial	Leasehold	42 years
Floor 19 Sichuan International Building Shun Cheng Street, Qing Yang District, Chengdu City, Sichuan Province, PRC	1 storey of 27-storey office building	Commercial	Leasehold	31 years

During the year, RMB3,768,000 (2017: RMB3,350,000) was recognised as rental income in profit or loss by the Group. Depreciation expenses included in other operating expenses amounted to RMB2,410,000 (2017: RMB2,410,000).

Measurement of fair value

Fair value hierarchy and valuation technique

The fair value of investment properties was determined by an external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of properties being valued. The Group will engage independent valuer to provide the fair value of the Group's investment properties when there are significant changes to the market conditions.

The fair value measurement for all of the investment properties of RMB74,334,000 (2017: RMB62,763,000) have been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see Note 2.4).

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENT PROPERTIES (CONTINUED)

Valuation technique and significant unobservable inputs

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

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
2018: Income approach – term and reversion method: Rental income is derived from the existing leases with due allowance for the reversionary income potential of the leases, which are then capitalised into the value at appropriate rates.	**2018:** Ranken Building: • Average monthly market rent: RMB34/sq.m • Market yield: 6.75% Sichuan International Building: • Average monthly market rent: RMB52/sq.m • Market yield: 7%	**2018:** The estimated fair value would increase (decrease) if: • average monthly market rent was higher (lower) • market yield was (lower) higher
2017: (i) Income approach – income capitalisation method: Capitalisation of net rental income on a fully let basis having regards to the current passing rental income from existing tenancies and the potential future reversionary income at market level; (ii) Market approach – direct comparison method: Values obtained from market comparable transactions which are then subject to in-house adjustment.	**2017:** Ranken Building: • Average monthly market rent: RMB29/sq.m • Capitalisation rate: 7% Sichuan International Building: • Derived market value: RMB7,900-8,100/sq.m	**2017:** Ranken Building: The estimated fair value would increase (decrease) if: • average monthly market rent was higher (lower) • capitalisation rate was (lower) higher Sichuan International Building: The estimated fair value would increase (decrease) if: • derived market value was higher (lower)

NOTES TO THE FINANCIAL STATEMENTS

7. SUBSIDIARIES

	Company 2018 RMB'000	Company 2017 RMB'000
Equity investments at cost		
At 1 January	**375,420**	569,974
Disposal	**–**	(201,044)
Effect of movements in exchange rates	**11,731**	6,490
At 31 December	**387,151**	375,420
Less: Impairment losses		
At 1 January	**–**	(201,044)
Disposal	**–**	201,044
At 31 December	**–**	–
Net	**387,151**	375,420

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 2018 %	Effective equity interest held by the Group 2017 %
Ranken Infrastructure Limited[1] and its subsidiaries:	Investment holding	Hong Kong	**100**	100
– Chengdu Kai Qi Rui Business Management Co., Ltd.[1] and its subsidiaries:	Enterprise management, engineering information and technology consultation	China	**98**	98
– Ranken Railway Construction Group Co., Ltd.[1] and its subsidiaries:	Engineering, procurement and construction (EPC) for railway, highway, municipal, industrial and civil construction and airports and water conservancy projects and investment holding	China	**97.6**	97.6

NOTES TO THE FINANCIAL STATEMENTS

7. SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Principal place of business/ Country of incorporation	Effective equity interest held by the Group 2018 %	2017 %
– Sichuan Xinlong Construction Co., Ltd[(1)]	EPC for railway, highway, municipal, industrial and civil construction and airports and water conservancy projects	China	**97.6**	97.6
– Sichuan Longjian Construction Consultancy Co., Ltd.[(1)]	Construction consulting, projects management consulting, construction cost consulting, construction design, supervision and bidding agency	China	**97.6**	97.6
– Sichuan Jinlong Labor Service Co., Ltd.[(1)]	Labor service subcontracting for construction industry; domestic labor dispatching service	China	**87.9**	87.9
– Chengdu Jialong Property Service Co., Ltd[(1)]	Property management and consulting services	China	**97.1**	97.1
– PT Tekgen Indonesia[(2)(3)]	Construction of electrical networks and other telecommunication channels	Indonesia	**97.6**	97.6
– Chengdu Ranken Railway Construction Group Co., Ltd. Saudi Arabia Branch[(2)(3)]	Engineering, procurement and construction (EPC) for railway, highway, municipal, industrial and civil construction and water conservancy projects	Saudi Arabia	**97.6**	97.6
– Sichuan Yilong Equipment Co., Ltd[(1)]	Equipment maintenance and leasing	China	**97.6**	97.6

Notes:

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

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

(3) In the process of being struck off.

8. ASSOCIATE

	Group 2018 RMB'000	Group 2017 RMB'000
Interests in associate	**25,000**	–
Group's interest in the net asset of investee		
At 1 January	**–**	–
Group's contribution during the year	**25,000**	–
Group's share of profit	**–**	–
At 31 December	**25,000**	–

Details of the associate are as follows:

Name of associate	Nature of relationship with the Group	Principal activities	Principal place of business/ Country of incorporation	Effective equity interest held by the Group 2018 %	Effective equity interest held by the Group 2017 %
Chengdu Derun Jinlong Environmental Management Co., Ltd.[(1)]	Subsidiary of the Group is a contractor to the engineering, procurement and construction works for the project	Investment and financing, design, build, operate and transfer works for water conservancy and environment project	China	**25**	–

Note:

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

NOTES TO THE FINANCIAL STATEMENTS

8. ASSOCIATE (CONTINUED)

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

	2018 RMB'000
Revenue	**60,050**
Profit for the year and total comprehensive income	**1**
Non-current assets	**60,050**
Current assets	**100,001**
Non-current liabilities	**–**
Current liabilities	**(60,050)**
Net assets	**100,001**

During the year, the Group, together with other companies, established Chengdu Derun Jinlong Environmental Management Co., Ltd. ("**CDJ Environmental Management Co.**"). The Group's contribution was RMB25,000,000 and resulted in the Group obtaining a 25% investment in CDJ Environmental Management Co. This contribution represented initial capital contribution and as a result, there is no goodwill for the investment.

In accordance with the agreement under which CDJ Environmental Management Co. is established, the Group, Chongqing Derun Environment Co., Ltd., Chengdu Wuhou Industrial Development Investment Management Group Co., Ltd. and Beijing Enterprises Water (China) Investment Limited, who holds 25%, 58%, 10% and 7% of the associate, respectively, have agreed to make additional capital contributions of RMB173,000,000 in proportion to their interests in the associate. The Group's share amounts to RMB43,250,000 and is expected to be injected over the construction period of 2 years. This commitment has not been recognised in the Group's consolidated financial statements.

CDJ Environmental Management Co. has been established to carry out investment and financing, design, build, operate and transfer works ("**DBFOT Works**") for the first phase of Chengdu, Wuhou District "Liveable River Bank" project with estimated cost of about RMB1.4 billion (the "**Project**"). 20% of the project costs will be funded by the shareholders of CDJ Environmental Management Co., via capital contribution and 80% is expected to be funded by project financing from financial institutions.

The DBFOT Works period of the Project is 15 years, which comprises 2 years of construction as well as the operational/ management rights of the building infrastructure along the river bank for a 13-year period.

CDJ Environmental Management Co. has awarded a contract worth approximately RMB832 million relating to the engineering, procurement and construction works for the Project to Ranken Railway Construction Group Co., Ltd., a subsidiary of the Group.

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

NOTES TO THE FINANCIAL STATEMENTS

9. OTHER INVESTMENTS

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current investments				
Equity investment – at FVOCI	**4,966**	–	**4,966**	–
Equity investment – mandatorily at FVTPL	**4**	–	**–**	–
Equity investment – available-for-sale, at fair value	**–**	12,476	**–**	12,476
Equity investment – available-for-sale, at cost	**–**	154	**–**	–
	4,970	12,630	**4,966**	12,476
Current investment				
Equity investment – mandatorily at FVTPL	**5,815**	–	**5,815**	–
Equity investment – designated at FVTPL	**–**	4,529	**–**	4,529
	10,785	17,159	**10,781**	17,005

Equity investments designated as at FVOCI

At 1 January 2018, the Group and Company designated the investment shown below as equity investment at FVOCI because this equity investment represents investment that the Group and Company intends to hold for long-term strategic purposes. In 2017, the investment was classified as available-for-sale.

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

No strategic investments were disposed of during 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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

NOTES TO THE FINANCIAL STATEMENTS

10. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2018 RMB'000	Assets 2017 RMB'000	Liabilities 2018 RMB'000	Liabilities 2017 RMB'000
Property, plant and equipment	**8,179**	9,635	**(27)**	(28)
Investment properties	**–**	–	**(702)**	(731)
Intangible assets	**–**	–	**(5,948)**	(6,093)
Trade receivables and contract assets	**4,584**	3,409	**–**	–
Others	**1,208**	750	**–**	–
	13,971	13,794	**(6,677)**	(6,852)

Movement in temporary differences during the year

	Balance as at 1 January 2017 RMB'000	Recognised in profit or loss RMB'000	Balance as at 31 December 2017 RMB'000	Adjustment on initial application of SFRS(I) 9 RMB'000	Balance as at 1 January 2018 RMB'000	Recognised in profit or loss RMB'000	Balance as at 31 December 2018 RMB'000
Group							
Deferred tax assets							
Property, plant and equipment	11,090	(1,455)	9,635	–	**9,635**	(1,456)	**8,179**
Trade receivables and contract assets	4,133	(724)	3,409	1,025	**4,434**	150	**4,584**
Others	1,214	(464)	750	–	**750**	458	**1,208**
	16,437	(2,643)	13,794	1,025	**14,819**	(848)	**13,971**
Deferred tax liabilities							
Property, plant and equipment	(29)	1	(28)	–	**(28)**	1	**(27)**
Investment properties	(760)	29	(731)	–	**(731)**	29	**(702)**
Intangible assets	(6,239)	146	(6,093)	–	**(6,093)**	145	**(5,948)**
	(7,028)	176	(6,852)	–	**(6,852)**	175	**(6,677)**

NOTES TO THE FINANCIAL STATEMENTS

11. INVENTORIES

	Group	
	2018	2017
	RMB'000	RMB'000
Raw materials and consumables	**23,432**	32,603
Inventories recognised in cost of sales	**579,887**	275,162

12. CONTRACT ASSETS

		Group	
	2018	2017	1 Jan 2017
	RMB'000	RMB'000	RMB'000
Rights to consideration for work completed but not billed for construction contracts	**710,473**	573,022	398,976
Retention monies	**278,700**	376,681	355,253
	989,173	949,703	754,229
Impairment loss	**(8,929)**	–	–
	980,244	949,703	754,229

The retention monies of RMB61,881,000 (2017: RMB103,655,000; 1 Jan 2017: RMB131,431,000) are expected to be recovered after twelve months from the end of the current financial year.

At 31 December 2018, contract assets of the Group with carrying amounts of RMB106,364,000 (2017: Nil) are pledged as security to secure borrowing from a financial institution (Note 19).

13. TRADE RECEIVABLES

		Group	
	2018	2017	1 Jan 2017
	RMB'000	RMB'000	RMB'000
Trade receivables	**390,436**	343,447	304,870
Impairment loss	**(10,979)**	(3,223)	–
	379,457	340,224	304,870

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

At 31 December 2018, trade receivables of the Group with carrying amounts of RMB26,314,000 (2017: Nil) are pledged as security to secure borrowing from a financial institution (Note 19).

NOTES TO THE FINANCIAL STATEMENTS

14. OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Other receivable due from third party	**14,153**	21,310	**14,153**	21,310
Current				
Other receivables due from third parties	**113,433**	108,650	**208**	228
Impairment loss	**(2,862)**	–	**–**	–
	110,571	108,650	**208**	228
Amounts due from subsidiary	**–**	–	**6,250**	16,337
Deposits	**29,539**	28,007	**288**	236
Prepayments	**89,033**	66,577	**83**	91
	229,143	203,234	**6,829**	16,892
	243,296	224,544	**20,982**	38,202

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

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

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	**196,040**	117,729	**251**	2,076
Fixed deposits	**7,909**	8,019	**–**	–
Cash and cash equivalents in the statements of financial position	**203,949**	125,748	**251**	2,076
Fixed deposits pledged	**(7,909)**	(8,019)		
Cash and cash equivalents in the statement of cash flows	**196,040**	117,729		

Fixed deposits amounting to RMB7,909,000 (2017: RMB8,019,000) were pledged to banks for banking facilities at the end of the reporting period.

The weighted average effective interest rates per annum relating to cash and cash equivalents at the reporting date for the Group and the Company were 0.18% (2017: 0.30%) and 0.01% (2017: 0.01%) respectively. Interest rates are repriced within one year.

16. SHARE CAPITAL

	2018		2017	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
Issued and fully paid ordinary shares, with no par value:				
At 1 January	**326,072**	**413,839**	325,797	413,393
Issued under the Sapphire Shares Award Scheme	**–**	**–**	275	446
At 31 December	**326,072**	**413,839**	326,072	413,839

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

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

Issue of ordinary shares

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

Proposed rights issue

On 30 December 2018, the Company proposed to undertake a non-renounceable non-underwritten rights issue of up to 81,517,978 new ordinary shares in the capital of the Company (the "**Rights Shares**") at an issue price of S$0.128 for each Rights Share, on the basis of one Rights Share for every four existing ordinary shares in the capital of the Company held by the shareholders of the Company (the "**Rights Issue**") as at a book closure date ("**Book Closure Date**") to be determined by the Board,

The Books Closure Date shall only be determined after the Rights Issue has been approved by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and Shareholders, amongst other conditions.

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.

16. SHARE CAPITAL (CONTINUED)

Capital management (Continued)

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

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

The Group is not subjected to externally imposed capital requirements during the financial years ended 31 December 2018 and 2017.

17. RESERVES

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

	Group			Company		
			1 Jan			1 Jan
	2018	2017	2017	2018	2017	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Capital reserve	**(7,585)**	(7,585)	(7,585)	**(8,294)**	(8,294)	(8,294)
Fair value reserve	**(9,217)**	(1,516)	–	**(9,217)**	(1,516)	–
Merger reserve	**–**	–	2,075	**–**	–	–
Other reserves	**(6,777)**	(6,777)	(6,777)	**(6,777)**	(6,777)	(6,777)
Translation reserve	**2,808**	987	–	**20,085**	7,456	–
Accumulated profits	**112,849**	101,055	67,205	**6,025**	11,495	23,177
	92,078	86,164	54,918	**1,822**	2,364	8,106

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

Fair value reserve comprises the cumulative net change in the fair value of equity investments designated at FVOCI (2017: available-for-sale financial assets).

17. RESERVES (CONTINUED)

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

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

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

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

Dividends

2018

No dividend has been declared/recommended for the financial year ended 31 December 2018.

2017

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

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 summarises financial information relating to Ranken Infrastructure Limited and its subsidiaries, modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

	2018 RMB'000	2017 RMB'000	1 Jan 2017 RMB'000
Attributable to NCI:			
Profit for the year represents total comprehensive income	**459**	1,243	1,380
Non-current assets	**292,235**	238,095	204,866
Current assets	**1,811,794**	1,654,485	1,352,036
Non-current liabilities	**(34,506)**	(126,998)	(14,419)
Current liabilities	**(1,613,843)**	(1,334,966)	(1,165,430)
Net assets	**455,680**	430,616	377,053
Net assets attributable to NCI	**10,219**	9,831	8,588
Cash flows generated from operating activities	**200,117**	5,167	205,580
Cash flows used in investing activities	**(83,704)**	(75,941)	(55,206)
Cash flows (used in)/generated from financing activities	**(35,663)**	55,007	(123,998)
Net increase/(decrease) in cash and cash equivalents	**80,750**	(15,767)	26,376

19. LOANS AND BORROWINGS

	Group	
	2018 RMB'000	2017 RMB'000
Non-current liabilities		
Secured bank loans	–	46,928
Secured bond	–	34,008
Finance lease liabilities	**27,829**	39,209
	27,829	120,145
Current liabilities		
Secured bank loans	**141,201**	106,000
Secured bond	**34,976**	14,814
Finance lease liabilities	**32,791**	23,387
Secured borrowing from financial institution	**45,000**	–
	253,968	144,201
	281,797	264,346

19. LOANS AND BORROWINGS (CONTINUED)

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

Terms and debt repayment schedule

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

				2018		2017	
	Currency	Nominal interest rate	Year of maturity	Face value RMB'000	Carrying amount RMB'000	Face value RMB'000	Carrying amount RMB'000
Group							
Secured bank loan(1)	RMB	140% of BLR*	2019	**10,000**	**10,000**	–	–
Secured bank loan(1)	RMB	140% of BLR*	2019	**15,000**	**15,000**	–	–
Secured bank loan(1)	RMB	140% of BLR*	2019	**5,000**	**5,000**	–	–
Secured bank loan(1)	RMB	162.5% of BLR*	2019	**10,000**	**10,000**	–	–
Secured bank loan(1)	RMB	140% of BLR*	2019	**28,000**	**28,000**	–	–
Secured bank loan(1)	RMB	140% of BLR*	2019	**15,000**	**15,000**	–	–
Secured bank loan(1)	RMB	150% of BLR*	2019	**10,000**	**10,000**	–	–
Secured bank loan(1)	RMB	135% of LIBOR#	2018	**–**	**–**	10,000	10,000
Secured bank loan(1)	RMB	135% of LIBOR#	2018	**–**	**–**	20,000	20,000
Secured bank loan(1)	RMB	115% of BLR*	2018	**–**	**–**	36,000	36,000
Secured bank loan(1)	RMB	115% of BLR*	2018	**–**	**–**	15,000	15,000
Secured bank loan(1)	RMB	0.45%+LPR^	2019	**30,000**	**29,448**	30,000	28,668
Secured bank loan(1)	RMB	0.45%+LPR^	2019	**19,000**	**18,753**	19,000	18,260
Secured bank loan(1)	RMB	145% of BLR*	2018	**–**	**–**	8,340	8,340
Secured bank loan(1)	RMB	145% of BLR*	2018	**–**	**–**	6,660	6,660
Secured bank loan(1)	RMB	130% of BLR*	2018	**–**	**–**	10,000	10,000
Secured borrowing from financial institution(3)	RMB	9.50%	2019	**45,000**	**45,000**	–	–
Secured bond(2)	RMB	7.30%	2018	**–**	**–**	15,000	14,802
Secured bond(2)	RMB	7.30%	2019	**35,000**	**34,976**	35,000	34,020
Finance lease liabilities	RMB	120% of BLR*	2020	**17,859**	**16,823**	30,584	27,588
Finance lease liabilities	RMB	120% of BLR*	2020	**18,910**	**17,806**	32,383	29,194
Finance lease liabilities	RMB	115% of BLR*	2020	**5,616**	**5,123**	6,738	5,814
Finance lease liabilities	RMB	115% of BLR*	2021	**23,826**	**20,868**	–	–
				288,211	**281,797**	274,705	264,346

^ LPR: China's Loan Prime Rate

* BLR: China's Base Lending Rate

LIBOR: London Interbank Offered Rate

19. LOANS AND BORROWINGS (CONTINUED)

Terms and debt repayment schedule (Continued)

Notes:

1. These bank loans are secured by personal guarantees by previous beneficial owners of subsidiary, Ranken Infrastructure Limited and building, machineries, investment properties, land use rights with total carrying amount of RMB91,339,000 (2017: RMB94,977,000) (Notes 4, 5 and 6), and deposits pledged of RMB7,909,000 (2017: RMB8,019,000) (Note 15).

2. The bond was secured by investment properties with carrying amount of RMB1,581,000 (2017: RMB1,729,000) (Note 6), joint guarantee provided by a financial institution and directors of the subsidiary.

3. The borrowing from a financial institution is secured by contract assets and trade receivables with carrying amounts of RMB106,364,000 (2017: Nil) and RMB26,314,000 (2017: Nil) respectively (Notes 12 and 13).

Finance lease liabilities

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

	Future minimum lease payments RMB'000	Interest RMB'000	Present value of minimum lease payments RMB'000
Group			
2018			
Within one year	**36,626**	**(3,835)**	**32,791**
More than one year	**29,585**	**(1,756)**	**27,829**
	66,211	**(5,591)**	**60,620**
2017			
Within one year	27,883	(4,496)	23,387
More than one year	41,822	(2,613)	39,209
	69,705	(7,109)	62,596

NOTES TO THE FINANCIAL STATEMENTS

19. LOANS AND BORROWINGS (CONTINUED)

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

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

NOTES TO THE FINANCIAL STATEMENTS

19. LOANS AND BORROWINGS (CONTINUED)

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

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

20. TRADE PAYABLES

	Group 2018 RMB'000	Group 2017 RMB'000
Trade payables	**920,405**	606,516
Retention monies	**50,165**	43,929
	970,570	650,445

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

NOTES TO THE FINANCIAL STATEMENTS

21. OTHER PAYABLES

	Group			Company		
	2018 RMB'000	2017 RMB'000	1 Jan 2017 RMB'000	2018 RMB'000	2017 RMB'000	1 Jan 2017 RMB'000
Non-current						
Other payables	**–**	–	19,620	**–**	–	–
Current						
Employees benefits	**20,330**	24,817	19,141	**633**	4,923	3,535
Amount due to subsidiary (non-trade)	**–**	–	–	**–**	–	741
Deferred income	**1,430**	1,547	1,668	**–**	–	–
Deposit received	**–**	–	19,001	**–**	–	19,001
Other payables	**153,324**	143,835	143,183	**2,964**	11,715	40,360
	175,084	170,199	182,993	**3,597**	16,638	63,637
	175,084	170,199	202,613	**3,597**	16,638	63,637

In 2017, an interest-free loan payable to previous beneficial owners and holding companies of subsidiary, Ranken Infrastructure Limited amounting to RMB6,920,000 was included in current other payables. The amount was repaid in the current financial year.

Amount due to subsidiary is interest free, unsecured and repayable on demand.

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

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

22. REVENUE

	Group			
	Discontinued operations		Continuing operations	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Revenue from contracts with customers	–	8,675	1,789,470	1,266,959
Equipment leasing	–	–	7,512	19,133
Interest income	–	–	–	22,627
	–	8,675	1,796,982	1,308,719

NOTES TO THE FINANCIAL STATEMENTS

22. REVENUE (CONTINUED)

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Mining Services (Discontinued in 2017)

Nature of goods or services	The Group provided mining services including mining equipment hire, vertical boring and shaft contractor, mining labour hire and contract mining. Services may be sold separately or in bundled packages. For the bundled contracts, the Group accounts for individual services separately if they are distinct i.e., if a service is separately identifiable from other items in the bundled package and if a customer can benefit from it.
When revenue is recognised	The Group has determined the number of performance obligations for each contract and allocated the transaction prices to each performance obligation based on their relative stand-alone selling prices. The stand-alone selling prices are determined based on individual prices that the Group would have charged if the services were contracted for separately. Revenue is recognised over time as the customer benefits from the services performed by the Group. The Group generally has enforceable rights to payment for performance completed till date. The stage of completion is calculated using the contracts costs incurred for work performed to date over the estimated total contract costs.
Significant payment terms	Invoices are issued on a monthly basis or on a payment schedule in the contract that is dependent on the achievement of specified milestones. For ongoing contracts, the value of the services rendered to date determined by the stage of completion will be recognised as a contract asset.

NOTES TO THE FINANCIAL STATEMENTS

22. REVENUE (CONTINUED)

Construction contracts

Nature of goods or services	The Group provides engineering, procurement and construction ("**EPC**") for railway, highway, municipal, industrial and civil construction and airports and water conservancy projects ("**Infrastructures**"). These EPC projects are carried out based on specifically negotiated contracts with customers ("**Construction Contracts**").
When revenue is recognised	The Group has assessed that these Construction Contracts qualify for over time revenue recognition as the Infrastructures have no alternative use for the Group due to contractual restrictions, and the Group generally has enforceable rights to payment for performance completed till date. The stage of completion is assessed by reference to surveys of work performed.
Significant payment terms	Progress billings to the customer are based on a payment schedule in the contract that is dependent on the achievement of specified construction milestones. If the value of the construction services rendered exceeds progress billings from the customer, a contract asset is recognised.

Rendering of services

Nature of goods or services	The Group provides construction design, consulting and supervision based on specifically negotiated contracts with customers.
When revenue is recognised	Revenue is recognised over time based on the percentage of completion reflecting the progress towards complete satisfaction of that PO. The percentage of completion is measured based on surveys of work performed.
Significant payment terms	Invoices are issued on a monthly basis or on a payment schedule in the contract that is dependent on the achievement of specified milestones. For ongoing contracts, the value of the services rendered to date determined by the percentage of completion will be recognised as a contract asset.

Sale of goods

Nature of goods or services	The Group manufactures railway sleepers that are sold for a specific project.
When revenue is recognised	Revenue is recognised when goods are delivered to the customers and all criteria for acceptance have been satisfied.
Significant payment terms	Invoices are issued when goods are delivered to the customers.

NOTES TO THE FINANCIAL STATEMENTS

22. REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by major products and service lines, geographical markets and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 33).

	Reportable segments					
	Infrastructure		Mining (Discontinued)		Total	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Major products/ service lines						
Mining services	–	–	–	8,675	–	8,675
Infrastructure:						
– Construction contracts	**1,587,062**	1,171,537	–	–	**1,587,062**	1,171,537
– Rendering of services	**79,145**	68,111	–	–	**79,145**	68,111
– Sale of goods	**123,263**	27,311	–	–	**123,263**	27,311
	1,789,470	1,266,959	–	8,675	**1,789,470**	1,275,634
Primary geographical markets						
China	**1,755,446**	1,199,075	–	–	**1,755,446**	1,199,075
Bangladesh	**1,499**	3,932	–	–	**1,499**	3,932
India	**78**	214	–	–	**78**	214
Sri Lanka	**32,447**	63,738	–	–	**32,447**	63,738
Australia	–	–	–	8,675	–	8,675
	1,789,470	1,266,959	–	8,675	**1,789,470**	1,275,634
Timing of revenue recognition						
Products transferred at a point in time	**123,263**	27,311	–	–	**123,263**	27,311
Products and services transferred over time	**1,666,207**	1,239,648	–	8,675	**1,666,207**	1,248,323
Revenue from contracts with customers	**1,789,470**	1,266,959	–	8,675	**1,789,470**	1,275,634

Note: The above excludes revenue from equipment leasing and interest income.

22. REVENUE (CONTINUED)

Contract balances

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

	Note	Group 2018 RMB'000	2017 RMB'000	1 Jan 2017 RMB'000
Trade receivables	13	**379,457**	340,224	304,870
Contract assets	12	**980,244**	949,703	754,229
Contract liabilities		**215,152**	348,437	256,866

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The contract liabilities primarily relate to the advanced consideration received from customers.

Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

	Contract assets		Contract liabilities	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**–**	–	**(256,616)**	(114,812)
Increases due to cash received, excluding amounts recognised as revenue during the year	**–**	–	**128,985**	228,830
Contract asset reclassified to trade receivables	**(1,370,121)**	(929,362)	**–**	–
Changes in measurement of progress	**1,426,412**	1,124,836	**(5,654)**	(22,447)
Modification of contract	**(16,821)**	–	**–**	–
Impairment loss on contract assets	**(8,929)**	–	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

22. REVENUE (CONTINUED)

Transaction price allocated to the remaining performance obligations

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

Variable consideration that is constrained and therefore not included in the transaction price is excluded in the amount presented above.

The Group applies the practical expedient in paragraph 121 of SFRS(I) 15 and does not disclose information about its remaining performance obligations if:

- the performance obligation is part of a contract that has an original expected duration of one year or less; or
- the Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, then it recognises revenue in that amount.

Judgement in applying accounting policies and source of estimation uncertainty

Identifying performance obligations and measuring progress

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

Revenue recognition for construction contracts

Revenue recognition on an uncompleted construction contract is dependent on estimating the total revenue of the construction contract. The Group has applied certain assumptions used to measure the variable considerations, which include discount and liquidated damages included in the transaction price. Variable consideration is estimated and is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty is subsequently resolved. Constrained variable consideration is excluded from revenue recognised at each reporting date. Actual outcomes in terms of total revenue maybe higher or lower than estimated at reporting date, which would affect the level of revenue recognised in the current and future years.

Measure of allowance for onerous contracts

As the Group is unable to voluntarily terminate construction contracts, any allowance for onerous contracts is estimated after taking into account estimated transaction prices and estimated total construction costs. The estimated transaction prices are based on contracted amount adjusted for any possible variation orders. The estimated total construction costs are based on constructed amounts and, in respect of amounts not contracted for, management’s estimates of the amounts to be incurred taking into consideration historical trends of the amounts incurred. Any changes in estimates would affect the amount of provision for onerous contracts recognised in the current financial year. There is no provision for onerous contracts recognised as at and during the current and previous years.

23. OTHER INCOME

	Group			
	Discontinued operations		Continuing operations	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Interest income from banks	–	2	**363**	378
Gain on disposal of property, plant and equipment	–	17	–	–
Exchange gain, net	–	588	–	–
Rental income	–	–	**4,131**	3,350
Government grant	–	–	**1,824**	1,299
Unwinding of discount on long-term receivables	–	–	**1,062**	–
Change in fair value of financial asset mandatorily at fair value through profit or loss	–	–	**1,115**	–
Others	–	–	**864**	859
	–	607	**9,359**	5,886

24. FINANCE COSTS

	Group			
	Discontinued operations		Continuing operations	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Interest expense:				
– finance lease	–	210	**5,419**	4,241
– secured bonds	–	–	**4,222**	4,840
– banks and financial institution	–	544	**10,780**	16,592
	–	754	**20,421**	25,673

NOTES TO THE
FINANCIAL STATEMENTS

25. TAX EXPENSE

	Group					
	Discontinued operations		Continuing operations		Total	
	2018	2017	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current tax expense						
Current year	–	–	**12,656**	18,147	**12,656**	18,147
Deferred tax (income)/ expense						
Origination and reversal of temporary differences	–	–	**673**	2,467	**673**	2,467
	–	–	**13,329**	20,614	**13,329**	20,614

	Note	2018 RMB'000	2017 RMB'000
Reconciliation of effective tax rate			
Continuing operations		**30,152**	52,789
Discontinued operations	26	–	843
Profit before tax		**30,152**	53,632
Tax using the Singapore tax rate of 17% (2017: 17%)		**5,126**	9,117
Effect of tax rates in foreign jurisdictions		**3,024**	5,250
Non-deductible tax expenses		**4,694**	5,443
Tax exempt income		–	(1,393)
Deferred tax asset not recognised		**485**	2,197
		13,329	20,614

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 (CONTINUED)

Unrecognised deferred tax assets

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Tax losses	**274,711**	271,857	**273,536**	271,618

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

Unrecognised deferred tax liabilities

At 31 December 2018, there was no temporary difference related to investment in subsidiaries recognised because the Group controls the dividend policy of its subsidiaries and is able to veto the payment of dividends of its subsidiaries – i.e. the Group controls the timing of reversal of the related taxable temporary differences and it is satisfied they will not reverse in the foreseeable future.

26. DISCONTINUED OPERATIONS

The Group's mining services business comprised investments in its 100% owned subsidiaries, namely Mancala Holdings Limited and Mancala Holdings Pty Ltd and its subsidiaries (collectively the "**Mining Services Business**"). On 30 December 2016, the Company entered into conditional sale and purchase agreements with China Vanadium Titano-Magnetite Mining Company Limited ("**CVT**") and Toe Teow Heng to sell 49% and 32% equity interest, respectively, in the Mining Services Business for an aggregate consideration of HK$63,200,000, of which HK$28,200,000 was to be satisfied in cash and HK$35,000,000 by allotment of new ordinary shares in the share capital of CVT. The sale was completed on 28 February 2017.

NOTES TO THE FINANCIAL STATEMENTS

26. DISCONTINUED OPERATIONS (CONTINUED)

The results of the discontinued operations and the financial effects of the completion of the disposal of 81% stake in the Mining Services Business are as follows:

	Note	Group 2017 RMB'000
Results of discontinued operations		
Revenue	22	8,675
Cost of sales		(7,139)
Gross profit		1,536
Other income	23	607
Administrative expenses		(4,609)
Other expenses		(12)
Loss from operating activities		(2,478)
Finance costs	24	(754)
Loss before income tax		(3,232)
Tax	25	–
Loss from discontinued operations, net of tax	26	(3,232)
Gain on disposal of discontinued operations		4,075
Profit from discontinued operations, net of tax		843
Earnings per share – discontinued operations	28	
Basic (cents)		0.26
Diluted (cents)		0.26

The profit from discontinued operations of RMB843,000 is attributable entirely to owners of the Company.

	2017 RMB'000
Cash flows from discontinued operations	
Net cash used in operating activities	(5,057)
Net cash generated from investing activities	13,101
Net cash used in financing activities	(2,250)
Net cash inflow for the year	5,794

NOTES TO THE FINANCIAL STATEMENTS

26. DISCONTINUED OPERATIONS (CONTINUED)

The effect on cash flows arising from the disposal is set out below:

	Group 2017 RMB'000
Property, plant and equipment	70,509
Intangible assets	1,075
Deferred tax assets	5,627
Inventories	10,896
Trade receivables	6,984
Other receivables	14,908
Non-current assets held for sale	67,887
Cash and cash equivalents	8,541
Deferred tax liabilities	(1,002)
Trade payables	(24,381)
Other payables	(64,798)
Financial liabilities	(31,940)
Current tax liabilities	(296)
Net assets at the date of disposal	64,010
Gain on disposal, net(2)	4,075
Add:	
Loss on partial settlement of consideration payable	3,346
Expenses incurred for disposal transaction	612
Realisation of foreign currency translation reserve	1,756
	73,799
Recognition of 19% stake in Mancala as available-for-sale financial assets	(14,022)
Sales consideration	59,777
Sales consideration receivable in shares of CVT(1)	(34,810)
Less: Deposit received	(2,832)
Sales consideration received in cash	22,135
Less: Cash and cash equivalents disposed of	(8,541)
Net cash inflow from disposal of discontinued operations (included in net cash flows from investing activities from discontinued operations)	13,594

(1) The Group received 95,890,410 new ordinary shares in the share capital of China Vanadium Titano-Magnetite Mining Company Limited ("**CVT shares**") pursuant to the Sale and Purchase Agreement ("**SPA**") with CVT. The CVT shares were valued at RMB34,810,000 based on its market price on completion date.

The Company subsequently transferred 75,525,506 shares in CVT to the vendors for the partial settlement of amounts payable to vendors of Mancala Holdings Pty Ltd. Arising from which, the Company recognised a loss on partial settlement of amounts payable to the vendors of Mancala of RMB3,346,000 during the period.

NOTES TO THE FINANCIAL STATEMENTS

26. DISCONTINUED OPERATIONS (CONTINUED)

(2) The details of the gain on disposal of the discontinued operations are as follows:

	2017 RMB'000
Gain on disposal of Mancala	8,033
Expenses incurred for disposal transaction	(612)
Loss on partial settlement of consideration payable	(3,346)
Net gain from disposal of Mancala	4,075

27. PROFIT FOR THE YEAR

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

	Group			
	Discontinued operations		Continuing operations	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Allowance for impairment losses on doubtful receivables and contract assets	–	–	**15,447**	3,223
Amortisation of intangible assets	–	–	**681**	681
Audit fees paid and payable to:				
– auditors of the Company	–	–	**671**	669
– other auditors	–	–	**730**	716
Non-audit fees paid and payable to:				
– other auditors	–	–	**167**	167
Depreciation of property, plant and equipment	–	–	**59,343**	45,572
Depreciation of investment properties	–	–	**2,410**	2,410
Directors' remuneration and fees	–	–	**1,786**	9,336
Discount on long-term other receivable due from third party	–	–	**–**	2,227
Exchange (gain)/loss, net	–	(588)	**1,400**	325
(Gain)/Loss on disposal of property, plant and equipment, net	–	(17)	**36**	499
Change in fair value of financial asset mandatorily at fair value through profit or loss	–	–	**(1,115)**	–

27. PROFIT FOR THE YEAR (CONTINUED)

	Group			
	Discontinued operations		Continuing operations	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Change in fair value of financial asset designated at fair value through profit or loss	**–**	–	**–**	2,855
Write off of other investment	**–**	–	**150**	–
Gain on disposal/struck off of subsidiaries, net	**–**	(4,075)	**–**	–
Operating lease expenses	**–**	322	**100,872**	96,312
Employee benefits expense	**–**	5,785	**103,102**	95,912

	Group			
	Discontinued operations		Continuing operations	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Employee benefits expense				
Salaries, bonuses and other costs	**–**	5,353	**86,124**	83,607
Contributions to defined contribution plans	**–**	432	**16,978**	12,305
	–	5,785	**103,102**	95,912

28. EARNINGS PER SHARE

The calculation of basic earnings per share ("EPS") for the year ended 31 December 2018 was based on the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding of 326,071,915 (2017: 325,968,000), calculated as follows:

Profit attributable to ordinary shareholders

	2018			2017		
	Continuing operations RMB'000	Discontinued operation RMB'000	Total RMB'000	Continuing operations RMB'000	Discontinued operation RMB'000	Total RMB'000
Group						
Profit attributable to ordinary shareholders	**16,364**	**–**	**16,364**	30,932	843	31,775

NOTES TO THE FINANCIAL STATEMENTS

28. EARNINGS PER SHARE (CONTINUED)

Profit attributable to ordinary shareholders (Continued)

Weighted-average number of ordinary shares

	Group	
	2018	**2017**
	'000	**'000**
Issued ordinary shares at 1 January	**326,072**	325,797
Effect of shares issued under the Sapphire Shares Award Scheme	–	171
Weighted-average number of ordinary shares during the year	**326,072**	325,968

In 2017 and 2018, the diluted earnings per share are the same as basic earnings per share as the Group does not have any dilutive equity instruments.

The potential Rights Issue detailed in Note 16 are subject to certain conditions detailed in the note and the conditions have not been met as at the year end. Accordingly, these are not included in the calculation of diluted earnings per share.

29. COMMITMENTS

Operating lease expense commitments (as lessee)

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Within 1 year	**12,337**	11,723	**170**	931
Between 1 and 5 years	**594**	4,753	**156**	–
	12,931	16,476	**326**	931

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

29. COMMITMENTS (CONTINUED)

Operating lease income commitments (as lessor)

The Group leases out its investment properties typically for a period of 2 to 5 years (Note 6). The future minimum lease payments receivable under non-cancellable operating lease rentals are as follows:

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Less than one year	**3,601**	3,352
Between one and five years	**5,364**	4,256
	8,965	7,608

30. CONTINGENT LIABILITIES

The Group does not have any contingent liabilities as at 31 December 2018 and 31 December 2017.

31. RELATED PARTIES

Transactions with key management personnel

Key management personnel compensation

Key management personnel compensation comprised:

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Short-term employee benefits	**4,779**	10,151
Post-employment benefits	**291**	418
	5,070	10,569

On 12 May 2017, the Company granted and issued 274,573 shares under the Sapphire Shares Award Scheme as partial payment of Directors' fees for the year ended 31 December 2016. There were no shares granted or issued under the Sapphire Shares Award Scheme during 2018.

NOTES TO THE FINANCIAL STATEMENTS

31. RELATED PARTIES (CONTINUED)

Other related party transactions

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Revenue from contracts with customer – construction contracts		
Associate	**60,050**	–

32. FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

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.

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

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

The carrying amounts of financial assets and contract assets represent the maximum credit exposure to credit risk.

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows:

	Group	
	2018	2017
	RMB'000	RMB'000
Impairment loss on trade and other receivables and contract assets arising from contracts with customer	**15,447**	3,223

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk associated with the industry and country in which customers operate, as these factors may have an influence on credit risk. Details of concentration of revenue are included in Note 33.

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

More than 98% (2017: 95%) of the Group's customers are in PRC and they are mainly government agencies for infrastructure projects.

The Group does not require collateral in respect of trade and other receivables. The Group does not have trade and other receivable and contract assets for which no loss allowance is recognised because of collateral.

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Trade receivables and contract assets (Continued)

Exposure to credit risk

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

	Group			Company		
	Carrying amount			Carrying amount		
	2018	**2017**	**1 Jan 2017**	**2018**	**2017**	**1 Jan 2017**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Singapore	**355**	277	353	**355**	277	353
China	**1,489,210**	1,395,522	1,141,268	**6,250**	16,337	16,258
Sri Lanka	**10,246**	30,785	–	**–**	–	–
Australia	**14,153**	21,310	–	**14,153**	21,310	32,887
Others	**–**	–	–	**141**	187	101
	1,513,964	1,447,894	1,141,621	**20,899**	38,111	49,599

For 2018, the Group has a concentration of credit risk primarily from two debtors (2017: one debtor; 1 January 2017: one debtor) representing approximately 15% (2017: 12%; 1 January 2017: 20%) of trade and other receivables and contract assets of the Group.

The Company has a concentration of credit risk primarily from two debtors (2017: two debtors; 1 January 2017: two debtors) representing approximately 97% (2017: 99%; 1 January 2017: 99%) of other receivables.

Expected credit loss assessment as at 1 January and 31 December 2018

The Group measures the loss allowances of trade and other receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. In the provision matrix, the Group uses the actual historical credit loss experience over the past four years, adjusted for forward-looking overlay. Management is of the view that the historical conditions are representative of the conditions prevailing at the reporting date as the customer profile has not changed.

Contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade and other receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade and other receivables and contract assets can be considered collectively. In addition, as the Group's customer base is largely similar, the loss allowance based on past due status is assessed collectively and not further distinguished.

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Trade receivables and contract assets (Continued)

Expected credit loss assessment as at 1 January and 31 December 2018 (Continued)

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables (excluding prepayments) and contract assets as at 31 December 2018:

	Group					
	Weighted-average loss rate %	Not-credit-impaired 2018 RMB'000	Credit-impaired 2018 RMB'000	Gross carrying amount 2018 RMB'000	Total impairment loss allowance 2018 RMB'000	Net 2018 RMB'000
Current (not past due)	**0.15**	**1,500,010**	**12,385**	**1,512,395**	**(14,685)**	**1,497,710**
1 – 30 days past due	–	–	–	–	–	–
31 – 120 days past due	–	**175**	–	**175**	–	**175**
121 – 365 days past due	–	**6,179**	–	**6,179**	–	**6,179**
More than one year past due	**19.62**	**12,300**	**5,685**	**17,985**	**(8,085)**	**9,900**
		1,518,664	**18,070**	**1,536,734**	**(22,770)**	**1,513,964**
Loss allowance		**(4,700)**	**(18,070)**			
		1,513,964	–			

Comparative information under FRS 39

The following table provides information about the exposure to credit risk and impairment for trade and other receivables (excluding prepayments) and contract assets:

	Gross 2017 RMB'000	Impairment losses 2017 RMB'000	Net 2017 RMB'000	Gross 1 January 2017 RMB'000	Impairment losses 1 January 2017 RMB'000	Net 1 January 2017 RMB'000
Group						
Current (not past due)	1,443,738	(3,223)	1,440,515	1,118,415	–	1,118,415
1 – 30 days past due	–	–	–	–	–	–
31 – 120 days past due	2,407	–	2,407	13,946	–	13,946
121 – 365 days past due	–	–	–	–	–	–
More than one year past due	4,972	–	4,972	9,260	–	9,260
	1,451,117	(3,223)	1,447,894	1,141,621	–	1,141,621

NOTES TO THE
FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Trade receivables and contract assets (Continued)

Comparative information under FRS 39 (Continued)

	Gross 2017 RMB'000	Impairment losses 2017 RMB'000	Net 2017 RMB'000	Gross 1 January 2017 RMB'000	Impairment losses 1 January 2017 RMB'000	Net 1 January 2017 RMB'000
Company						
Not past due	37,927	–	37,927	46,966	–	46,966
Past due 0 – 30 days	2	–	2	–	–	–
Past due 31 – 120 days	45	–	45	85	–	85
Past due 121 – 365 days	137	–	137	854	–	854
More than one year	–	–	–	1,694	–	1,694
	38,111	–	38,111	49,599	–	49,599

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

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

	Group RMB'000
At 1 January 2017 under FRS 39	–
Impairment loss recognised	3,223
At 31 December 2017 and 1 January 2018 under FRS 39	3,223
Adjustment on initial application of SFRS(I) 9	4,100
Balance at 1 January 2018 under SFRS(I) 9	7,323
Impairment losses recognised	15,447
At 31 December 2018 under SFRS(I) 9	22,770

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Trade receivables and contract assets (Continued)

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

The following significant changes in the gross carrying amounts of trade and other receivables and contract assets contributed to the changes in the impairment loss allowance during 2018:

- Allowance made on credit-impaired balances in 2018 amounting to RMB14,847,000, largely due to the termination of 2 projects in Sri Lanka; and

- The growth of the Group's business in PRC resulted in increase in trade receivables led to an increase in the Group's impairment allowances in 2018 of RMB600,000.

Cash and cash equivalents

The Group and Company held cash and cash equivalents of RMB203,949,000 and RMB251,000 (2017: RMB125,748,000 and RMB2,076,000), respectively at 31 December 2018, which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are regulated.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The amount of the allowance on cash and cash equivalents was negligible.

Amounts due from subsidiary

The Company held amounts due from subsidiary of RMB6,250,000 (2017: RMB16,337,000). These balances are amounts extended to subsidiary to satisfy short term funding requirements. Impairment on the balance has been measured on the lifetime expected loss basis. The Company considers that the amount due from subsidiary has a low credit risk based on the loss pattern of the subsidiary. The amount of the allowance on the amounts due from subsidiary was insignificant.

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Trade receivables and contract assets (Continued)

Other receivables of the Company

The Company has other receivables of RMB14,649,000 (2017: RMB21,774,000). Other receivables relate mainly to amounts due from a former subsidiary and rental deposits placed with lessors. Impairment on the balance has been measured on the lifetime expected loss basis. The Company considers that other receivables have low credit risk based on the loss patterns of the debtors. The amount of the allowance on other receivables was insignificant.

Source of estimation uncertainty

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

Liquidity risk

Risk management policy

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

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

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (Continued)

Exposure to liquidity risk

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

			Cash flows	
	Carrying amount RMB'000	Contractual cash flows RMB'000	Within 1 year RMB'000	Within 1 to 5 years RMB'000
Group				
2018				
Non-derivative financial liabilities				
Secured bank loans	**141,201**	**(146,526)**	**(146,526)**	–
Secured bond	**34,976**	**(37,555)**	**(37,555)**	–
Finance lease liabilities	**60,620**	**(66,211)**	**(36,626)**	**(29,585)**
Secured borrowing from financial institution	**45,000**	**(49,275)**	**(49,275)**	–
Trade and other payables	**1,145,654**	**(1,145,654)**	**(1,145,654)**	–
	1,427,451	**(1,445,221)**	**(1,415,636)**	**(29,585)**
2017				
Non-derivative financial liabilities				
Secured bank loans	152,928	(159,867)	(111,345)	(48,522)
Secured bond	48,822	(50,465)	(16,445)	(34,020)
Finance lease liabilities	62,596	(69,705)	(27,883)	(41,822)
Trade and other payables	820,644	(820,644)	(820,644)	–
	1,084,990	(1,100,681)	(976,317)	(124,364)
Company				
2018				
Non-derivative financial liabilities				
Trade and other payables	**3,597**	**(3,597)**	**(3,597)**	–
2017				
Non-derivative financial liabilities				
Trade and other payables	16,638	(16,638)	(16,638)	–

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

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

Interest rate risk

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

Exposure to interest rate risk

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

	Group Carrying amount	
	2018	**2017**
	RMB'000	**RMB'000**
Fixed rate instruments		
Secured bond	**34,976**	48,822
Secured borrowings from financial institution	**45,000**	–
	79,976	48,822
Variable rate instruments		
Finance lease liabilities	**60,620**	62,596
Secured bank loans	**141,201**	152,928
	201,821	215,524

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Interest rate risk (Continued)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
Group	**100 bp increase RMB'000**	**100 bp decrease RMB'000**
31 December 2018		
Variable rate instruments	**(2,018)**	**2,018**
31 December 2017		
Variable rate instruments	(2,155)	2,155

Currency risk

Risk management policy

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which trade and other receivables, cash and cash equivalents and trade and other payables, that are denominated in a currency other than the respective functional currencies of Group entities. The functional currencies of Group entities are primarily the Chinese Renminbi ("**RMB**") and Singapore dollar ("**SGD**"). The currencies in which these transactions are primarily denominated are the Australian dollar ("**AUD**"), Hong Kong dollar ("**HKD**") and Sri Lankan Rupee ("**LKR**").

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Currency risk (Continued)

Exposure to currency risk

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

	AUD RMB'000	HKD RMB'000	LKR RMB'000
Group			
2018			
Trade and other receivables	**14,153**	**–**	**16,312**
Cash and cash equivalents	**–**	**–**	**556**
Trade and other payables	**–**	**–**	**(34,128)**
Net exposure	**14,153**	**–**	**(17,260)**
2017			
Trade and other receivables	21,310	–	16,534
Cash and cash equivalents	–	2,071	2,886
Trade and other payables	(7,595)	–	(35,047)
Net exposure	13,715	2,071	(15,627)
Company			
2018			
Other receivables	**14,153**	**–**	**–**
Cash and cash equivalents	**–**	**–**	**–**
Trade and other payables	**–**	**–**	**–**
Net exposure	**14,153**	**–**	**–**
2017			
Other receivables	21,310	–	–
Cash and cash equivalents	–	2,071	–
Trade and other payables	(7,595)	–	–
Net exposure	13,715	2,071	–

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis – currency risk

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

	Group Profit or loss RMB'000	Company Profit or loss RMB'000
31 December 2018		
AUD	**(1,415)**	**(1,415)**
LKR	**1,726**	**–**
31 December 2017		
AUD	(1,372)	(1,372)
HKD	(207)	(207)
LKR	1,563	–

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

Other market price risk

Risk management policy

Equity price risk arises from equity investments held for investments at fair value through profit or loss. The management of the Group monitors the equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board.

Sensitivity analysis – Equity price risk

The Group's and Company's equity investments held for investments at fair value through profit or loss relate to investment in an equity instrument that is listed on the Hong Kong Stock Exchange.

A 5% increase in the share price of the equity instrument as at 31 December would have increased profit of the Group and the Company by RMB291,000 (2017: RMB226,000). An equal change in the opposite direction would have decreased profit of the Group and the Company by RMB291,000 (2017: RMB226,000). This analysis assumes that all other variables, in particular exchange rates, remain constant.

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Accounting classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value due to their short-term nature and immaterial effect of discounting.

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

(1) Excludes prepayments

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Accounting classifications and fair values (Continued)

	Note	Carrying amount: Designated at fair value RMB'000	Available-for-sale RMB'000	Loans and receivables RMB'000	Other financial liabilities within scope of FRS 39 RMB'000	Other financial liabilities outside scope of FRS 39 RMB'000	Total RMB'000	Fair value: Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Group (Continued)											
2017											
Financial assets measured at fair value											
Equity investments – available-for-sale	9	–	12,476	–	–	–	12,476	–	12,476	–	12,476
Equity investments – designated at FVTPL	9	4,529	–	–	–	–	4,529	4,529	–	–	4,529
		4,529	12,476	–	–	–	17,005				
Financial assets not measured at fair value											
Equity investments – available-for-sale	9	–	154	–	–	–	154				
Trade and other receivables [(1)]	13, 14	–	–	498,191	–	–	498,191				
Cash and cash equivalents	15	–	–	125,748	–	–	125,748				
		–	154	623,939	–	–	624,093				
Financial liabilities not measured at fair value											
Trade and other payables	20, 21	–	–	–	(820,644)	–	(820,644)				
Secured bank loans	19	–	–	–	(152,928)	–	(152,928)				
Secured bond	19	–	–	–	(48,822)	–	(48,822)				
Finance lease liabilities	19	–	–	–	–	(62,596)	(62,596)				
		–	–	–	(1,022,394)	(62,596)	(1,084,990)				

(1) Excludes prepayments

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Accounting classifications and fair values (Continued)

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

(1) Excludes prepayments

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Accounting classifications and fair values (Continued)

		Carrying amount						Fair value			
	Note	Designated at fair value RMB'000	Available-for-sale RMB'000	Loans and receivables RMB'000	Other financial liabilities within scope of FRS 39 RMB'000	Other financial liabilities outside scope of FRS 39 RMB'000	Total RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Company (Continued)											
2017											
Financial assets measured at fair value											
Equity investments – available-for-sale	9	–	12,476	–	–	–	12,476	–	12,476	–	12,476
Equity investments – designated at FVTPL	9	4,529	–	–	–	–	4,529	4,529	–	–	4,529
		4,529	12,476	–	–	–	17,005				
Financial assets not measured at fair value											
Other receivables [(1)]	14	–	–	38,111	–	–	38,111				
Cash and cash equivalents	15	–	–	2,076	–	–	2,076				
		–	–	40,187	–	–	40,187				
Financial liabilities not measured at fair value											
Other payables	21	–	–	–	(16,638)	–	(16,638)				

(1) Excludes prepayments

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Valuation techniques

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Equity securities	**2018:** *Market comparison technique and income approach:* The valuation approach based on (i) market multiples derived from comparable companies' P/E multiple, Forward EV/EBITDA multiple, EV/Revenue multiple and P/S multiple and (ii) the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.	**2018:** • Risk-adjusted discount rate • Adjusted market multiple	**2018:** • The estimated fair value would increase (decrease) if the risk-adjusted discount rate or adjusted market multiple were higher (lower).
	2017: *Market comparison technique:* The fair value is estimated considering recent transaction prices for identical securities in markets that are not active.	**2017:** Not applicable	**2017:** Not applicable

Transfers between Levels 1 and 2

For 2017 and 2018, there were no transfers of financial instruments between Levels 1 and 2.

Financial assets and financial liabilities whose carrying amounts are measured on an amortised basis approximate their fair value due to their short-term nature and immaterial effects of discounting.

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Level 3 fair values

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

	Group and Company Financial asset designated as fair value through other comprehensive income RMB'000
At 1 January 2018	–
Transfer from Level 2	12,476
Total unrealised gains and losses for the period included in OCI	
– net change in fair value of financial asset designated as fair value through other comprehensive income	(7,701)
The effect of changes in foreign exchange rates	191
At 31 December 2018	4,966

During the financial year ended 31 December 2018, the Group and the Company transferred an equity securities from Level 2 to Level 3 because there is no recent transaction prices for identical securities in the active markets. In order to determine the fair value of equity securities, management used a valuation technique in which most of the significant inputs were not based on observable market data.

Sensitivity analysis

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

33. SEGMENT REPORTING

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products or services, and are managed separately. For each of the strategic business units, the CEO reviews internal management reports of each segment at least quarterly. The following summary describes the operations in each of the Group's reportable segments:

- Infrastructure – Includes design, civil engineering and construction for land transport infrastructure and water conservancy and environment projects, major tunnelling works, underground structures, expressways, road and bridges for township development and urbanisation projects.
- Mining services – Includes contract mining, equipment hire, vertical boring and shaft contractor. This segment was disposed on 28 February 2017 (Note 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 CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities.

	Continuing operations Infrastructure RMB'000	Discontinued operations Mining services RMB'000	Total RMB'000
Revenue and expenses			
2018			
External revenues	**1,796,982**	–	**1,796,982**
Interest income	**363**	–	**363**
Interest expenses	**(20,421)**	–	**(20,421)**
Depreciation and amortisation	**(62,407)**	–	**(62,407)**
Reportable segment profit before tax	**36,710**	–	**36,710**
Reportable segment assets	**2,150,046**	–	**2,150,046**
Capital expenditure	**92,873**	–	**92,873**
Reportable segment liabilities	**(1,662,106)**	–	**(1,662,106)**
2017			
External revenues	1,308,719	8,675	1,317,394
Interest income	366	2	368
Interest expenses	(25,570)	(754)	(26,324)
Depreciation and amortisation	(48,461)	–	(48,461)
Reportable segment profit before tax	70,730	843	71,573
Reportable segment assets	1,886,831	–	1,886,831
Capital expenditure	(86,446)	–	(86,446)
Reportable segment liabilities	(1,460,113)	–	(1,460,113)

NOTES TO THE FINANCIAL STATEMENTS

33. SEGMENT REPORTING (CONTINUED)

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

	2018 RMB'000	2017 RMB'000
Revenue		
Total revenue for reportable segments	**1,796,982**	1,317,394
Profit or loss		
Total profit before tax for reportable segments	**36,710**	71,573
Unallocated amounts:		
– Other income	**2,684**	182
– Other expense	**(9,242)**	(18,123)
– Tax expense	**(13,329)**	(20,614)
Consolidated profit for the year	**16,823**	33,018
Assets		
Total assets for reportable segments	**2,150,046**	1,886,831
Other unallocated amounts	**25,859**	83,500
Consolidated total assets	**2,175,905**	1,970,331
Liabilities		
Total liabilities for reportable segments	**(1,662,106)**	(1,460,113)
Elimination of inter-segment liabilities	**5,935**	16,254
Other unallocated amounts	**(3,598)**	(16,638)
Consolidated total liabilities	**(1,659,769)**	(1,460,497)

	Reportable segment total RMB'000	Unallocated amounts RMB'000	Consolidated total RMB'000
Other material items 2018			
Interest income	**363**	–	**363**
Interest expenses	**(20,421)**	–	**(20,421)**
Depreciation and amortisation	**(62,407)**	**(27)**	**(62,434)**
Capital expenditure	**(92,873)**	**(7)**	**(92,880)**
Other material items 2017			
Interest income	368	12	380
Interest expenses	(26,324)	(103)	(26,427)
Depreciation and amortisation	(48,461)	(202)	(48,663)
Capital expenditure	(86,446)	–	(86,446)

NOTES TO THE FINANCIAL STATEMENTS

33. SEGMENT REPORTING (CONTINUED)

Geographical segments

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

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers and segment non-current assets are based on the geographical location of the assets.

Geographical information

	Revenue		Non-current assets[1]	
	2018	**2017**	**2018**	**2017**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Continuing operations				
Singapore	**–**	–	**19,212**	33,924
China	**1,762,958**	1,240,835	**320,472**	265,673
Bangladesh	**1,499**	3,932	**–**	–
India	**78**	214	**–**	–
Sri Lanka	**32,447**	63,738	**210**	899
	1,796,982	1,308,719	**339,894**	300,496
Discontinued operations				
Australia	**–**	8,675	**–**	–
Total	**1,796,982**	1,317,394	**339,894**	300,496

(1) Excludes deferred tax assets

Major customers

Revenue from two (2) customers of the Infrastructure segment (2017: two (2) customers of the Infrastructure segment) represents approximately 21% (2017: 23%) of the Group's total revenue.

34. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS

In December 2017, the Accounting Standards Council ("**ASC**") issued the Singapore Financial Reporting Standards (International) ("**SFRS(I)**"). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("IASB") at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

As stated in note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In preparing the opening SFRS(I) statement of financial position, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with previous FRS.

In addition to the adoption of the new framework, the Group also concurrently applied the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016;
- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The application of the above standards and interpretations do not have a material effect on the financial statements, except for SFRS(I) 15 and SFRS(I) 9.

An explanation of how the transition from previous FRS to SFRS(I) and the adoption of SFRS(I) 9 and SFRS(I) 15 have affected the Group's financial position, financial performance and cash flows, and the Company's financial position is set out under the summary of quantitative impact and the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

34. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Summary of quantitative impact

The following reconciliations summarise the impacts on initial application of SFRS(I) 1, SFRS(I) 15 and SFRS(I) 9 on the Group's and the Company's financial position as at 1 January 2017, 31 December 2017 and 1 January 2018 and the Group's profit or loss and other comprehensive income for the year ended 31 December 2017. There were no material adjustments to the Group's statement of cash flows for the year ended 31 December 2017 arising on transition to SFRS(I).

Reconciliation of the Group's equity

Consolidated statement of financial position

	Note	31 December 2017 FRS framework RMB'000	SFRS(I) 1 RMB'000	SFRS(I) 15 RMB'000	SFRS(I) framework RMB'000	1 January 2018 SFRS(I) 9 RMB'000	SFRS(I) framework RMB'000
Assets							
Deferred tax assets	B(i), C(ii)	15,550	–	(1,756)	13,794	**1,025**	**14,819**
Others		300,496	–	–	300,496	**–**	**300,496**
Total non-current assets		316,046	–	(1,756)	314,290	**1,025**	**315,315**
Trade receivables	B(i), B(ii), C(ii)	709,883	–	(369,659)	340,224	**(4,100)**	**336,124**
Construction work in progress	B(ii)	573,022	–	(573,022)	–	**–**	**–**
Contract assets	B(ii)	–	–	949,703	949,703	**–**	**949,703**
Others		366,114	–	–	366,114	**–**	**366,114**
Total current assets		1,649,019	–	7,022	1,656,041	**(4,100)**	**1,651,941**
Total assets		1,965,065	–	5,266	1,970,331	**(3,075)**	**1,967,256**
Equity							
Paid-in capital		413,839	–	–	413,839	**–**	**413,839**
Reserves	A	(32,433)	17,542	–	(14,891)	**–**	**(14,891)**
Retained earnings	A, B(i), C(ii)	113,454	(17,542)	5,143	101,055	**(3,004)**	**98,051**
Non-controlling interests	B(i), C(ii)	9,708	–	123	9,831	**(71)**	**9,760**
Total equity		504,568	–	5,266	509,834	**(3,075)**	**506,759**
Liabilities							
Total non-current liabilities		126,997	–	–	126,997	**–**	**126,997**
Progress billings in excess of construction work in progress	B(ii)	52,516	–	(52,516)	–	**–**	**–**
Contract liabilities	B(ii)	–	–	348,437	348,437	**–**	**348,437**
Other payables	B(ii)	466,120	–	(295,921)	170,199	**–**	**170,199**
Others		814,864	–	–	814,864	**–**	**814,864**
Total current liabilities		1,333,500	–	–	1,333,500	**–**	**1,333,500**
Total liabilities		1,460,497	–	–	1,460,497	**–**	**1,460,497**
Total equity and liabilities		1,965,065	–	5,266	1,970,331	**(3,075)**	**1,967,256**

34. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Summary of quantitative impact (Continued)

Reconciliation of the Group's equity (Continued)

Consolidated statement of financial position (Continued)

		1 January 2017			
	Note	**FRS framework RMB'000**	**SFRS(I) 1 RMB'000**	**SFRS(I) 15 RMB'000**	**SFRS(I) framework RMB'000**
Assets					
Deferred tax assets	B(i)	18,108	–	(1,671)	16,437
Others		231,068	–	–	231,068
Total non-current assets		249,176	–	(1,671)	247,505
Trade receivables	B(i), B(ii)	653,539	–	(348,669)	304,870
Construction work in progress	B(ii)	398,876	–	(398,876)	–
Contract assets	B(ii)	–	–	754,229	754,229
Others		458,960	–	–	458,960
Total current assets		1,511,375	–	6,684	1,518,059
Total assets		1,760,551	–	5,013	1,765,564
Equity					
Paid-in capital		413,393	–	–	413,393
Reserves	A	(16,918)	4,631	–	(12,287)
Retained earnings	A, B(i)	66,940	(4,631)	4,896	67,205
Non-controlling interests	B(i)	8,471	–	117	8,588
Total equity		471,886	–	5,013	476,899
Liabilities					
Total non-current liabilities		41,067	–	–	41,067
Progress billings in excess of construction work in progress	B(ii)	82,754	–	(82,754)	–
Contract liabilities	B(ii)	–	–	256,866	256,866
Other payables	B(ii)	357,105	–	(174,112)	182,993
Others		807,739	–	–	807,739
Total current liabilities		1,247,598	–	–	1,247,598
Total liabilities		1,288,665	–	–	1,288,665
Total equity and liabilities		1,760,551	–	5,013	1,765,564

NOTES TO THE FINANCIAL STATEMENTS

34. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Summary of quantitative impact (Continued)

Reconciliation of the Group's profit or loss and other comprehensive income

Consolidated statement of profit or loss

	Note	FRS framework RMB'000	SFRS(I) 1 RMB'000	SFRS(I) 15 RMB'000	SFRS(I) framework RMB'000
		Year ended 31 December 2017			
Continuing Operations					
Revenue	B(i)	1,305,095	–	3,624	1,308,719
Cost of sales		(1,155,165)	–	–	(1,155,165)
Gross profit		149,930	–	3,624	153,554
Other income	A, B(i)	22,035	(12,863)	(3,286)	5,886
Selling and distribution expenses		(8,795)	–	–	(8,795)
Administrative expenses		(56,783)	–	–	(56,783)
Impairment losses on trade and other receivables and contract assets*		(3,223)	–	–	(3,223)
Other expenses		(12,177)	–	–	(12,177)
Profits from continuing operations		90,987	(12,863)	338	78,462
Finance costs		(25,673)	–	–	(25,673)
Profits before tax		65,314	(12,863)	338	52,789
Tax expense	B(i)	(20,529)	–	(85)	(20,614)
Profit from continuing operations		44,785	(12,863)	253	32,175
Discontinued operations					
Profit from discontinued operations, net of tax		891	(48)	–	843
Profit for the year		45,676	(12,911)	253	33,018
Profit attributable to:					
Owners of the Company		44,439	(12,911)	247	31,775
Non-controlling interests		1,237	–	6	1,243
Profit for the year		45,676	(12,911)	253	33,018
Earnings per share					
Basic (cents)		13.63			9.75
Diluted (cents)		13.63			9.75
Earnings per share – continuing operations					
Basic (cents)		13.36			9.49
Diluted (cents)		13.36			9.49

* Under the transition methods chosen, the amount of impairment losses on trade and other receivables and contract assets has not been restated except for the separate presentation to conform to SFRS(I) presentation requirements for the purpose of this note.

34. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Summary of quantitative impact (Continued)

Reconciliation of the Group's profit or loss and other comprehensive income (Continued)

Consolidated statement of other comprehensive income

		Year ended 31 December 2017			
	Note	FRS framework RMB'000	SFRS(I) 1 RMB'000	SFRS(I) 15 RMB'000	SFRS(I) framework RMB'000
Profit for the year		45,676	(12,911)	253	33,018
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Foreign currency translation differences		(769)	–	–	(769)
Realisation of reserve upon disposal of subsidiaries	A	(11,155)	12,911	–	1,756
Net change in fair value of available-for-sale financial assets		(1,516)	–	–	(1,516)
		(13,440)	12,911	–	(529)
Other comprehensive income/(loss) for the year, net of tax		(13,440)	12,911	–	(529)
Total comprehensive income for the year		32,236	–	253	32,489
Total comprehensive income attributable to:					
Owners of the Company		30,999	–	247	31,246
Non-controlling interests		1,237	–	6	1,243
Total comprehensive income for the year		32,236	–	253	32,489

NOTES TO THE FINANCIAL STATEMENTS

34. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Summary of quantitative impact (Continued)

Reconciliation of the Company's equity

Statement of financial position

		31 December 2017		
	Note	FRS framework RMB'000	SFRS(I) 1 RMB'000	SFRS(I) framework RMB'000
Assets				
Total non-current assets		409,344	–	409,344
Total current assets		23,497	–	23,497
Total assets		432,841	–	432,841
Equity				
Paid-in capital		413,839	–	413,839
Reserves	A	(34)	(9,097)	(9,131)
Retained earnings	A	2,398	9,097	11,495
Total equity		416,203	–	416,203
Liabilities				
Total current liabilities		16,638	–	16,638
Total liabilities		16,638	–	16,638
Total equity and liabilities		432,841	–	432,841

34. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Summary of quantitative impact (Continued)

Reconciliation of the Company's equity (Continued)

Statement of financial position (Continued)

		1 January 2017		
	Note	**FRS framework RMB'000**	**SFRS(I) 1 RMB'000**	**SFRS(I) framework RMB'000**
Assets				
Total non-current assets		369,264	–	369,264
Total current assets		115,922	–	115,922
Total assets		485,186	–	485,186
Equity				
Paid-in capital		413,393	–	413,393
Reserves	A	(5,974)	(9,097)	(15,071)
Retained earnings	A	14,080	9,097	23,177
Total equity		421,499	–	421,499
Liabilities				
Total current liabilities		63,687	–	63,687
Total liabilities		63,687	–	63,687
Total equity and liabilities		485,186	–	485,186

Notes to the reconciliations

A SFRS(I) 1 *First-time adoption of Singapore Financial Reporting Standards (International)*

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 December 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. The Group has applied the following optional exemptions.

- SFRS(I) 3 *Business Combinations* has not been applied to either acquisitions of subsidiaries that are considered businesses under SFRS(I), or acquisitions of interests in associates and joint ventures that occurred before 1 January 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS;
- Cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition, 1 January 2017;
- Comparative information and disclosures in SFRS(I) 7 *Financial Instruments: Disclosures* is not restated to the extent that these disclosures relate to items within the scope of SFRS(I) 9; and
- Completed contracts that were completed before the date of transition, 1 January 2017 are not restated.

NOTES TO THE FINANCIAL STATEMENTS

34. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Notes to the reconciliations (Continued)

A SFRS(I) 1 ***First-time adoption of Singapore Financial Reporting Standards (International)*** (Continued)

Except as described below, the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

Foreign currency translation reserve ("FCTR")

The Group and the Company considers that restating FCTR to comply with current SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* may not be practicable as certain acquisitions and disposals were transacted at dates that preceded the statutory record keeping periods.

The Group and the Company elected the optional exemption in SFRS(I) 1 to reset its cumulative FCTR for all foreign operations to nil at the date of transition, and reclassified the cumulative negative FCTR of RMB4,631,000 as at 1 January 2017 determined in accordance with FRS to retained earnings. Similarly, the Company reclassified FCTR of RMB9,097,000 as at 1 January 2017 at that date to retained earnings.

After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

By electing this optional exemption, the cumulative negative FCTR of the Group decreased by RMB17,542,000 and retained earnings decreased by the same amount as at 31 December 2017. The Group's other income and profit from discontinued operations also decreased by RMB12,863,000 and RMB48,000 respectively. The Company's FCTR also decreased by RMB9,097,000 and retained earnings increased by the same amount as at 31 December 2017.

B SFRS(I) 15 ***Revenue from Contracts with Customers***

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group adopted SFRS(I) 15 in its financial statements using the retrospective approach. All requirements of SFRS(I) 15 have been applied retrospectively, except for the application of the practical expedients as described below, and the information presented for 2017 has been restated.

The Group has applied the following practical expedients as allowed under SFRS(I) 15.

- Completed contracts that began and ended in the same annual reporting period in 2017 and contracts completed at 1 January 2017 are not restated.
- For the year ended 31 December 2017, the Group did not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amount as revenue.

34. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Notes to the reconciliations (Continued)

B SFRS(I) 15 *Revenue from Contracts with Customers* (Continued)

The impact upon the adoption of SFRS(I) 15, including the corresponding tax effects, are described below.

(i) Construction contracts

Under previous FRS 11, the Group recognised contract revenue in proportion to the stage of completion of the contract, to the extent that it is probable and can be measured reliably. The stage of completion is measured by reference to the survey of work performed. Contract revenue is adjusted for the effects of the time value of money as all retention monies are considered to be financing components of the contract. Under SFRS(I) 15, revenue is recognised over time as each performance obligation is satisfied. The progress towards complete satisfaction of each performance obligation is measured using appropriate methods, including the output method, which is similar to the Group's current approach.

Under SFRS(I) 15, the Group also needs to consider all relevant facts and circumstances, including the time difference between the delivery of goods and services and payments, the difference between the promised consideration and selling price of the goods and services and the rationale for these differences, when assessing if retention monies are financing components of the contract. Arising from the adoption of SFRS(I) 15, the retention monies are no longer considered to be significant financing components as the payments terms are deemed to provide the customers with protection from the Group failing to adequately complete some or all of its obligations under the contract.

	31 December 2017 RMB'000	1 January 2017 RMB'000
Consolidated statement of financial position		
Increase in trade and other receivables	7,022	6,684
Decrease in deferred tax assets	(1,756)	(1,671)
Increase in retained earnings	5,143	4,896
Increase in non-controlling interests	123	117
Consolidated statement of profit or loss		
Increase in revenue	3,624	
Decrease in other income	(3,286)	
Increase in tax expense	(85)	
Increase in profit after tax for the year	253	

NOTES TO THE FINANCIAL STATEMENTS

34. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Notes to the reconciliations (Continued)

B SFRS(I) 15 ***Revenue from Contracts with Customers*** (Continued)

(ii) Presentation of contract assets and liabilities

On adopting SFRS(I) 15, the Group has also changed the presentation of the following amounts:

(a) "Construction contract in progress" of RMB573,022,000 as at 31 December 2017 and RMB398,876,000 as at 1 January 2017 were reclassified to "Contract assets". "Retention monies", "receivable from build-and-transfer contract" and "other guarantee sums" are classified as "trade receivables" of RMB376,681,000 as at 31 December 2017 and RMB355,353,000 as at 1 January 2017 were reclassified to "Contract assets".

(b) "Progress billings in excess of construction work in progress" of RMB52,516,000 as at 31 December 2017 and RMB82,754,000 as at 1 January 2017 were reclassified to "Contract liabilities". "Advance payments from customers" are classified as "other payables" of RMB295,921,000 as at 31 December 2017 and RMB174,112,000 as at 1 January 2017 were reclassified to "Contract liabilities".

C SFRS(I) 9 ***Financial Instruments***

SFRS(I) 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' ("**ECL**") model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2017. Accordingly, the information presented for 2017 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 January 2018.

Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39 are provided for the comparative period.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 have been generally applied by the Group retrospectively, except as described below.

The designation of an equity investment that is not held-for-trading as at FVOCI were made on the basis of facts and circumstances that existed at 1 January 2018.

34. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Notes to the reconciliations (Continued)

C SFRS(I) 9 ***Financial Instruments*** (Continued)

The impact upon adoption of SFRS(I) 9, including the corresponding tax effects, are described below.

(i) Classification of financial assets and financial liabilities

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, equity instrument – FVOCI or FVTPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

For an explanation of how the Group classifies and measures financial assets and related gains and losses under SFRS(I) 9, see Note 3.3(ii).

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018.

The effect of adopting SFRS(I) 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

NOTES TO THE FINANCIAL STATEMENTS

34. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Notes to the reconciliations (Continued)

C SFRS(I) 9 *Financial Instruments* (Continued)

(i) Classification of financial assets and financial liabilities (Continued)

Group

Financial assets	Note	Original classification under FRS 39	New classification under SFRS(I) 9	Original carrying amount under FRS 39 RMB'000	New carrying amount under SFRS(I) 9 RMB'000
Equity investments	(a)	Available-for-sale	FVOCI – equity investment	12,476	12,476
Equity investments	(b)	Available-for-sale	Mandatorily at FVTPL	154	154
Equity investments	(c)	Designated as at FVTPL	Mandatorily at FVTPL	4,529	4,529
				17,159	17,159
Trade and other receivables (excluding prepayment)	(d)	Loans and receivables	Amortised cost	498,191	498,191
Cash and cash equivalents		Loans and receivables	Amortised cost	125,748	125,748
Total financial assets				641,098	641,098

34. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Notes to the reconciliations (Continued)

C SFRS(I) 9 *Financial Instruments* (Continued)

(i) Classification of financial assets and financial liabilities (Continued)

Company

Financial assets	Note	Original classification under FRS 39	New classification under SFRS(I) 9	Original carrying amount under FRS 39 RMB'000	New carrying amount under SFRS(I) 9 RMB'000
Equity investments	(a)	Available-for-sale	FVOCI – equity investment	**12,476**	**12,476**
Equity investments	(c)	Designated as at FVTPL	Mandatorily at FVTPL	**4,529**	**4,529**
				17,005	**17,005**
Trade and other receivables (excluding prepayment)	(d)	Loans and receivables	Amortised cost	**38,111**	**38,111**
Cash and cash equivalents		Loans and receivables	Amortised cost	**2,076**	**2,076**
Total financial assets				**57,192**	**57,192**

(a) These equity investments represent investments that the Group and the Company intend to hold for the long term for strategic purposes. The Group and the Company have designated these investments at 1 January 2018 as measured at FVOCI. Unlike FRS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

(b) Certain equity investments categorised as available-for-sale and carried at cost under the previous FRS 39, have been classified as mandatorily measured under FVTPL under SFRS(I) 9.

(c) Under FRS 39, these equity investments were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured under FVTPL under SFRS(I) 9.

(d) Trade and other receivables that were classified as loans and receivables under FRS 39 are now classified at amortised cost. An increase of RMB4,100,000 in the allowance for impairment was recognised in opening retained earnings of the Group at 1 January 2018 on transition to SFRS(I) 9.

34. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Notes to the reconciliations (Continued)

C SFRS(I) 9 *Financial Instruments* (Continued)

(ii) Impairment of financial assets

SFRS(I) 9 replaces the 'incurred loss' model in FRS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets, debt investments at FVOCI and intra-group financial guarantee contracts, but not to equity investments.

As a result of the adoption of SFRS(I) 9, the Group presented impairment loss related to trade receivables and contract assets, separately in the statement of profit or loss. As a result, the Group reclassified impairment loss amounting to RMB3,223,000, recognised under FRS 39, from 'other expenses' to 'impairment losses on trade and other receivables and contract assets' in the consolidated statement profit or loss for the year ended 31 December 2017.

The application of SFRS(I) 9 impairment requirements at 1 January 2018 results in additional allowances for impairment as follows:

	Group RMB'000
Loss allowance at 31 December 2017 under FRS 39	3,223
Additional impairment recognised at 1 January 2018 on trade and other receivables and contract assets as at 31 December 2017	4,100
Loss allowance at 1 January 2018 under SFRS(I) 9	7,323

Loss allowance for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Additional information about how the Group and the Company measure the allowance for impairment is described in Note 32.

35. STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements

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

Applicable to 2021 financial statements

- SFRS(I) 17 *Insurance Contracts*

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28).

The Group has assessed the estimated impact that initial application of SFRS(I) 16 will have on the financial statements. The Group's assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group, is as described below.

SFRS(I) 16 *Leases*

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

35. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

SFRS(I) 16 *Leases* (Continued)

The Group and the Company plan to apply SFRS(I) 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group and the Company plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply SFRS(I) 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

The Group and the Company as lessee

The Group and the Company expect to measure lease liabilities by applying a single discount rate to their portfolio of office, machineries and equipment leases. Furthermore, the Group and the Company are likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 January 2019. For lease contracts that contain the option to renew, the Group and the Company are expected to use hindsight in determining the lease term.

The Group and the Company expect their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16.

As at 1 January 2019, the Group and Company expects an increase in ROU assets of RMB1,677,000 and RMB296,000, with a corresponding increase in lease liabilities, respectively.

The nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

The Group as lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively.

No significant impact is expected for other leases in which the Group is a lessor.

SHAREHOLDINGS
STATISTICS
AS AT 25 MARCH 2019

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 25 MARCH 2019

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	976	12.31	37,260	0.01
100 – 1,000	1,906	24.05	887,310	0.27
1,001 – 10,000	3,733	47.10	14,772,310	4.53
10,001 – 1,000,000	1,285	16.21	62,664,937	19.22
1,000,001 AND ABOVE	26	0.33	247,710,098	75.97
TOTAL	**7,926**	**100.00**	**326,071,915**	**100.00**

TWENTY LARGEST SHAREHOLDERS
AS AT 25 MARCH 2019

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	OCBC SECURITIES PRIVATE LTD	96,585,803	29.62
2	UOB KAY HIAN PTE LTD	67,215,702	20.61
3	CITIBANK NOMINEES SINGAPORE PTE LTD	12,553,904	3.85
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	6,403,754	1.96
7	SICHUAN SHUNTONG MINE INDUSTRY GROUP LTD	6,051,388	1.86
8	DBS NOMINEES PTE LTD	5,275,590	1.62
9	RAFFLES NOMINEES (PTE) LIMITED	5,016,089	1.54
10	LOKE GIM TAY	3,788,066	1.16
11	UNITED OVERSEAS BANK NOMINEES PTE LTD	3,688,213	1.13
12	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,974,189	0.91
13	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	2,775,565	0.85
14	OCBC NOMINEES SINGAPORE PTE LTD	2,384,357	0.73
15	ZHANG ZHIHU	1,958,333	0.60
16	DBSN SERVICES PTE LTD	1,866,666	0.57
17	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,818,765	0.56
18	SIM TOCK MANG	1,570,000	0.48
19	SHIU TAI WAI	1,504,000	0.46
20	NIPPON PAINT (H.K.) COMPANY LIMITED	1,486,700	0.46
	TOTAL	**240,567,499**	**73.77**

SHAREHOLDINGS STATISTICS
AS AT 25 MARCH 2019

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Best Feast Limited	91,171,293	27.96	–	–	91,171,293	27.96
Cheng Du Wu Xing Ke Trading Limited(1)	–	–	91,171,293	27.96	91,171,293	27.96
Ms Wang Heng(2)	500,000	0.15	91,171,293	27.96	91,671,293	28.11
Ou Rui Limited	56,523,667	17.33	–	–	56,523,667	17.33
Mr Li Xiaobo(3)	–	–	56,523,667	17.33	56,523,667	17.33

Notes:

(1) Cheng Du Wu Xing Ke Trading Limited is deemed to be interested in the Shares held by Best Feast Limited by virtue of Section 7 of the Companies Act (Cap. 50) of Singapore (the "Act").

(2) Based on her indirect interests (through Chengdu Zhong Qian Zhi Heng Management Limited) and direct interests in Cheng Du Wu Xing Ke Trading Limited, Ms Wang Heng is deemed interested in the Shares held by Best Feast Limited, a wholly-owned subsidiary of Cheng Du Wu Xing Ke Trading Limited by virtue of Section 7 of the Act.

(3) Mr Li Xiaobo holds 100% of the issued and paid up share capital of Ou Rui Limited and is deemed to be interested in the Shares held by Ou Rui Limited by virtue of Section 7 of the Act.

Shareholdings Held in Hand of Public

Based on information available to the Company as at 25 March 2019 approximately 55% 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 25 March 2019.

The Company does not have any subsidiary holdings as at 25 March 2019.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty Third Annual General Meeting of **SAPPHIRE CORPORATION LIMITED** (the "**Company**") will be held at 10 Anson Road #28-15, International Plaza, Singapore 079903 on Tuesday, 30 April 2019 at 09.30 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 2018 together with the Reports of the Auditors thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of up to S$205,000 for the year ending 31 December 2019 to be paid in cash and/or shares (2018: up to S$200,000).
[See Explanatory Note (i)] **(Resolution 2)**

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

(a) To re-elect Mr Cheung Wai Suen who retires pursuant to Regulation 89 of the Company's Constitution and who, being eligible, offer himself for re-election. **(Resolution 3)**
[See Explanatory Note (ii)]

(b) To re-elect Mr Duan Yang, Julien who retires pursuant to Regulation 89 of the Company's Constitution and who, being eligible, offer himself for re-election.
[See Explanatory Note (iii)] **(Resolution 4)**

(c) To re-elect Professor Chew Yong Tian who retires pursuant to Regulation 88 of the Company's Constitution and who, being eligible, offer himself for re-election.
[See Explanatory Note (iv)] **(Resolution 5)**

4. To re-appoint KPMG LLP as Auditors of the Company 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 – Share Issue Mandate

"That, pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Act**") and Rule 806 of the Listing Manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

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

NOTICE OF ANNUAL GENERAL MEETING

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

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

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

provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and convertible securities to be issued pursuant to this Resolution shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to the shareholders of the Company shall not exceed twenty percent (20%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as at the time of passing of this Resolution);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares and convertible securities that may be issued under sub-paragraph (1) above on a pro-rata basis, the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

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

(b) new Shares arising from exercising share options or vesting of share awards 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)**

NOTICE OF ANNUAL GENERAL MEETING

7. Authority to grant awards and issue shares under the Sapphire Share Award Scheme

   "That in accordance with the provisions of the Sapphire Share Awards Scheme (the "**Scheme**") and pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, the Directors of the Company be and are hereby authorised to grant share awards ("**Awards**") in accordance with the provisions of the Scheme and to allot and issue from time to time such number of fully paid-up Shares as may be required to be allotted and issued pursuant to the vesting of Awards under the Scheme, provided that the aggregate number of Shares available under the Scheme, when added to all Shares, options or awards granted under any other share option scheme, share award scheme or share incentive scheme of the Company then in force, shall not exceed 15% of the total issued share capital (excluding treasury shares and subsidiary holdings) of the Company from time to time."
   [See Explanatory Note (vi)] **(Resolution 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, 15 April 2019

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.

NOTICE OF
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 up to S$205,000 for the year ending 31 December 2019 to be paid in cash and/or shares.

(ii) Further to the re-election of Mr Cheung Wai Suen ("**Mr Chueng**"), Mr Cheung will continue to serve as Chairman of the Board.

(iii) Further to the re-election of Mr Duan Yang, Julien pursuant to Ordinary Resolution 4, he will continue to serve as Chairman of the Audit and Risk Committee, a member of the Nominating Committee and the Remuneration Committee of the Company and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

(iv) Further to the re-election of Professor Chew Yong Tian pursuant to Ordinary Resolution 5, he will continue to serve as a member of the Nominating Committee of the Company and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the 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 to allot and issue shares pursuant to the vesting of the Awards under the Scheme. The Scheme was approved by the shareholders of the Company in the annual general meeting of the Company on 26 April 2018.

APPENDIX A
KEY INFORMATION OF DIRECTORS TO BE RE-ELECTED

Key Information	Name of Director		
	Cheung Wai Suen	Duan Yang, Julien	Chew Yong Tian
Date of appointment	16 March 2016	24 March 2017	30 April 2018
Date of last re-appointment	27 April 2016	26 April 2017	Not applicable
Age	58	57	71
Country of principal residence	People's Republic of China	Hong Kong	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors, having considered the recommendation of Nominating Committee, and having reviewed the recommendation of Nominating Committee and the qualifications and working experience of Mr Cheung Wai Suen ("**Mr Cheung**"), is of the view that he has the requisite experience and capabilities to assume the responsibilities as the Chairman and Executive Director of the Company. Accordingly, the Board of Directors has approved the re-election of Mr Cheung as the Chairman and Executive Director of the Company.	The Board of Directors, having considered the recommendation of Nominating Committee, and having reviewed the recommendation of Nominating Committee and the qualifications and working experience of Mr Duan Yang, Julien ("**Duan Yang**"), is of the view that he has the requisite experience and capabilities to assume the responsibilities as the Independent Non-Executive Director of the Company. Accordingly, the Board of Directors has approved the re-election of Duan Yang as the Independent Non-Executive Director of the Company.	The Board of Directors, having considered the recommendation of Nominating Committee, and having reviewed the recommendation of Nominating Committee, and the qualifications and working experience of Professor Chew Yong Tian ("**Professor Chew**"), is of the view that he has the requisite experience and capabilities to assume the responsibilities as the Independent Non-Executive Director of the Company. Accordingly, the Board of Directors has approved the re-election of Professor Chew as the Independent Non-Executive of the Company.
Whether the appointment is executive and if so, please state the area of responsibility	The appointment is executive and Mr Cheung will continue to serve as an Executive Director of Ranken Railway Construction Group Co., Ltd. His area of responsibility includes strategic planning for overseas expansion, overseeing key operational matters and marketing strategies, as well as formulating the overall corporate and investment strategies of Ranken.	Non-Executive	Non-Executive

APPENDIX A
KEY INFORMATION OF DIRECTORS TO BE RE-ELECTED

Key Information	Name of Director		
	Cheung Wai Suen	**Duan Yang, Julien**	**Chew Yong Tian**
Job title (e.g. Lead ID, AC Chairman, AC member, etc)	Chairman and Executive Director	Independent and Non-Executive Director, Chairman of the Audit and Risk Committee and member of the Nominating and Remuneration Committees	Independent and Non-Executive Director and a member of the Nominating Committee
Professional memberships/ qualifications	Bachelor of Law from Renmin University of China Executive MBA from Peking University's Guanghua School of Management	MBA from ESSEC Business School in France Bachelor in Mathematics from Wuhan University.	Master of Engineering from the University of Western Australia PhD from Cambridge University
Working experience and occupation(s) during the past 10 years	1998 – present: Executive Director of Ranken Railway Construction Group Co., Ltd	January 2017 – Present: Director of Beijing Nufront Ltd June 2016 – Present: Director and Chairman of Fascinating HK Ltd June 2013 – August 2016: Director of Sinolink International Finance HK Ltd June 2013 – August 2016: Director of Sinolink Financial Leasing (Shanghai) Ltd May 2010 – July 2011: Managing Director (Head of Global Markets division for China) of Societe Generale Hong Kong June 2008 – May 2010: Managing Director (Head of Fixed Income Sales for China) of Standard Chartered Hong Kong June 2005 – June 2008: Managing Director (Head of Derivative Sales for China) of Bear Stearns Asia Ltd	2017 – Present: Jiangsu University of Science and Technology, Part-Time Professor 2015 – 2018: National University of Singapore, Adjunct Professor at the Faculty of Engineering April 2016 and May 2017: Shantou University, guest professor December 2015: Chongqing University, guest professor 2011 – 2015: National University of Singapore, Deputy Director, Institute for Engineering Leadership 2008 – 2011: National University of Singapore, Head of Department of Mechanical Engineering 2005 – 2015: Singapore Institute of Aerospace Engineers (SIAE), Chairman of the Board of Examiners 1997 – 2015: Journal of Fluids and Structures, Associate Editor 2003 – 2009 and 2016 – 2017: The Engineering Accreditation Board Member

APPENDIX A
KEY INFORMATION OF DIRECTORS TO BE RE-ELECTED

Key Information	Name of Director		
	Cheung Wai Suen	**Duan Yang, Julien**	**Chew Yong Tian**
Shareholding interest in the Company and its subsidiaries	Mr Cheung indirectly holds 2.40% of Best Feast Limited, which holds 91,171,293 shares (representing 27.96% of the total issued share capital) in Sapphire Corporation Limited. Mr Cheung also own 2.0% and 0.4% direct interest in Chengdu Kai Qi Rui Business Management Co., Ltd and Ranken Railway Construction Group Co., Ltd, (subsidiaries of the Group) respectively.	No	No
Any relationship (including immediate family member relationships) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company or any of its principal subsidiaries	NIL	NIL	NIL
Conflict of Interest (including any competing business)	NIL	NIL	NIL
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) submitted to the Company?	Yes	Yes	Yes
Other Principal Commitments including Directorships			
Current directorships	Executive Director of Ranken Railway Construction Group Co., Ltd Executive Director of Chengdu Kai Qi Rui Business Management Co., Ltd	Beijing Nufront Ltd, Director Fascinating HK Ltd, Director, Chairman	Fatt Sim Sdn. Bhd
Past directorships (in the last 5 years)	Executive Director of Best Feast Limited	Sinolink international Finance HK Ltd, Director Sinolink Financial Leasing (Shanghai) Ltd, Director	NIL

APPENDIX A
KEY INFORMATION OF DIRECTORS TO BE RE-ELECTED

Key Information	Name of Director		
	Cheung Wai Suen	Duan Yang, Julien	Chew Yong Tian
General Statutory Declaration of Directors			
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No

APPENDIX A
KEY INFORMATION OF DIRECTORS TO BE RE-ELECTED

Key Information	Name of Director		
	Cheung Wai Suen	Duan Yang, Julien	Chew Yong Tian
(c) Whether there is any unsatisfied judgment against him?	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No

APPENDIX A
KEY INFORMATION OF DIRECTORS TO BE RE-ELECTED

Key Information	Name of Director		
	Cheung Wai Suen	**Duan Yang, Julien**	**Chew Yong Tian**
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No

APPENDIX A
KEY INFORMATION OF DIRECTORS TO BE RE-ELECTED

Key Information	**Name of Director**		
	Cheung Wai Suen	**Duan Yang, Julien**	**Chew Yong Tian**
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–			
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No

APPENDIX A
KEY INFORMATION OF DIRECTORS TO BE RE-ELECTED

Key Information	Name of Director		
	Cheung Wai Suen	Duan Yang, Julien	Chew Yong Tian
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No
Prior Experience as a Director of a Listed Company on the Exchange			
Any prior experience as a director of an issuer listed on the Exchange?	Not applicable. This is a re-election of a director	Not applicable. This is a re-election of a director	Not applicable. This is a re-election of a director
Attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange?	Not applicable. This is a re-election of a director	Not applicable. This is a re-election of a director	Not applicable. This is a re-election of a director
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable. This is a re-election of a director	Not applicable. This is a re-election of a director	Not applicable. This is a re-election of a director

SAPPHIRE CORPORATION LIMITED
盛世企业有限公司

Company Registration No. 198502465W

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 15 April 2019.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ____ (name)

of ____ (address)

being a member/members of **Sapphire Corporation Limited** (the "**Company**"), hereby appoint:

Name	**NRIC/Passport Number**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport Number**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing which, the Chairman of the meeting as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Annual General Meeting ("**AGM**") of the Company to be held at 10 Anson Road #28-15, International Plaza, Singapore 079903 on Tuesday, 30 April 2019 at 09.30 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 2018		
2.	To approve the payment of Directors' fees for the financial year ending 31 December 2019		
3.	To re-elect Mr Cheung Wai Suen Director of the Company		
4.	To re-elect Mr Duan Yang, Julien as Director of the Company		
5.	To re-elect Professor Chew Yong Tian as Director of the Company		
6.	To re-appoint KPMG LLP as Auditors of the Company 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 Share 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 ____________________ 2019

Total Number of Shares Held

____

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

NOTES:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 (the "**Act**"), a member is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting ("**AGM**"). Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.

2. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

3. A proxy need not be a member of the Company.

4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.

5. The instrument appointing a proxy or proxies must be deposited at the Company's Share Registrar's office at **80 Robinson Road #11-02, Singapore 068898**, not less than **72 hours** before the time set for the AGM.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.

7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

9. Investors who have used their CPF monies ("**CPF Investors**") to buy shares in the Company may attend and cast their vote at the meeting in person. CPF Investors who are unable to attend the meeting but would like to vote, may inform CPF Approved Nominees to appoint the Chairman of the meeting to act as their proxy, in which case, the CPF Investor shall be precluded from attending the meeting.

GENERAL:

The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the AGM.

PERSONAL DATA PRIVACY:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any AGM laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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CORPORATE INFORMATION

BOARD OF DIRECTORS
Mr Cheung Wai Suen (Executive Chairman)
Ms Wang Heng
(Chief Executive Officer and Executive Director)
Mr Oh Eng Bin (Lead Independent Director)
Mr Duan Yang, Julien
Mr Zhai Guiwu
Professor Chew Yong Tian

AUDIT AND RISK COMMITTEE
Mr Duan Yang, Julien (Chairman)
Mr Oh Eng Bin
Mr Zhai Guiwu

NOMINATING COMMITTEE
Mr Zhai Guiwu (Chairman)
Mr Duan Yang, Julien
Mr Oh Eng Bin
Ms Wang Heng
Professor Chew Yong Tian

REMUNERATION COMMITTEE
Mr Oh Eng Bin (Chairman)
Mr Duan Yang, Julien
Mr Zhai Guiwu

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

COMPANY SECRETARY
Gn Jong Yuh Gwendolyn

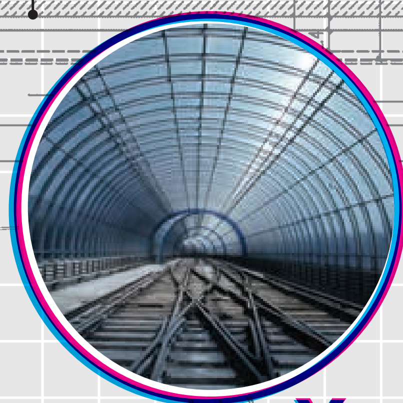
REGISTERED OFFICE
1 Robinson Road #17-00
AIA Tower
Singapore 048542
Tel: 6535 1944
Fax: 6535 8577

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
Teo Han Jo
(Partner from Financial Year Ended 2018)

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



SAPPHIRE CORPORATION LIMITED

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