

HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2016

PART 1

Information required for announcements of quarterly (Q1, Q2, Q3), Half Year and Full Year Announcements

1(a)(i) An income statement and statement of comprehensive income, for the Group, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group			Group		
	2Q2016 \$'000	2Q2015 \$'000	Change %	1H2016 \$'000	1H2015 \$'000	Change %
Revenue	53,434	14,142	277.8	107,110	29,561	262.3
Cost of sales	(43,511)	(11,979)	263.2	(89,449)	(24,524)	264.7
Gross profit	9,923	2,163	358.8	17,661	5,037	250.6
Other income						
- Project related	178	-	NM	361	-	NM
- Other operating income	122	1,143	(89.3)	1,191	2,496	(52.3)
Distribution costs	(221)	-	NM	(380)	-	NM
Administrative expenses	(4,335)	(2,582)	67.9	(8,988)	(5,496)	63.5
Other expenses	(666)	(154)	332.5	(1,113)	(294)	278.6
Profit from operations	5,001	570	777.4	8,732	1,743	401.0
Finance costs	(886)	(278)	218.7	(1,704)	(575)	196.3
Profit before income tax	4,115	292	NM	7,028	1,168	501.7
Income tax (expense)/credit	(1,241)	137	NM	(2,148)	(271)	692.6
Profit for the period	2,874	429	569.9	4,880	897	444.0
Profit attributable to:						
Owners of the Company #	2,787	429	549.7	4,747	897	429.2
Non-controlling interest	87	-	NM	133	-	NM
Profit for the period	2,874	429	569.9	4,880	897	444.0

Included in Profit attributable to Owners of the Company are net profits from the following business segments:

- Infrastructure	3,594	5,515
- Mancala Australia	6	235

Note:

NM – Not Meaningful.

HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2016

Consolidated Statement of Comprehensive Income

	Group			Group		
	2Q2016 \$'000	2Q2015 \$'000	Change %	1H2016 \$'000	1H2015 \$'000	Change %
Profit for the period	2,874	429	569.9	4,880	897	444.0
Other comprehensive income						
Translation differences relating to financial statements of foreign subsidiaries	(1,940)	(415)	367.5	(5,802)	(186)	NM
Movement of available-for-sale financial assets reserve	110	–	NM	110	–	NM
Other comprehensive income for the period, net of tax	<u>(1,830)</u>	<u>(415)</u>	341.0	<u>(5,692)</u>	<u>(186)</u>	NM
Total comprehensive income for the period	<u>1,044</u>	<u>14</u>	NM	<u>(812)</u>	<u>711</u>	NM
Total other comprehensive income attributable to:						
Owners of the Company	999	14	NM	(837)	711	NM
Non-controlling interest	45	–	NM	25	–	NM
Total other comprehensive income for the period	<u>1,044</u>	<u>14</u>	NM	<u>(812)</u>	<u>711</u>	NM

Note: NM – Not Meaningful.

Notes to other comprehensive income:

1. Translation differences relating to accounting translation of financial statements of our foreign subsidiaries to S\$ term. The translation loss for 2Q2016 was mainly due to weakening of both RMB and A\$ against S\$.

HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2016

1(a)(ii) Items, which if significant must be included in the income statement.

Notes to Income Statement

	Group			Group		
	2Q2016 \$'000	2Q2015 \$'000	Change %	1H2016 \$'000	1H2015 \$'000	Change %
Revenue includes the following:						
Infrastructure	46,837	–	NM	90,872	–	NM
Mining services	6,597	14,142	(53.4)	16,238	29,561	(45.1)

Other income includes the following:

Project related:						
Unwinding of discount on retention monies	178	–	NM	361	–	NM
Other operating income:						
Exchange (loss)/gain, net	(10)	1,101	NM	650	2,405	(73.0)
Interest income – banks	42	–	NM	122	7	NM
Gain on disposal of non-current assets held for sale	22	–	NM	22	–	NM
Gain on disposal of plant and equipment	–	27	NM	–	40	NM
Rental income	83	–	NM	365	–	NM

Other expenses include the following:

Amortisation of intangible assets	(83)	(40)	107.5	(168)	(80)	110.0
Loss on disposal of property, plant and equipment	(275)	–	NM	(304)	–	NM

Finance costs include the following:

Interest expense – bank loans	(507)	(97)	422.7	(903)	(202)	347.0
Interest expense – corporate bonds	(204)	–	NM	(413)	–	NM
Interest expense – finance lease	(175)	(181)	(3.3)	(388)	(373)	4.0

Profit before income tax is arrived after deducting:

Depreciation of property, plant and equipment	(2,790)	(907)	207.6	(7,359)	(1,827)	302.8
Depreciation of investment properties	(107)	–	NM	(230)	–	NM

HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2016

1(b)(i) A statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	30.06.2016 \$'000	31.12.2015 \$'000	30.06.2016 \$'000	31.12.2015 \$'000
Assets				
Property, plant and equipment	41,339	46,334	89	111
Intangible assets	15,839	16,435	–	–
Investment properties	12,320	13,457	–	–
Interests in subsidiaries	–	–	89,847	89,847
Other investments	192	86	–	1
Other receivables	–	–	5,131	5,164
Deferred tax assets	2,097	2,226	–	–
Total non-current assets	71,787	78,538	95,067	95,123
Inventories	3,413	3,442	–	–
Construction work in progress	61,443	54,858	–	–
Trade receivables (Note 1)	117,415	124,616	–	–
Other receivables	35,538	29,544	4,284	1,105
Non-current assets held for sale	7,580	8,148	–	–
Cash and cash equivalents	15,036	35,079	1,208	5,791
Total current assets	240,425	255,687	5,492	6,896
Total assets	312,212	334,225	100,559	102,019
Equity				
Share capital	87,933	277,067	87,933	277,067
Reserves	1,841	(186,505)	(1,584)	(189,759)
Equity attributable to owners of the Company	89,774	90,562	86,349	87,308
Non-controlling interests	1,569	1,544	–	–
Total equity	91,343	92,106	86,349	87,308
Liabilities				
Other payables	7,034	8,653	–	–
Financial liabilities	3,120	5,928	10	11
Deferred tax liabilities	1,674	1,816	–	–
Total non-current liabilities	11,828	16,397	10	11
Trade payables	88,996	74,361	–	–
Other payables	62,726	71,204	14,195	14,690
Progress billings in excess of construction work in progress	6,658	8,416	–	–
Financial liabilities	46,911	66,852	5	10
Current tax liabilities	3,750	4,889	–	–
Total current liabilities	209,041	225,722	14,200	14,700
Total liabilities	220,869	242,119	14,210	14,711
Total equity and liabilities	312,212	334,225	100,559	102,019

HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2016

Note 1: Details of trade receivables as at 30 June 2016 were as follows:

	Trade receivables \$'000	Revenue (6 months) \$'000	Turnover (days)
Infrastructure Business	110,837	90,872	223
Mining Services Business	6,578	16,238	74

Not past due	94%
Due less than 1 year	4%
Due more than 1 year	2%
	100%

(b)(ii) Aggregate amount of Group's borrowings and debt securities.

	30.06.2016		31.12.2015	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Amount repayable in one year or less, or on demand	46,911	–	66,852	–
Amount repayable after one year	3,120	–	5,928	–
Mancala Australia				
- Bank overdraft	-	–	911	–
- Short-term bank borrowings	427	–	1,047	–
- Current portion of finance lease	2,001	–	2,577	–
- Non-current portion of finance lease	2,411	–	2,963	–
Ranken				
- Short-term bank borrowings	32,699	–	49,200	–
- Short term bond	7,044	–	7,444	–
- Current portion of finance lease	4,735	–	5,663	–
- Non-current portion of finance lease	699	–	2,954	–
Corporate function				
- Current portion of finance lease	5	–	10	–
- Non-current portion of finance lease	10	–	11	–
Total	50,031	–	72,780	–

HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2016

Details of any collateral as at 30 June 2016

Mancala Australia

- (i) The bank overdraft and short term bank loans for Mancala Australia are secured by personal guarantees granted by the vendors of Mancala Australia and subordinated loans of A\$5.0 million from Sapphire to Mancala Australia.
- (ii) The carrying value of fixed assets under finance lease as at 30 June 2016 approximates \$8.4 million.

Ranken

- (i) The short-term and long-term bank loans for Ranken are secured by personal guarantees by the vendors of Ranken and land and building with total carrying amounts of \$15.8 million and deposits pledged of \$3.4 million.
- (ii) The carrying value of fixed assets under finance lease as at 30 June 2016 approximates \$8.0 million.
- (iii) As at 30 June 2016, the vendors have granted personal guarantees for the purpose of securing total banking facilities of \$57.7 million (RMB 284.0 million) for Ranken's working capital.

Corporate function

- (i) The carrying value of fixed assets under finance lease as at 30 June 2016 approximates \$0.024 million.

HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2016

1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group		Group	
	2Q2016 \$'000	2Q2015 \$'000	1H2016 \$'000	1H2015 \$'000
Operating activities				
Profit before income tax	4,115	292	7,028	1,168
Adjustments for:				
Depreciation of property, plant and equipment	2,790	907	7,359	1,827
Depreciation of investment properties	107	–	230	–
Amortisation of intangible assets	83	40	168	80
Loss/(Gain) on disposal of property, plant and equipment	275	(27)	304	(40)
Gain on disposal of non-current assets held for sale, net	(22)	–	(22)	–
Interest income	(42)	–	(122)	(7)
Interest expense	886	278	1,704	575
Share awards scheme	49	78	49	78
Unwinding of discount on retention monies	(178)	–	(361)	–
Operating profit before working capital changes	8,063	1,568	16,337	3,681
Changes in working capital:				
Inventories	1,339	(874)	1,620	(591)
Construction work in progress, net	(16,792)	–	(11,841)	–
Trade and other payables	27,349	88	15,090	(803)
Trade and other receivables	(6,822)	3,209	(8,606)	1,137
(Placement)/release of fixed deposits pledged	(1,281)	–	210	–
Cash flows generated from operations	11,856	3,991	12,810	3,424
Income tax paid	(2,338)	–	(3,096)	–
Cash flows generated from operating activities	9,518	3,991	9,714	3,424
Investing activities				
Interest received	42	–	122	7
Interest free loan to third party*	–	–	–	(17,507)
Payment for purchase of property, plant and equipment	(3,337)	(210)	(6,779)	(380)
Proceeds from disposal of property, plant and equipment	71	26	78	53
Proceeds from disposal of non-current assets held for sale	354	–	354	–
Proceeds from disposal of subsidiaries	–	–	–	8,544
Cash flows used in investing activities	(2,870)	(184)	(6,225)	(9,283)

HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2016

	Group		Group	
	2Q2016 \$'000	2Q2015 \$'000	1H2016 \$'000	1H2015 \$'000
Financing activities				
Repayment to previous shareholder of Ranken's subsidiary	(396)	–	(1,035)	–
Interest paid	(886)	(278)	(1,704)	(575)
Proceeds from bank loans	10,196	–	12,804	–
Payment of bank loans	(24,765)	(342)	(27,024)	(716)
Payment of finance lease liabilities	(1,736)	(549)	(3,673)	(1,397)
Cash flows used in financing activities	(17,587)	(1,169)	(20,632)	(2,688)
Net (decrease)/increase in cash and cash equivalents	(10,939)	2,638	(17,143)	(8,547)
Cash and cash equivalents at beginning of the period	23,239	(393)	30,337	10,511
Effect of exchange rate changes on the balances held in foreign currencies	(635)	76	(1,529)	357
Cash and cash equivalents at end of the period	11,665	2,321	11,665	2,321
Cash and cash equivalents consist of the following:				
Fixed deposits	3,371	–	3,371	–
Cash and bank balances	11,665	4,051	11,665	4,051
Cash and cash equivalents	15,036	4,051	15,036	4,051
Bank overdraft (included in financial liabilities)	–	(1,730)	–	(1,730)
Fixed deposits pledged	(3,371)	–	(3,371)	–
	11,665	2,321	11,665	2,321

* Interest free loan granted to Ranken Infrastructure Limited ("Ranken") in accordance with the Sale & Purchase Agreement dated 22 November 2014 relating to the proposed acquisition of Ranken.

HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2016

1(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

(Bi) Consolidated Statement of Changes in Equity

Group	Share capital \$'000	Capital reserve \$'000	Merger reserve \$'000	Other reserves \$'000	Currency translation reserve \$'000	Accumulated profit / (losses) \$'000	Total equity \$'000
<u>1Q2015</u>							
At 1 January 2015	260,489	1,235	418	(1,353)	(690)	(187,499)	72,600
Profit for the period	–	–	–	–	–	468	468
Other comprehensive income							
Translation differences relating to financial statements of foreign subsidiaries	–	–	–	–	229	–	229
Total other comprehensive income	–	–	–	–	229	–	229
Total comprehensive income	–	–	–	–	229	468	697
At 31 March 2015	260,489	1,235	418	(1,353)	(461)	(187,031)	73,297

HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2016

(Bi) Consolidated Statement of Changes in Equity

<u>Group</u>	Share capital \$'000	Capital reserve \$'000	Merger reserve \$'000	Other reserves \$'000	Currency translation reserve \$'000	Accumulated profit / (losses) \$'000	Total equity \$'000
2Q2015							
Profit for the period	–	–	–	–	–	429	429
Other comprehensive income							
Translation differences relating to financial statements of foreign subsidiaries	–	–	–	–	(415)	–	(415)
Total other comprehensive income	–	–	–	–	(415)	–	(415)
Total comprehensive income	–	–	–	–	(415)	429	14
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owner							
Issues of shares under Share Award Scheme*	78	–	–	–	–	–	78
Total contributions by and distributions to owner	78	–	–	–	–	–	78
At 30 June 2015	260,567	1,235	418	(1,353)	(876)	(186,602)	73,389

* Directors' fees for FY2014 paid in the form of share awards under the Sapphire Shares Award Scheme.

HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2016

(Bi) Consolidated Statement of Changes in Equity

Group	Share capital \$'000	Capital reserve \$'000	Merger reserve \$'000	Fair value reserve \$'000	Other reserves \$'000	Currency translation reserve \$'000	Accumulated profit / (losses) \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
1Q2016										
At 1 January 2016	277,067	(1,735)	418	–	(1,353)	(2,805)	(181,030)	90,562	1,544	92,106
Profit for the period	–	–	–	–	–	–	1,960	1,960	46	2,006
Other comprehensive income										
Translation differences relating to financial statements of foreign subsidiaries	–	–	–	–	–	(3,796)	–	(3,796)	(66)	(3,862)
Total other comprehensive income	–	–	–	–	–	(3,796)	–	(3,796)	(66)	(3,862)
Total comprehensive income	–	–	–	–	–	(3,796)	1,960	(1,836)	(20)	(1,856)
At 31 March 2016	277,067	(1,735)	418	–	(1,353)	(6,601)	(179,070)	88,726	1,524	90,250

HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2016

(Bi) Consolidated Statement of Changes in Equity

Group	Share capital \$'000	Capital reserve \$'000	Merger reserve \$'000	Fair value reserve \$'000	Other reserves \$'000	Currency translation reserve \$'000	Accumulated profit / (losses) \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
2Q2016										
Profit for the period	-	-	-	-	-	-	2,787	2,787	87	2,874
Other comprehensive income										
Translation differences relating to financial statements of foreign subsidiaries	-	-	-	-	-	(1,898)	-	(1,898)	(42)	(1,940)
Movement of available-for-sale financial assets reserve	-	-	-	110	-	-	-	110	-	110
Total other comprehensive income	-	-	-	110	-	(1,898)	-	(1,788)	(42)	(1,830)
Total comprehensive income	-	-	-	110	-	(1,898)	2,787	999	45	1,044
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owner										
Issues of shares, net of expenses (Share Award Scheme) *	49	-	-	-	-	-	-	49	-	49
Reduction of share capital [#]	(189,183)	-	-	-	-	-	189,183	-	-	-
Total contributions by and distributions to owner	(189,134)	-	-	-	-	-	189,183	49	-	49
At 30 June 2016	87,933	(1,735)	418	110	(1,353)	(8,499)	12,900	89,774	1,569	91,343

* Directors' fees for FY2015 paid in the form of share awards under the Sapphire Shares Award Scheme.

[#] Please refer to page 15 for details of the Company's Capital Reduction exercise

HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2016

(Bii) Statement of Changes in Equity

Company	Share capital \$'000	Capital reserve \$'000	Other reserves \$'000	Accumulated profit/(losses) \$'000	Total equity \$'000
1Q2015					
At 1 January 2015	260,489	1,084	(1,353)	(189,183)	71,037
Profit for the period	–	–	–	86	86
Total comprehensive income	–	–	–	86	86
At 31 March 2015	260,489	1,084	(1,353)	(189,097)	71,123
2Q2015					
Profit for the period	–	–	–	417	417
Total comprehensive income	–	–	–	417	417
Transactions with owners, recognised directly in equity					
Contributions by and distributions to owner					
Issues of shares under Share Award Scheme*	78	–	–	–	78
Total contributions by and distributions to owner	78	–	–	–	78
At 30 June 2015	260,567	1,084	(1,353)	(188,680)	71,618

* Directors' fees for FY2014 paid in the form of share awards under the Sapphire Shares Award Scheme.

HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2016

(Bii) Statement of Changes in Equity

Company	Share capital \$'000	Capital reserve \$'000	Other reserves \$'000	Accumulated profit/(losses) \$'000	Total equity \$'000
1Q2016					
At 1 January 2016	277,067	(1,886)	(1,353)	(186,520)	87,308
Loss for the period	–	–	–	(292)	(292)
Total comprehensive income	–	–	–	(292)	(292)
At 31 March 2016	277,067	(1,886)	(1,353)	(186,812)	87,016
2Q2016					
Loss for the period	–	–	–	(716)	(716)
Total comprehensive income	–	–	–	(716)	(716)
Transactions with owners, recognised directly in equity					
Contributions by and distributions to owner					
Issues of shares, net of expenses (Share Award Scheme) *	49	–	–	–	49
Reduction of share capital #	(189,183)	–	–	189,183	–
Total contributions by and distributions to owner	(189,134)	–	–	189,183	49
At 30 June 2016	87,933	(1,886)	(1,353)	1,655	86,349

* Directors' fees for FY2015 paid in the form of share awards under the Sapphire Shares Award Scheme.

Please refer to page 15 for details of the Company's Capital Reduction exercise

HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2016

- 1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

Share Capital

	No. of shares	Share capital \$'000
As at 1 January 2016	976,845,247	277,067
9 March 2016: Share Consolidation of three (3) ordinary shares into one (1) consolidated ordinary share	(651,233,490)	–
16 June 2016: Capital reduction	–	(189,183)
20 June 2016: Issue of shares to Directors under the Sapphire Shares Award Scheme	185,585	49
As at 30 June 2016	325,797,342	87,933

Convertible Securities

The Company has no outstanding convertible securities as at end of the current financial period and as at the end of the corresponding period of the immediately preceding financial year.

- 1d(iii) To show the total number of issued shares excluding treasury shares as at end of the current financial period and as at end of the immediately preceding year

	30.06.2016	31.12.2015
Total number of issued shares excluding treasury shares	325,797,342	976,845,247 #

The total issued shares as at 31 December 2015 are stated based on the number of shares in issue before the share consolidation exercise on 9 March 2016.

HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2016

1d(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at end of the current financial period reported on

There were no treasury shares as at end of the current financial period.

2 Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice

The figures have not been audited or reviewed by our auditors.

3 Where the figures have been audited, or reviewed, the auditors' report (including any qualification or emphasis of a matter)

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for current reporting year compared with the audited financial statements for the year ended 31 December 2015.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as reasons for, and the effect of, the change

The Group adopted the new/revised FRS and INT FRS applicable for the financial period beginning 1 January 2016. The adoption of the new/revised FRSs did not result in any substantial change to the Group accounting policies or has any significant impact on the interim financial statements.

6 Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	2Q2016	2Q2015 (restated)	1H2016	1H2015 (restated)
Basic earnings per share (cents)	0.86	0.16	1.46	0.33
Diluted earnings per share (cents)	0.86	0.16	1.46	0.33

The calculation of the above basic earnings per share and diluted earnings per share was computed based on profit attributable to owners of the Company divided by the weighted average number of shares as detailed below:

HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2016

	2Q2016	2Q2015 (restated)	1H2016	1H2015 (restated)
Weighted average number of shares	325,632,151	270,454,276	325,621,954	270,385,740

The weighted average number of shares during the period is the number of shares outstanding at the beginning of the period, adjusted by the number of shares issued during the year multiplied by a time-weighting factor.

On 9 March 2016, the Company completed the Share Consolidation of three (3) ordinary shares into one (1) consolidated ordinary share. The earnings per share for the current and prior periods have been presented after adjusting the number of weighted average number of shares in issue for the effect of the share consolidation.

The diluted earnings per share are the same as basic earnings per share as the Group does not have any dilutive capital instruments.

7 Net asset value (for the issuer and the Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the current financial period reported on and the immediately preceding financial year

	Group		Company	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
Net asset value per ordinary share (cents)	27.56	9.27 #	26.50	8.94 #
Number of shares in issue	325,797,342	976,845,247 #	325,797,342	976,845,247 #

Before completion of share consolidation (completed on 9 March 2016).

For illustration purpose, had the Share Consolidation of three (3) ordinary shares into one (1) consolidated ordinary share of the Company been completed on 31 December 2015, the comparative figure for net asset value per ordinary share as at 31 December 2015, would have been as follows:

	Group		Company	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
Net asset value per ordinary share (cents)	27.56	27.81	26.50	26.81
Number of shares in issue	325,797,342	325,611,757	325,797,342	325,611,757

HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2016

- 8 A review of the performance of the Group to the extent necessary for a reasonable understanding of the Group's business. The review must discuss any significant factors that affected the turnover, costs and earnings of the Group for the current financial period reported on, including (where applicable) seasonal, or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

Review of Group Performance

Overview for 2Q2016

On 1 October 2015, the Group completed the acquisition of the entire equity of Ranken Infrastructure Limited ("Ranken"), an Engineering, Procurement and Construction ("EPC") business specialising in design, construction and project consultation in China's rail transit sector ("Infrastructure Business"). As such, the Group's financial performance for 2Q2016 includes that of Ranken whereas the comparatives for 2Q2015 do not.

Review of Financial Performance (2Q2016 vs 2Q2015)

Note: Significant changes in revenue, cost of sales and operating expenses during the period under review were mainly attributed to the consolidation of Ranken's financial performance in 2Q2016.

Total revenue rose by \$39.3 million to \$53.4 million in 2Q2016, boosted by the contribution of Ranken's results for the quarter under review. Ranken contributed approximately \$46.8 million on the back of milestones in several projects' completion in significant stages, making it the Group's largest revenue contributor in 2Q2016. Revenue from our Australia-based mining services business, Mancala Holdings Pty Ltd ("Mancala"), fell by \$7.5 million in 2Q2016 amid weak market sentiment in the mining industry and falling commodity prices.

Given higher revenues, total gross profit rose by \$7.8 million to \$9.9 million, while overall gross profit margin in 2Q2016 improved by 3.3 percentage points to 18.6% compared to 2Q2015.

Other income fell by \$0.8 million to \$0.3 million in the absence of exchange gain in 2Q2016. Other income included a third-party rental income in relation to the leases of Ranken's commercial building as well as interest income contributed by Ranken.

Distribution costs of \$0.2 million were related to Ranken's marketing expenses.

Administrative expenses rose by \$1.8 million to \$4.3 million, due mainly to the inclusion of \$2.0 million in administrative expenses incurred by Ranken on consolidation of its results.

Other expenses rose by \$0.5 million to \$0.7 million, due mainly to higher depreciation of property, plant and equipment and investment properties on consolidation of Ranken's results, and a loss on disposal of property, plant and equipment of Mancala.

Finance costs rose by \$0.6 million to \$0.9 million due mainly to the inclusion of \$0.7 million interest expense incurred by Ranken, related to its working capital borrowings. Interest expense for Mancala fell by \$0.1 million due to lower loan and finance lease obligations. Interest cover ratio improved substantially given higher operating profits.

HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2016

Income tax expense was \$1.2 million, attributable to provision for income tax on taxable profits for both Ranken's operations and Mancala's Vietnam operations.

Given the above,

- Profit attributable to Owners of the Company ("Net Profit") for 2Q2016 rose to \$2.8 million from \$0.4 million for 2Q2015. Net Profit for 1H2016 rose to \$4.75 million from \$0.9 million for 1H2015.
- Operating Profits before Working Capital or "Cash Profit" rose to \$8.1 million for 2Q2016 from \$1.6 million for 2Q2015. "Cash Profit" rose to \$16.3 million for 1H2016 from \$3.7 million for 1H2015.

Review of Financial Position (30 June 2016 vs 31 December 2015)

Total non-current assets fell by \$6.8 million, due mainly to the depreciation of property, plant and equipment and investment properties, offset mainly by additions of property, plant and equipment by Ranken and Mancala of \$6.5 million and \$0.3 million respectively. Total non-current assets for Ranken and Mancala were \$49.6 million and \$22.0 million respectively.

Total current assets fell by \$15.3 million. Significant changes during the period under review were:

- Contract work in progress related to Ranken's projects under construction rose by \$6.6 million to \$61.4 million due to works completed over stages but not yet certified (and thus not invoiced) during the period.
- Trade receivables fell by \$7.2 million to \$117.4 million, which comprised:
 - \$110.8 million in trade receivables from Ranken, which fell by \$6.8 million. Trade debtor's turnaround time was 223 days, 229 days and 174 days as at 30 June 2016, 31 March 2016 and 31 December 2015, respectively; and
 - \$6.6 million in Mancala's trade receivables, fell by \$0.4 million, which represented a trade debtor's turnaround time of 74 days as compared to 60 days as at 31 December 2015.
- Other receivables, which comprised mainly Ranken's materials procured on behalf of project owners and security deposits placed with the project owners (refundable on project completion), rose by \$6.0 million to \$35.5 million on the back of higher orders. Other receivables, deposits and prepayments for Ranken and Mancala were \$31.4 million and \$4.0 million, respectively, as at 30 June 2016.
- Cash and cash equivalents for the Group, after accounting for operating cash inflows for the current period, fell by \$20.0 million to \$15.0 million as at 30 June 2016; due mainly to (i) Ranken's cash investments in plant and equipment and site facilities of \$6.5 million for those recently-secured new projects, and (ii) net repayment of bank loans, finance lease liabilities and interest expense of \$17.2 million. More specifically, the cash position for corporate function, Ranken and Mancala were \$1.2 million, \$10.6 million and \$3.2 million respectively as at 30 June 2016. Total cash of \$3.4 million was pledged as fixed deposits for Ranken's secured bank borrowings.

HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2016

Total non-current liabilities fell by \$4.6 million, due mainly to (i) repayments of working capital borrowings and finance lease obligations and (ii) partial repayment of amounts due to previous shareholders of Ranken's subsidiary, which were extended to Ranken prior to acquisition by the Group. Total non-current liabilities for Ranken and Mancala were \$8.4 million and \$3.4 million, respectively.

Total current liabilities fell by \$16.7 million. Significant changes during the period under review were:

- Trade payables increased by \$14.6 million to \$89.0 million due mainly to higher purchases and longer credit terms (for goods and services from suppliers and contractors). Trade payables for Ranken and Mancala were \$80.7 million and \$8.3 million respectively as at 30 June 2016.
- Other payables and accruals fell by \$8.5 million to \$62.7 million due mainly to recognition of advance deposits received from clients as revenues, when completed works are progressively invoiced. Other payables and accruals for Ranken and Mancala were \$41.3 million and \$7.4 million respectively as at 30 June 2016. Other payables and accruals for Ranken comprised deposits received from clients and security deposits from sub-contractors, VAT payables and accruals of operating expenses. Other payables of the Company (corporate) comprised mainly the estimated purchase consideration payable to Mancala's vendors which is still subject to adjustments and conditions. Other payables for Mancala comprised mainly withholding tax in Australia and Vietnam to meet employees' personal obligations and accrued operating expenses.
- Current financial liabilities fell by \$19.9 million to \$46.9 million as Ranken and Mancala Australia continued to pay down working capital borrowings and finance lease obligations.

Total equity

Despite higher earnings of \$4.75 million during the six months under review, total equity attributable to owners of the Company or Shareholders' Equity fell by \$0.8 million to \$89.8 million, due mainly to a non-cash or accounting translation loss of \$5.8 million in relation to translating financial statements of foreign subsidiaries to S\$ as a result of (i) weakening of both RMB and A\$ against S\$ and (ii) the weakening of the Vietnam Dong against A\$.

Review of Cash Flows (2Q2016)

Operating cash inflow for 2Q2016 rose to \$9.5 million after taking into account profit before income tax of \$4.1 million.

Cash flows used in investing activities for 2Q2016 was \$2.9 million, due mainly to Ranken's investment in equipment for its recently secured projects, after offsetting proceeds from sale of assets by Mancala.

Cash flows used in financing activities for 2Q2016 was \$17.6 million, due mainly to repayment of bank loans of \$24.8 million, offset by proceeds from bank loans of \$10.2 million. Given the above, cash and cash equivalents fell by \$10.9 million to \$11.7 million (net of fixed deposits pledged of \$3.4 million)

HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2016

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

In the Group's 1Q2016 results announcement, the Board stated that Ranken is expected to remain the Group's largest revenue driver going forward and overall, the Group expects to be profitable in FY2016.

Our Infrastructure Business contributed 88% and 85% of our total revenue for 2Q2016 and 1H2016, respectively. The Group reported higher net profits of \$2.8 million and \$4.7 million in 2Q2016 and 1H2016, respectively.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months

Rail Engineering and Infrastructure

Following the completion of the acquisition of Ranken, the Group has accelerated its business developments within China and the region.

China continues to prioritise infrastructure development to improve connectivity and trade flows under its economic development policies, as municipalities continue to explore more integrated transportation development with embedded road and rail networks as part of their urban planning. Specifically, rail remains vital for mass transportation under China's medium to long-term plans for its land transport networks. The Group, via Ranken, is leveraging its track record and significant experience in various engineering skill sets and operational capabilities; such as macro tunneling, train station design, land transport infrastructure construction and multi-transport mode hub planning.

These operational capabilities and business development efforts have raised Ranken's order book to RMB 2.75 billion as at 11 August 2016. The Group will continue to focus on opportunities for Ranken within China and South Asia, where it has already secured a market foothold.

In view of the increased order book, Ranken's production capacity has been scaled up with higher investments in equipment and recruitment of additional professional engineers.

Mining Business

As previously announced, the Company is in discussions with various strategic investors who are mining specialist funds and/or engaged in mining-focused businesses (the "Mining Investors").

The Group has previously updated that it has incorporated Mancala Holdings Limited ("Mancala Holdings"), a new wholly-owned subsidiary in the Cayman Islands to facilitate future fund-raising exercises for the mining services business of the Group, which may eventually lead to a dilution in the Group's shareholding in Mancala.

The discussions with Mining Investors are still ongoing and the Group will provide an update on these developments in due course.

HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2016

Overall

Given the above, the Group expects to report higher net profit in FY2016 compared to FY2015, barring unforeseen circumstances.

11 Dividend

(a) Current Financial Period Reported on – any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year – any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12 If no dividend has been declared/recommendeded, a statement to that effect

No dividend has been declared/recommendeded in the current period reported on.

13 Disclosure of Interested Person Transaction Conducted under a Shareholder Mandate for the period ended 30 June 2016

There was no such interested person transaction in the current period reported on.

14 Confirmations by Directors

The Board of Directors of the Company hereby confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim consolidated financial statements for the period ended 30 June 2016 to be false or misleading in any material aspect.

HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2016

15 Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

BY ORDER OF THE BOARD

Teh Wing Kwan
Managing Director and Group Chief Executive Officer
10 August 2016