SAPPHIRE
盛世企业

ANNUAL REPORT 2022

SHAPING NEW GROWTH

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. Sapphire is incorporated in Singapore and was listed on SGX Sesdaq in 1999 and on the Mainboard of the Singapore Exchange since 2011.

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

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

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

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

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

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

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

CORPORATE DEVELOPMENT

2018

2019

APRIL 2018

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

NOVEMBER 2018

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

DECEMBER 2018

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

JANUARY 2019

- Awarded EPC Contract of RMB832 million related to a Public-Private-Partnership ("PPP") project in Chengdu

APRIL 2019

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

JUNE 2019

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

AUGUST 2019

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

OCTOBER 2019

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

NOVEMBER 2019

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

DECEMBER 2019

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

2020

JANUARY 2020

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

JUNE 2020

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

AUGUST 2020

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

OCTOBER 2020

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

DECEMBER 2020

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

2021

JULY 2021

- The upgrading of community area and the International Community Service Centre at Laoma Road, was awarded "The Most Beautiful Community Tour Route" of Chengdu for Tianfu Community Tour around the Laoma Road area.

SEPTEMBER 2021

- The upgrading of community area and the International Community Service Centre at Laoma Road, was awarded "National community business demonstration street" by China Community Business Working Committee.

OCTOBER 2021

- The upgrading of community area and the International Community Service Centre at Laoma Road, was awarded the third batch of Chengdu community "beauty space".

NOVEMBER 2021

- The upgrading of community area and the International Community Service Centre at Laoma Road, was awarded 2021 Chengdu Community Business "Good Project"
- EGM for proposed Change Of Auditors From KPMG LLP To Foo Kon Tan LLP.

DECEMBER 2021

- The urban improvement and renewal works at Yulin Road as part of the First Ring Road of Chengdu, which Chengdu Shengshi Jialong City Management Service Co., Ltd., participated together with other parties in planning was officially completed and opened.
- FY2021 Full Year Results – Increase in profit by 4.1% to RMB29.2 million

2022

JANUARY 2022

- The Laoma Road area was awarded the "2021 Excellent Example of Civilisation Practice in Chengdu in the New Era".
- The Laoma Road area was awarded the "Excellent cases of contributions to the masses".
- Appointment of new Independent Director, Professor Zhang Weiguo

FEBURARY 2022

- The Laoma Road area won the "2021 Wuhou District Excellent Children's Home", awarded by the Wuhou District Women's Federation.

MARCH 2022

- Increased investment in the share capital of Ranken Railway by way of capitalisation of dividends of RMB12,282,406 distributed by Ranken Railway and RMB20,000,000 via cash injection from internal resources.

SEPTEMBER 2022

- The Laoma Road area won the "National Social Governance Innovation Case (2022)" awarded by the China Social Governance Research Association, Zhejiang University Social Governance Research Institute.

NOVEMBER 2022

- Increased investment in the share capital of Ranken Railway by way of capitalisation of dividends of RMB18,954,433 distributed by Ranken Railway.

DECEMBER 2022

- EGM for proposed Capital Reduction and Cash Distribution.
- FY2022 Full Year Results – Increase in profit by 5.2% to RMB30.7 million.

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 Company" and together with its subsidiaries, "the Group") for the financial year ended 31 December 2022 ("FY2022").

Following the completion of the Group's sale of equity interests in, and material dilution of effective equity interests in Oct 2020, Ranken Railway Construction Group Co., Ltd. ("Ranken Railway"), the Group has received net proceeds of approximately RMB257.0 million.

In December 2022, shareholders approved via an Extraordinary General Meeting for the Proposed Capital Reduction and Proposed Cash Distribution, where the aggregate amount of approximately S$18.6 million, which is approximately 36.28% of net proceeds from the sale, was distributed to shareholders of the Company, which amounted to a cash distribution of S$0.0456 per issued share held by a shareholder of the Company. More details can be found in the Company's Circular dated 17 November 2022 and SGXNet announcements in January 2023.

I am pleased to share that the cash distribution to our shareholders has been completed in February 2023.

As at 31 December 2022, the remaining 35.7% of the Net Proceeds amounting to RMB91,698,000, being the Tranche 2 Escrowed Sum, has not been included in "cash and cash equivalents" in the consolidated statement of cash flow as the amount is subject to SGX-ST's approval for the Company to cease such escrow arrangement. Despite which, the amount has been classified as "current" in the consolidated statement of financial position as management is of the view that the financial conditions have been met and approval to cease such escrow arrangement will be obtained in the next 12 months.

Sapphire continues to be an investment management and holding company with a business model aligned towards urbanisation trends in China. Principally engaged in the investment, engineering, procurement and construction business related to city redevelopment and eco-industrial parks in China, the Group aims to generate recurring income via two operating business unit, one in the business of leasing of warehouse and equipment and supply of materials for urbanisation projects and the other in the business of building estate management ("BEM").

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

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

REVIEW OF OUR FINANCIAL PERFORMANCE IN FY2022

The Group's revenue decreased by RMB16.5 million to RMB97.6 million in FY2022 as compared to the previous corresponding period, mainly due to lower revenue contribution from the supply of construction materials, warehouse, premises and equipment leasing to Ranken Railway.

尊敬的股东们，

我很高兴代表董事会全体董事，提交盛世集团2022年度的年度报告和经审计财务报表。

继本集团于2020年10月完成出售中铁隆工程集团有限公司(“中铁隆”)的股权并对有效股权进行重大稀释后，本集团已收到净收益约人民币2.57亿元。

2022年12月，股东通过特别股东大会批准了拟议的减资和拟议的现金分配，其中总金额约为1,860万新元，约占出售净收益的36.28%，分配给公司股东，相当于公司股东持有的每股已发行股份的现金分配为0.0456新元。更多细节可参见公司于2022年11月17日发布的通函和2023年1月发布的SGXNet公告。

我很高兴地宣布，向股东的现金分配已于2023年2月完成。

截至2022年12月31日，剩余的净收益35.7%，共计人民币91,698.000元。受新加坡交易所监管限制，该款项须作为第二期托管款项，故未成列在合并现金流量表中的“现金和现金等价物”中。尽管如此，管理层认为财务条件已经满足，这笔款项在合并资产负债表中仍被列为“流动资产”，并将在今后12个月内获准停止对此笔现金的托管安排。

盛世集团将继续作为一家投资管理和控股公司，其商业模式与中国的城市化趋势保持一致。本集团主要从事与中国城市再开发及生态工业园区相关的投资、工程、采购及建筑业务，旨在透过两个营运业务部门赚取经常性收益，其中一项业务为仓库及设备租赁及为城市化项目供应物料，另一项业务为楼宇物业管理(“BEM”)。

此外，盛世集团在中铁隆的实际权益为48.82%，因此可以继续有意义地参与中铁隆的未来发展及其运营。

在后文中，我们的执行董事兼首席执行官王恒女士将为我们分享介绍关于我们公司战略和过去一年进展的更多细节。

2022财年持续经营企业财务业绩回顾

集团于2022财年的收入较上一同期减少人民币1,650万元至人民币9,760万元，主要是由于向中铁隆供应建筑材料、仓库、场地及设备租赁的收入贡献减少。

2022财年毛利润为人民币1,340万元，低于2021财年的人民币2,410万元，主要是由于收入的下降。随着新收入的成本上升，毛利润率也有所恶化。

Gross profit was lower at RMB13.4 million in FY2022 as compared to RMB24.1 million in FY2021, mainly due to lower revenue. However, margins have deteriorated with higher cost of sales for the new revenue stream.

The Group's other income increased by RMB1.0 million to RMB7.4 million in FY2022 mainly due increase in foreign exchange gain offset by lower interest income.

Administrative expenses dipped by RMB0.7 million to RMB10.7 million in FY2022 mainly due to cost control measures.

The Group's other expenses increased by RMB0.2 million to RMB2.4 million in FY2022, mainly due increase in fair value loss adjustments.

The Group does not have any loan and borrowings in FY2022, however there were factoring expenses of RMB0.9 million in FY2022 for operating cashflow requirement.

The Group's share of profit of equity-accounted investees (net of tax) increased by RMB1.9 million to RMB25.0 million in FY2022, mainly due to the equity-accounting for share of profits of Ranken Railway.

Tax expenses fell by RMB1.8 million to RMB2.6 million in FY2022 mainly due to lower operating profit registered by the Group during the period under review.

Overall, the Group's registered net profit, net of non-controlling interest, of RMB31.4 million for FY2022 as compared to RMB29.9 million in FY2021.

More details of our financial results can be found in the audit report section of this Annual Report.

NOTE OF APPRECIATION

After nearly three years of strict "Zero-Covid" policy measures, China's decision to ease COVID-19 restrictions in late December 2022 has spurred hopes of a broad economic revival domestically as well as globally.

As China transition to an endemic phase, the key "dual circulation" strategy under the government's 14th five-year plan (2021-2025) will be a boost to China's urbanisation programme to turn millions of migrant workers into city dwellers to expand China's middle class.

Aligned with this trend, the Group remains focused in executing our business strategies to enhance our earnings stream and deliver sustainable growth with an entrepreneurial spirit.

On behalf of the Board, I would like to express my heartfelt gratitude to the management team and everyone in Sapphire for their collective teamwork and professionalism, particularly during this challenging period over the past 12 months.

To my board members, thank you for commitment, insight and experience to better position the Group for long-term growth and driving Sapphire forward.

Finally, I would like to take this opportunity to record my appreciation to all our valued shareholders and stakeholders for their continued confidence and support over the past year.

Thank You!

集团其他收入于2022财年增加人民币100万元至740万元，主要是由于汇兑收益的增加，尽管利息收入有所减少。

行政费用在2022财年下降70万元至1070万元，归功于有效的成本控制措施。

集团其他费用在2022财年增加人民币20万元至人民币240万元，主要是由于公允价值的变动。

本集团在2022财年没有任何贷款和借款，但在2022财年有90万元的保理费用，以满足经营现金流需求。

在2022财年，本集团对权益投资者的利润份额(税后)增加了190万元至2,500万元，体现在对中铁隆工程集团有限公司的利润份额的权益核算上。

税务开支于2022财年减少人民币180万元至260万元，主要是由于本集团于较低的营业利润。

总体而言，集团2022财年的净利润(扣除少数股东权益后)为人民币3,140万元，而2021财年为人民币2,990万元。

我们的财务结果的更多细节可以在本年度报告的审计报告部分找到。

感谢辞

经过近三年严格的“动态清零”政策措施，中国于2022年12月底决定放松对COVID-19的限制，这激发了国内和全球经济广泛复苏的希望。

随着中国进入流行病阶段，政府第14个五年计划(2021-2025)中的关键“双流通”战略将推动中国的城市化计划，将数百万农民工转变为城市居民，扩大中国的中产阶级。

与这一趋势保持一致，集团将继续专注于执行我们的业务战略，以增强我们的盈利流，并以企业家精神实现可持续增长。

我谨代表董事会衷心感谢我们的客户，业务伙伴，供应商，政府部门对本集团的坚定支持和信任。

我衷心感谢股东的持续信任，这让我们有信心继续推进我们的使命，感谢盛世的管理团队和每一位员工在过去一年的努力和专业精神。

最后，我想借此机会感谢董事会全体成员，你们使集团能够更好地实现长期增长，并推动盛世集团向前发展。

谢谢！

CEO'S REVIEW

DEAR SHAREHOLDERS,

The COVID-19 pandemic has highlighted the risks and vulnerabilities inherent in trade integration, spurring countries to reduce their reliance on other economies. Faced with the uncertain global geopolitical environment and softening external market demand, China is embarking on the new development paradigm of "dual circulation" strategy, transforming its growth model with more emphasis in generating additional growth within its domestic markets and economy.

The "dual circulation" strategy was first raised by China's President Xi Jinping in May 2020 and with the "dual circulation" strategy, one of the key objectives is to strengthen the resilience of China's domestic economy, where urbanisation is a key driver of domestic demand.

In 2021, China's urbanization rate of permanent residence reached 64.72% and according to the 14th Five-Year Plan (2021-2025), China aims to raise its urbanisation rate to 65% in the period.

As part of its broader efforts to boost domestic consumption amid rising protectionism in the global trade arena, China is looking to accelerate urbanisation and the strategy has been laid out in a set of measures, formulated and issued by the Communist Party of China Central Committee and the State Council in December 2022, aimed at expanding domestic demand between 2023 and 2035.

Such measures have singled out the Chengdu-Chongqing city cluster for emphasis, highlighting that its construction will be pushed forward in the years to come.

With our strategic base in Chengdu, the Group's business model is aligned towards urbanisation trends in China, which we aim to generate recurring income by providing a comprehensive suite of services related to city redevelopment and eco-industrial parks.

尊敬的股东们，

2019冠状病毒病大流行凸显了贸易一体化所固有的风险和脆弱性，促使各国减少对其他经济体的依赖。面对不确定的全球地缘政治环境和疲软的外部市场需求，中国正着手实施“双循环”战略的新发展模式，将其增长模式转变为更加强调在国内市场和经济中创造额外增长。

2021年，中国的常住人口城镇化率达到64.72%，根据“十四五”规划(2021–2025)，中国的目标是在此期间将城镇化率提高到65%。

在全球贸易领域保护主义抬头的背景下，作为促进国内消费的更广泛努力的一部分，中国正在寻求加速城市化，该战略已在中共中央委员会和国务院于2022年12月制定和发布的一系列措施中提出，旨在扩大2023年至2035年之间的国内需求。

这些措施特别强调了成渝城市群，强调其建设将在未来几年得到推进。以成都为战略基地，集团的业务模式与中国的城市化趋势保持一致，我们的目标是通过提供与城市重建和生态工业园区相关的全面服务来创造经常性收入。

CITY REDEVELOPMENT FOR RISING URBANISATION

城市更新

In July 2022, the Chengdu Municipal Bureau of Housing and Urban-rural Development officially issued the "Chengdu "14th Five-Year Plan" Urban Construction Planning Opportunity List, highlighting 60 projects with a total investment of about RMB372.1 billion. In the list of "urban organic renewal" projects, there are 21 projects in the urban organic renewal project category, involving high-tech zones, Jinjiang District, Wuhou District and other districts (cities) and counties.

Urban renewal is economically and socially significant for major Chinese metropolises because it creates an opportunity to accommodate rising urbanisation, improve residents' living standards and the quality of a city, promoting sustainable inner-city development and foster economic growth.

It is more important now than ever as China's population accelerates towards an elderly society and land resources for further development have become finite.

Building our track record in this area, the Group secured a contract for the upgrading of community area in Laoma Road (老马路) in 2021 and thereafter, the Group was appointed as the operator and manager of the International Community Service Centre at Laoma Road (老马路社区"乐邻里"国际化社区邻里中心社区综合体).

Providing unique active ageing services and health management programmes and supportive environment design for elderly care, this International Community Service Centre has won various awards and accolades since its opening. Since then, it has attracted several government agencies from other cities and provinces to learn such best practices and programs under various exchange programs.

With China's people-centered approach in advancing its new urbanisation strategy, we believe that our integrated building estate management services can potentially harness the opportunities from the integrated residential-recreational-healthcare-commercial developments, sizeable improvements in cross-city transit systems, and the adoption of new technologies and renewable energy sources.

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

As a consortium partner for the first phase of Wuhou District, "Liveable River Bank" project in Chengdu, Sichuan Province, China, which was completed in early 2021, the Group has accumulated new valuable knowledge and operating experience in the Public-Private Partnership ("PPP") industry.

Building on this momentum, we continue to proactively evaluate new PPP projects that are related to the China's urbanisation trends.

In addition, on the back of increasingly stringent environmental protection regulations in China and to combat climate change, we believe that the greening of industrial parks in China – where large-scale industrialisation activities are primarily located in China – and transforming them into "eco-industrial parks", will present new business opportunities where the Group can offer integrated building estate management services with water and environmental conservation solutions, given our track record in water and

城市更新

2022年7月，成都市住建局正式发布《成都市"十四五"城市建设规划机会清单》，重点项目60个，总投资约3721亿元。在"城市有机更新"项目名单中，城市有机更新项目类别共有21个项目，涉及高新区、锦江区、武侯区等区(市)县。城市更新对中国主要大都市具有重要的经济和社会意义，因为它为适应不断上升的城市化、提高居民的生活水平和城市质量、促进可持续的内城发展和促进经济增长创造了机会。随着中国人口加速步入老龄化社会，以及可供进一步发展的土地资源变得有限，这一点比以往任何时候都更加重要。凭借在该领域的业绩记录，本集团于2021年获得了老马路社区区域升级改造的合同，此后，本集团被任命为老马路国际社区服务中心的运营商和管理者。

国际社区服务中心自开业以来，提供独特的养老托幼服务和健康管理计划，以及为长者护理提供支援的环境设计，赢得多项奖项和荣誉。自建成以来，它已经吸引了来自其他各个省市的政府机构人员到此交流学习。

随着中国以人为本推进新的城市化战略，我们相信我们的综合楼宇物业管理服务可以从综合住宅娱乐-医疗-商业发展，跨城市交通系统的大幅改善，以及新技术和可再生能源的采用中获得潜在的机遇。

为环保类项目、PPP项目、城市化项目和片区开发类项目提供专业全面的运营管理服务

作为于2021年初完成的中国四川省成都市武侯区"宜居河岸"一期项目的联合体合作伙伴，本集团在政府与社会资本合作(PPP)领域积累了新的宝贵知识和运营经验。在此基础上，我们将继续积极评估与中国城镇化趋势相关的新的PPP项目。

此外，在中国日益严格的环境保护法规和应对气候变化的背景下，我们认为，在中国，大规模工业化活动主要集中在工业园区的绿化，并将其转变为"生态工业园区"。鉴于本集团在水务和环保项目方面的过往记录，这将为本集团提供包含节水和环保解决方案的综合楼宇物业管理服务带来新的商机。

CEO'S REVIEW

environmental conservation projects.

OPTIMISM FROM CHINA'S REOPENING

The measures of COVID-19 have taken a toll on China's economy over the past two years and as highlighted by our Chairman earlier, China's reopening and easing of COVID-19 restrictions have brought new hopes and optimism of a broad economic revival domestically as well as globally.

For Sapphire, we believe that business and social activities will normalise in the near future and we remain positive on the long term prospects of our targeted markets in China.

With several years of operational experience and track record in China in several public projects via Ranken, the management team has built up good relations and reputation in China.

Leveraging on this strong foundation, we believe that Sapphire is well-positioned to target more projects related to the improvement of communities and eco-industrial parks projects.

Despite a challenging year, the Group managed to achieve an overall satisfactory performance. On behalf of the Board of Directors, I wish to give thanks to the management team and all the employees for their effort and perseverance in contributing to this year's results.

As always, I wish to take this opportunity to express my heartfelt appreciation to our shareholders, Board of Directors, and stakeholders for their continued support and confidence during the year.

Thank You!

展望未来

过去两年，应对新冠病毒的措施给中国经济造成了损失，正如我们主席早些时候强调的那样，中国重新开放给国内和全球经济全面复苏带来了新的希望和乐观情绪。

我们相信商业和社会活动将在不久的将来恢复正常，我们对中国目标市场的长期前景保持乐观。

凭借多年的运营经验和多个中国公共项目的业绩记录，我们的管理团队在中国建立了良好的关系和声誉。有了这个坚实的基础，我们相信盛世集团将会有更多与社区改善和生态工业园区项目相关的项目。

尽管这一年充满挑战，集团仍取得了令人满意的整体业绩。我谨代表董事会，感谢管理团队和全体员工为今年的业绩所付出的努力和坚持。

一如既往，我愿借此机会衷心感谢我们的股东、董事会以及其他利益相关者在过去一年一直给予我们的支持和信心。

谢谢！

BOARD OF
DIRECTORS AND KEY EXECUTIVES

MR CHEUNG WAI SUEN

Executive Chairman

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

Mr Cheung has been an executive director of Ranken Railway Construction Group Co., Ltd ("Ranken Railway") since 1998, he continues to be the Chairman of Ranken Railway and is responsible for strategic development, enterprise integration, team building, major coordination and other overall aspects. He is also the Chairman of Chengdu Kai Qi Rui Business Management Co., Ltd and Sichuan Yilong Equipment Co., Ltd.

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 28 April 2022.

张伟瑄先生

执行主席

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

张先生自1998年以来就一直担任 Ranken Railway 工程集团有限公司(“Ranken Railway”)的执行董事。张先生是Ranken Railway的董事长，负责董事会、统筹公司全局，负责战略发展、企业融合、队伍建设、重大协调等方面工作。张先生也是成都凯祺瑞企业管理有限公司和四川易隆装备有限公司的董事长。

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2022年4月28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"). She is also a director of Chengdu Kai Qi Rui Business Management Co., Ltd and the Chairwoman of Chengdu Shengshi Jialong City Management Service Co., Ltd.

A qualified engineer and technician, Ms Wang started her career with CRB China, where she worked in engineering technology and marketing for almost 10 years before founding Ranken Railway. She has worked in the civil engineering sector for 31 years, and has accumulated a wealth of experience in urban mass transit. She specializes in strategic management, market expansion and resource integration. Under her leadership, Ranken Railway has a presence in 18 cities.

As a co-founder of Ranken Railway, Ms. Wang is experienced with project tendering and bidding for small and large-scale civil engineering contracts in China. Ms. Wang is the Vice Chairman of Ranken Railway and is responsible for the company's investment, operations and development. She is also responsible for organizing, implementing and completing targets and other matters set by the board of directors and the general manager's office. She is in charge of the Investment and Development Department and the Design and Research Institute.

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

Ms. Wang was last elected as a Director of the Company on 28 September 2022.

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日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。她也是成都凯祺瑞企业管理有限公司的董事和成都嘉隆城市管理服务有限公司的主席。

王恒女士是资深工程师和技术员。在加入中铁隆之前，她在中国铁建从事工程技术和市场营销工作将近十年之久。她在土木工程建设领域已有三十一年的工作经历，在城市轨道交通及其关联领域拥有丰富的经验和资源，擅长于战略管理、市场拓展和资源整合。在她的领导 下，中铁隆目前已经进入中国18个城市参与城市轨道交通建设 。

作为Ranken Railway的创始人之一，王恒女士对中国土木工程项目的招投标管理无论大小都拥有丰富的运营经验。她是Ranken Railway的副董事长，负责Ranken Railway投资经营工作和创新发展，负责组织、落实、完成董事会下达的经营等绩效指标及董事会、总经理办公会研究决定的重要事项，统筹谋划公司新模式、新业态发展。分管投资发展部、设计研究院。

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

王恒女士于2022年9月28日再次当选为公司董事。

BOARD OF DIRECTORS AND KEY EXECUTIVES

MR OH ENG BIN

Non-Executive Lead Independent Director

Mr Oh Eng Bin was appointed to the Board with effect from 18 December 2017 and was redesignated as Lead Independent Director on 28 February 2018. He brings with him significant legal expertise, having practised since 1999.

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

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

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

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

Mr Oh was last elected as a Director of the Company on 28 September 2022.

MR JACKSON TAY ENG KIAT

Non-Executive Independent Director

Mr Jackson Tay Eng Kiat was appointed to the Board with effect from 24 October 2019. Mr. Tay has more than 19 years of experience in accounts and finance functions of various entities in the public and private sectors. Mr. Tay is currently the Chief Operating Officer and Company Secretary of Hafary Holdings Limited Group ("Hafary"), a company listed on the Mainboard of the SGX-ST. He oversees Hafary's operational and corporate secretarial functions, which includes business developments and investor relations. He also spearheads Hafary's overall corporate and strategic development in Singapore and overseas.

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

Mr. Tay is also the Independent Director of OUE Lippo Healthcare Limited, which is a company listed on the Catalist Board of the SGX-ST.

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

Mr. Tay was last elected as a Director of the Company on 28 April 2022.

胡荣明先生

非执行首席独立董事

胡先生于2017年12月18日获委任为非执行独立董事,之后于2018年2月28日，成为首席独立董事。胡先生自1999年起执业。

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

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

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

胡先生持有新加坡国立大学法律学士学位(荣誉)，获得新加坡执业律师资格。

胡先生于2022年9月28日再次当选为公司董事。

郑英杰先生

非执行独立董事

郑英杰先生于2019年10月24日获委任为董事会成员。

郑先生在公共和私营企业的会计和金融领域工作经验超过19年。郑先生目前是合发利控股有限公司(“合发利”)，一家在新加坡交易所主版上市公司的首席运营官。他负责合发利的运营和公司秘书职能，包括业务发展和投资者关系。他还负责合发利在新加坡和海外的整 体企业和战略发展。

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

他同时也是华联力宝医疗有限公司，一家在新加坡交易所凯莉板上市公司，的独立董事。

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

郑先生于2022年4月28日再次当选为公司董事。

PROFESSOR ZHANG WEIGUO
Non-Executive Independent Director

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

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

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

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

Prof Zhang was last elected as a Director of the Company on 28 April 2022.

张卫国教授
非执行独立董事

张卫国教授于2022年1月14日获委任为非执行独立董事。

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

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

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

张教授于2022年4月28日再次当选为公司董事。

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 15 years of experience in investment banking, business development and wealth management and he is responsible for assisting the CEO in key functions of the Group which includes the day-to day operation, formulation of strategic planning in mergers and acquisition, new business opportunities, corporate finance related activities and taking charge of the Group's investor relations and corporate communication activities.

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

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

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

符永澔先生
首席企业官(非董事会成员)

符永澔先生于2018年6月28日被委任为集团的首席企业官(简称CCO)。他在投行业务、业务拓展和财务管理方面有超过15年的工作经验，主要负责协助首席执行官(CEO)完成集团的各项工作，包括日常业务的运转，并购战略规划的制定，新商机的开拓，企业融资相关的活动，同时还负责所有与投资者关系和公司沟通相关的事宜。

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

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

他同时也是合发利控股有限公司，一家在新加坡交易所主版上市公司，的独立董事。

BOARD OF
DIRECTORS AND KEY EXECUTIVES

MR KWOK CHUNG CHIEH LINCOLN

Group Financial Controller (Non-Board Member)

Mr Kwok Chung Chieh Lincoln was appointed as Group Financial Controller on 16 November 2022. Mr. Kwok has more than 18 years of experience in audit, accounting and financial management functions of various entities in the private sectors.

Mr Kwok manages the Group's finance and accounting functions. Prior to joining the Group in November 2022, Mr. Kwok held various key finance positions in public listed companies. Mr Kwok had previously served as Financial Controller of Pipeline Engineering Holdings Limited (n.k.a Trendzon Holdings Group Limited), listed on the mainboard of Hong Kong Stock Exchange.

Mr Kwok's previous appointment also includes Assistant Audit Manager at an international accounting firm.

Mr. Kwok graduated with a Bachelor of Engineering (Electrical) from the National University of Singapore in 2001 and holds a Master of Accounting at Curtin University of Technology in 2006. He is a member of the Institute of Singapore Chartered Accountants, a fellow member of the Association of Chartered Certified Accountants (UK) and a member of CPA Australia.

郭中杰先生

集团财务总监 (非董事局成员)

郭中杰先生于2022年11月16日被委任为集团财务总监。他在私营企业的审计，会计和金融领域方面有超过18年的工作经验。

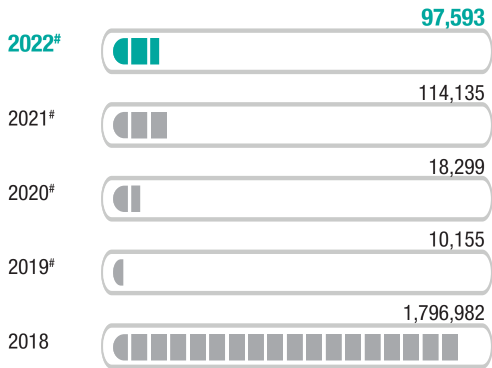
郭先生主要负责集团的财务运营。在2022年11月加入本集团前，他曾在上市公司担任多个重要财务职位。郭先生也曾担任香港交易所主板上市公司，管道工程控股有限公司(现称为卓航控股集有限公司)的财务总监。

郭先生也曾担任一家国际会计事务所的助理审计经理。

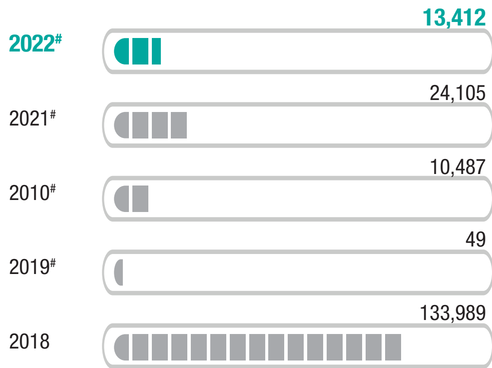
郭先生于2001年毕业于新加坡国立大学工程(电气)学士学位，和于2006年持有科廷科技大学(Curtin University of Technology)会计硕士学位。他是新加坡特许公认会计师公会的会员，英国特许公认会计师公会的会员和澳洲注册会计师协会会员。

FINANCIAL HIGHLIGHTS

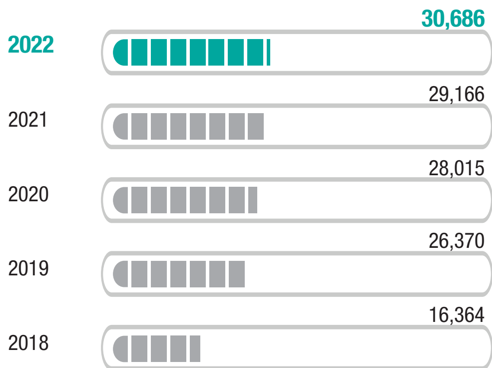
REVENUE (RMB'000)



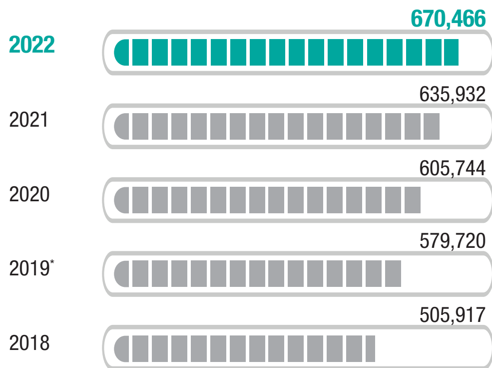
GROSS PROFIT (RMB'000)



PROFIT (RMB'000)



SHAREHOLDERS' FUNDS (RMB'000)



Exclude Ranken Railway. In October 2020, Ranken Railway was disposed and thereafter equity accounted for as an associated company.

* *Includes rights issue completed in FY2019.*

OPERATIONAL AND FINANCIAL REVIEW

OVERVIEW

- The review below concentrates on the continuing business of the Group, being more relevant for readers of this section.
- Profit attributable to owners of the Company rose 5.2% to RMB30.7 million.

RESULTS

	Group	
	FY2022 RMB'000	**FY2021 RMB'000**
Revenue	97,593	114,135
Cost of sales	(84,181)	(90,030)
Gross profit	**13,412**	**24,105**
Other income	7,430	6,451
Reversal of provision for guarantee	–	480
Administrative expenses	(10,719)	(11,391)
Impairment losses on trade and other receivables and contract assets	–	(17)
(Reversal)/Provision for contingent liabilities	3,132	(4,884)
Other expenses	(2,410)	(2,226)
Profit/(loss) from operating activities	**10,845**	**12,518**
Finance costs	(1,801)	(1,333)
Share of profit of associated company	25,026	23,167
Profit before tax	**34,070**	**34,352**
Tax expense	(2,643)	(4,481)
Profit for the year	**31,427**	**29,871**
Profit attributable to:		
Owners of the Company	30,686	29,166
Non-controlling interests	741	705
Profit for the year	**31,427**	**29,871**

- **Revenue**
  Decreased by RMB16.5 million to RMB97.6 million. The Group recorded lower revenue from warehouse, premises and equipment leasing as well as sales of goods from supply of materials to Ranken Railway due to Covid lockdown in second half of FY2022 and supply of highway safety guardrails to a third party. Revenue from property management and consulting services in relation to the existing environmental conservation projects for the Liveable River Bank PPP Project and International Community Service Centre at Laoma Road, as well as consulting services for Xijiang River Basin Water Environment Comprehensive Improvement Project in Longquanyi District, Chengdu and urban improvement and renewal works for the First Ring Road of Chengdu, Wuhou district.
- **Gross profit**
  Decreased by RMB10.7 million to RMB13.4 million due to lower revenue. However, margins have deteriorated with higher cost of sales.
- **Other income**
  Increased by RMB1.0 million to RMB7.4 million mainly due gain in increase in foreign exchange gain offset by lower interest income.
- **Reversal of provision for guarantee**
  Reversal of provision for guarantee relating to FY2021 of banking facilities of an associated company has decreased mainly due to adequate provision of certain guarantee for loans has expired/repaid and the Group is exposed to only its share (49.82%) of the risk for the covered guarantee provided for banking facilities of the associated company.
- **Administrative expenses**
  Fell by RMB0.7 million to RMB10.7 million mainly due to cost control measures.
- **Provision for contingent liabilities**
  Reversal of provision of RMB3.1 million was recorded in relation to guarantee for accounts receivables of an associated company, mainly due to improvement in the expected credit loss rate applied on the trade and other receivables of the associate in the current financial year.
- **Other expenses**
  Rose by RMB0.2 million to RMB2.4 million mainly due to increase in fair value loss adjustments offset by decrease in professional fees.
- **Finance costs**
  Rose by RMB0.5 million to RMB1.8 million mainly due factoring expenses incurred for operating cashflows requirement and increase in finance costs on new lease liabilities.
- **Share of profit of associated company**
  Rose by RMB1.9 million to RMB25.0 million, mainly due to (a) higher profits recognition for the environmental conservation projects for the Liveable River Bank PPP Project and the Xi River Sewage Treatment Plant Two of the Xijiang River Basin Water Environment Comprehensive Improvement Project of the Water Affairs Bureau of Longquanyi District, Chengdu as compared to FY2021 which only the profits of the Liveable River Bank PPP Project was recognised, (b) higher operating profits of Ranken Group and (c) lower tax expenses incurred by Ranken Group offset by an increase in finance cost.
- **Tax expense**
  Decreased by RMB1.8 million to RMB2.6 million mainly due (a) lower operating profit during the year, (b) lower non-deductible expenses and (c) higher tax-exempt income.

OTHER COMPREHENSIVE INCOME

The Group	Group FY2022 RMB'000	FY2021 RMB'000
Profit for the year	**31,427**	**29,871**
Other comprehensive income/(loss) after tax:		
Items that are or may be reclassified to profit or loss:		
Foreign currency translation differences	(214)	232
Share of other comprehensive income of an associated company	4,062	790
Total other comprehensive income for the year	**3,848**	**1,022**
Total comprehensive income for the year	**35,275**	**30,893**
Total comprehensive income attributable to:		
Owners of the Company	34,534	30,188
Non-controlling interest	741	705
Total comprehensive income for the year	**35,275**	**30,893**

- **Foreign currency translation differences**
  Relates mainly to translation differences for functional currency of Sapphire in Singapore dollar to presentation currency in Chinese Renminbi.
- **Share of other comprehensive income of associated company**
  Relates to share of comprehensive income of Ranken Railway for the year FY2022 and FY2021.

REVENUE DECREASED TO
RMB97.6 MILLION

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY INCREASE BY 5.2% TO
RMB30.7 MILLION

OPERATIONAL AND FINANCIAL REVIEW

FINANCIAL POSITION

	Group	
	31.12.2022 RMB'000	31.12.2021 RMB'000
Assets		
Property, plant and equipment	57,324	35,738
Associated company	417,827	388,739
Total non-current assets	**475,151**	**424,477**
Other investment	1,635	2,812
Inventories	–	229
Trade receivables	57,190	50,060
Other receivables	36,870	10,413
Restricted cash in an escrow account	91,698	91,698
Cash and cash equivalents	107,530	118,986
Total current assets	**294,923**	**274,198**
Total assets	**770,074**	**698,675**

- **Property, plant and equipment**
  Rose by RMB21.6 million mainly due to acquisition of Rights-of-Use ("ROU") assets set-off by depreciation for the year.
- **Associated company**
  Rose by RMB29.1 million mainly due to the Group's share of profit and other comprehensive income of associated company Ranken Railway.
- **Other investment**
  Fell by RMB1.2 million mainly due to decrease in fair value of quoted shares classified as financial assets at fair value.
- **Inventories**
  Fell by RMB0.2 million mainly due to the amortisation of the reusable materials.
- **Trade receivables**
  Rose by RMB7.1 million mainly due to increase in bill receivables amounting to RMB6.5 million due from an associated company during the year.
- **Other receivables**
  Rose by RMB26.5 million mainly to (a) increase in loan to Ranken Railway amounting to RMB20.0 million and (b) increase in loan to an unrelated party amounting to RMB3.0 million.
- **Current restricted cash in an escrow account**
  Maintained at RMB91.7 million mainly due to reclassification of the non-current restricted cash in an escrow account as the financial conditions have been met.
- **Cash and cash equivalents**
  Fell by RMB11.5 million, mainly due to cash outflow from investing activities of RMB20.3 million and cash outflow from financing activities of RMB2.5 million, offset by cash inflow from operating activities of RMB11.3 million.

FINANCIAL POSITION

	Group	
	31.12.2022 RMB'000	31.12.2021 RMB'000
Equity		
Share capital	466,700	466,700
Reserves	203,766	169,232
Equity attributable to owners of the Company	**670,466**	**635,932**
Non-controlling interests	11,335	12,600
Total equity	**681,801**	**648,532**
Liabilities		
Provisions	7,789	10,921
Lease liabilities	26,390	1,060
Total non-current liabilities	**34,179**	**11,981**
Trade payables	27,855	15,822
Other payables	24,534	18,233
Lease liabilities	1,705	1,011
Current tax liabilities	–	3,096
Total current liabilities	**54,094**	**38,162**
Total liabilities	**88,273**	**50,143**
Total equity and liabilities	**770,074**	**698,675**

- **Equity attributable to owners of the Company**
  Rose by RMB34.5 million due to profit for the year of RMB30.7 million and other comprehensive income of RMB3.8 million.
- **Non-controlling interests**
  Relate mainly to 2.0% held by minority shareholders in Chengdu Kai Qi Rui Business Management Co., Ltd. and its subsidiaries and an associated company.
- **Provisions**
  Fell by RMB3.1 million mainly due to the reversal of provision for contingent liabilities in relation to guarantee for accounts receivables of an associated company provided during the disposal of Ranken Railway.
- **Non-current lease liabilities**
  Rose by RMB25.3 million due to recognition of new lease liabilities for rights of use assets for premises used for the new business operations.
- **Trade payables**
  Rose by RMB12.0 million mainly due to a longer credit period given for purchases of construction materials.
- **Other payables**
  Rose by RMB6.3 million mainly due to increase in amounts owing to shareholders and higher deposits placed for projects and higher other tax payables.
- **Current lease liabilities**
  Rose by RMB0.7 million due to recognition of new lease liabilities for rights of use assets for premises used for the new business operations.
- **Current tax liabilities**
  Fell by RMB3.1 million mainly due to tax expenses of RMB2.6 million inccured during the year offset by tax paid amounting to RMB5.7 million.

NET ASSETS PER SHARE
RMB164.50 CENTS
OR
SGD 31.80 CENTS

OPERATIONAL AND FINANCIAL REVIEW

CASH FLOW

	Group	
	FY2022 RMB'000	FY2021 RMB'000
Cash flows from operating activities		
Operating profit before working capital changes	10,546	13,950
Changes in working capital	6,511	(24,657)
Cash flows generated from/(used in) operations	**17,057**	**(10,707)**
Tax paid	(5,739)	(3,810)
Net cash generated from/(used in) operating activities	**11,318**	**(14,517)**
Cash flows from investing activities		
Net cash (used in) investing activities	**(20,321)**	**(35,457)**
Cash flows from financing activities		
Net cash used in financing activities	**(2,471)**	**(2,299)**
Cash and cash equivalents at end of the year	**107,530**	**118,986**

Net cash generated from/(used in) operating activities

Rose by RMB25.8 million mainly due to the disposal of Ranken Railway. The operating cash outflow for FY2022 of RMB11.3 million is after accounting for (a) operating profit before working capital changes of RMB10.5 million and (ii) net working capital changes of RMB6.5 million, net of tax payment of RMB5.7 million. The Group recorded positive operating cashflow mainly due to higher trade and other payables arising from longer period of credit extended by suppliers.

Net cash generated from/(used in) investing activities

Rose by RMB15.1 million to cash outflow of RMB20.3 million mainly due to (a) absence of tax paid on gain on disposal of a subsidiary of RMB16.9 million and (b) lower payment for purchase of plant and equipment.

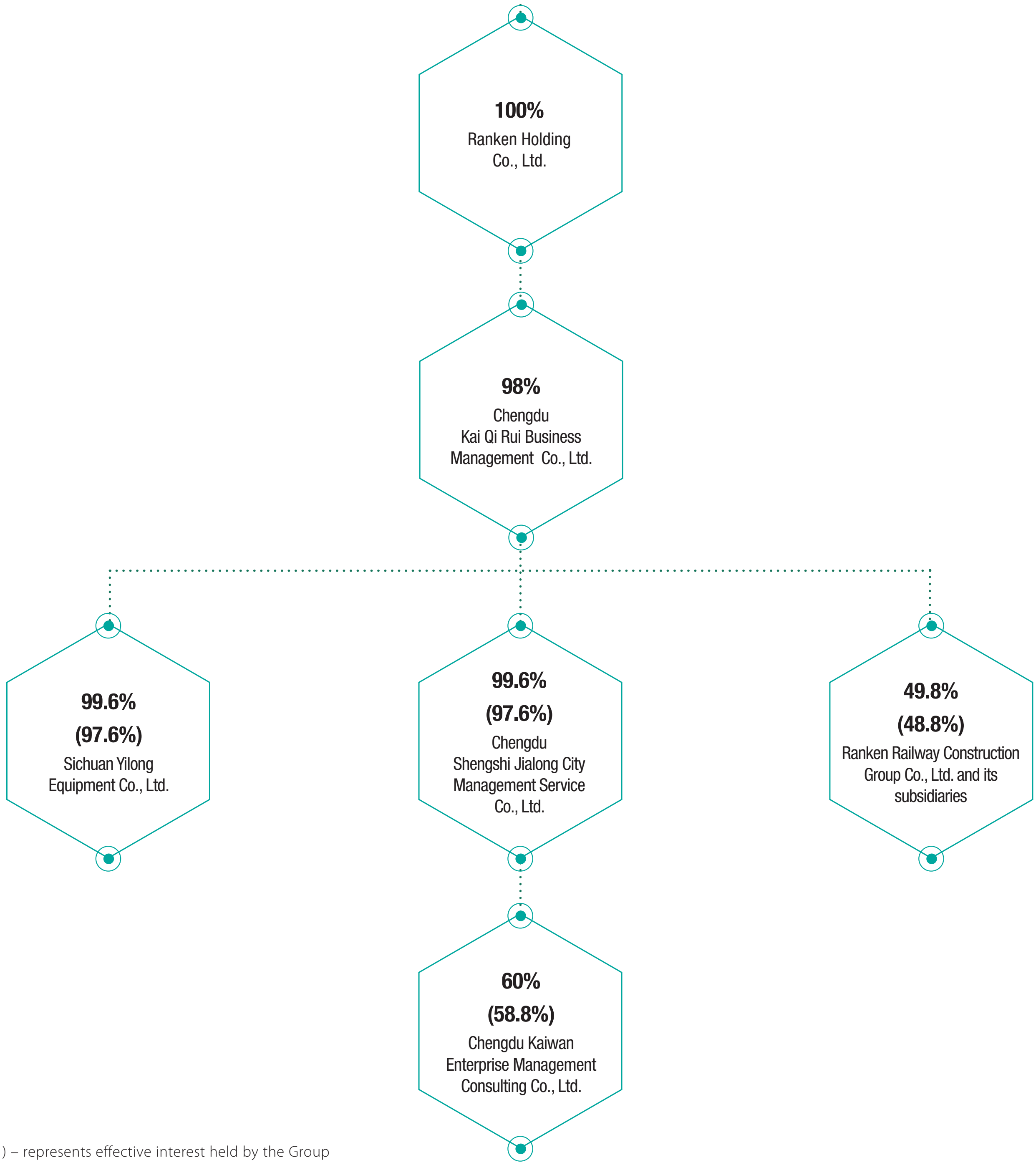
Net cash used in financing activities

Rose by RMB0.2 million due to payment of RMB2.0 million arising from the capital reduction in a subsidiary payment to non-controlling interests of RMB2.0 million, set off by increase in amount due to shareholders of RMB1.6 million.

Overall

Given the above, cash and cash equivalents fell by RMB11.5 million.

CORPORATE
STRUCTURE



( ) – represents effective interest held by the Group

SUSTAINABILITY REPORT

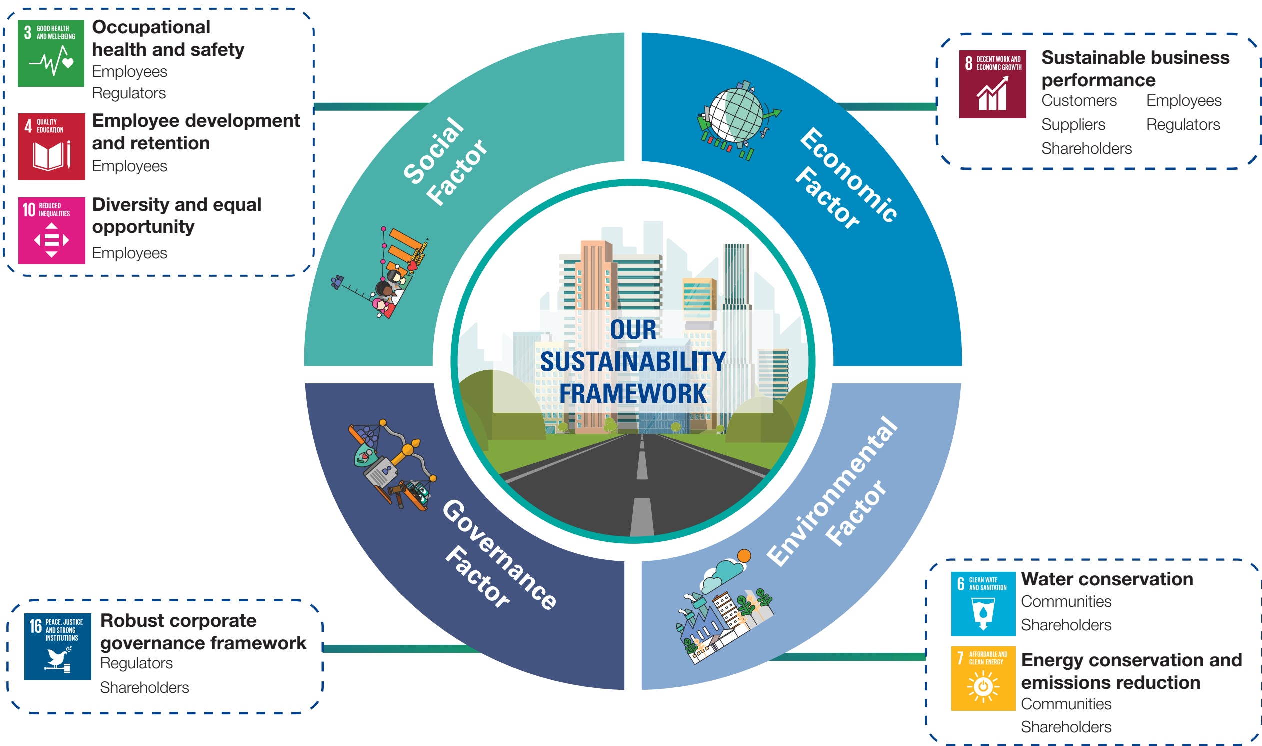
BOARD STATEMENT

Sapphire Corporation Limited (the "**Company**") and its subsidiaries (the "**Group**") are 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.

We reaffirm our commitment to sustainability with the publication of the Group's sustainability report (the "**Sustainability Report**"). For this Sustainability Report, we provide insights into the way we do business, while taking into account our Environmental, Social and Governance ("**ESG**") factors and economic performance (collectively as "**Sustainability Factors**") to provide readers with an accurate and meaningful overview on how sustainability issues are managed. The Board of Directors ("**Board**") having considered the Group's sustainability issues as part of its strategic formulation and business strategies, determined the key Sustainability Factors and overseen the management and monitoring of the key Sustainability Factors.

A sustainability policy ("**SR Policy**") covering our sustainability strategies, reporting structure, materiality assessment and processes in identifying and monitoring key Sustainability Factors has been put in place. This SR Policy serves as a point of reference in the conduct of our sustainability reporting. Under this SR Policy, we will continue to monitor, review and update our key Sustainability Factors from time to time, taking into account the feedback that we receive from our engagement with our stakeholders, organisational and external developments.

Our sustainability framework communicates our commitment towards supporting the United Nations' Sustainable Development Goals ("**SDGs**" or "**Global Goals**") and is primarily driven by the concerns of our key stakeholders. We work closely with stakeholders in our value chain and their inputs drive our sustainability focus on our key Sustainability Factors and the SDGs as follows:



A summary of our key sustainability performance in FY2022 is as follows:

Sustainability Factor	Performance indicator	Sustainability performance FY2022
Economics	Economic value generated[1]	RMB105.0 million
	Operating costs[2]	RMB80.6 million
	Employee benefits paid to employees	RMB11.7 million
	Payments to providers of capital[3]	RMB1.8 million
	Tax to governments	RMB5.7 million
Environmental	Water consumption (CuM)	149
	Greenhouse Gas ("**GHG**") emissions (tonnes CO2e)	10
Social	Number of work-related fatalities	–
	Number of high-consequence[4] work-related injuries	–
	Number of recordable work-related injuries	–
	Number of recordable work-related ill-health cases[5]	–
	Employee turnover rate	6%
	Number of reported incidents of unlawful discrimination[6] against employees	–
Governance	Number of incidents of major corruption[7]	–

After nearly three years of strict "Zero-Covid" policy measures, China's decision to ease Coronavirus disease 2019 ("**COVID-19**" or "**Pandemic**") restrictions in late December 2022 has spurred hopes of a broad economic revival domestically as well as globally. By adopting a service-centric approach, the Group aims to generate recurring income by providing a comprehensive suite of services related to city redevelopment and eco-industrial parks. We believe that our pro-active business initiatives will tide us through this period of uncertainties and allow us to stay on course in our sustainability journey.

OUR BUSINESS

Our business model is aligned with urbanisation trends with two key revenue streams of: (i) property management and city redevelopment services; and (ii) leasing of warehouse and equipment and supply of materials for urbanisation projects. An overview of our key business units and their developments is as follows:

1 Economic value generated includes revenue, other income and net of government grants and any unrealised gains.
2 Operating costs include cost of sales, administrative expenses, other expenses, net of depreciation of property, plant and equipment, and excludes employee-related costs.
3 Payments to providers of capital include interest payments made to providers of loans.
4 High-consequence work-related injuries refer to injuries from which the worker cannot recover or cannot recover fully to pre-injury health status within 6 months.
5 Work-related ill health cases refer to negative impacts on health arising from exposure to hazards at work.
6 Unlawful discrimination refers to an incident whereby the relevant authority has commenced investigation and resulted in a penalty to the Company.
7 A major corruption incident is defined as a serious offence that involves fraud or dishonesty and is being or has been committed against the Company by its officers or employees. Such a serious offence is punishable by imprisonment for a term of not less than 2 years and the value of the property obtained or likely to be obtained from the commission of the offence amounts to not less than $100,000.

SUSTAINABILITY REPORT

Property management and city redevelopment services

Group entity	Chengdu Shengshi Jialong City Management Service Co., Ltd.	
Supplier	Service providers for maintenance works, cleaning, security and landscaping	
Operations		Provision of property management services to a 9-storey office building (中铁隆大厦)
		Planning of the urban improvement and renewal works for the First Ring Road (一环路)
		Operator and provision of property management services to the Waterfront Garden Sanhe New Residence (三河新居)
		Operator of the International Community Service Centre at Laoma Road (老马路社区"乐邻里"国际化社区邻里中心社区综合体)
Customer	Business partners (including Associated Company[8]) and tenants	

[8] Associated Company refers to Ranken Railway Construction Group Co., Ltd (the "**Associated Company**")

Leasing of warehouse and equipment and supply of materials for urbanisation projects

Group entity	Sichuan Yilong Equipment Co., Ltd.	
Supplier	Suppliers of materials for urbanisation projects	
Operations		Leasing of warehouse and equipment
		Supply of materials for urbanisation projects
Customer	Business partners (including Associated Company) and corporate customers	

ASSOCIATION MEMBERSHIP

Chengdu Shengshi Jialong City Management Service Co., Ltd. ("**Jialong**") is a member of the following associations:

S/N	Association[9]
1	Sichuan Ecotourism Association (四川省生态旅游协会)
2	Chengdu Property Management Association (成都市物业管理协会)
3	Chengdu Wuhou District Building Economic Development Alliance (成都市武侯区楼宇经济发展联盟)

AWARDS

Being the operator of the International Community Service Centre at Laoma Road in Wangjiang Road Street of Chengdu, Wuhou district (成都市武侯区望江路街道老马路社区"乐邻里"国际化社区邻里中心社区综合体), the awards received by Jialong during the Reporting Period include:

Date	Award[9]	Awarded by[9]
September 2022	National Social Governance Innovation Award (全国社会治理创新案例) (2022)	China Society for Social Governance Research (中国社会治理研究会)
November 2022	"Garden City, Flowers for Community" award conferred at the Chengdu Community Garden Award Ceremony and Conference ("公园城市花惠万家"成都市社区花园创建颁奖仪式暨总结大会)	• Chengdu Park City Construction Administration (成都市公园城市建设管理) • Urban and Rural Community Development and Governance Committee, the Communist Party of Chengdu City (中共成都市委城乡社区发展治理委员会)

9 Names of awards and associations are translated into English from Chinese (in the event of any inconsistency, the Chinese name shall be used).

SUSTAINABILITY REPORT

CERTIFICATIONS

Jialong obtained the following certificates of compliance from the International Organization for Standardization ("**ISO**"):

Certification	Description of certification
GB/T 19001-2016/ ISO 9001:2015	Specify requirements of a quality management system for any organisation that needs to demonstrate its ability to consistently provide products and services that meet customers' and applicable regulatory requirements and aims to enhance customer satisfaction
GB/T 24001-2016/ ISO 14001:2015	Ensure continuous improvement of the company's environmental impact
GB/T 45001-2020/ ISO 45001:2018	Ensure physically and mentally safer working conditions

REPORTING FRAMEWORK

This Report has been prepared in accordance with 711A and 711B of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") listing rules. This Report, for the period from 1 January 2022 to 31 December 2022, is prepared with reference to the Global Reporting Initiative ("**GRI**") Standards. We have chosen to report using the GRI framework as it is an internationally recognised reporting framework.

As part of our continual efforts to align our sustainability reporting with relevant market standards, we have mapped our sustainability efforts to the 2030 Agenda for Sustainable Development which is adopted by all United Nations Member States in 2015 ("**UN Sustainability Agenda**"). The UN Sustainability Agenda provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 SDGs, which form an urgent call for action by all countries – developed and developing – in a global partnership. We have incorporated the SDGs, where appropriate, as a supporting framework to shape and guide our sustainability strategy.

We are also guided by the recommendations of the Taskforce on Climate-related Financial Disclosures ("**TCFD**") in our climate-related disclosures.

We have relied on internal data monitoring and verification to ensure accuracy for this Report. We will work towards internal review and/or external assurance for our future sustainability reports.

REPORTING SCOPE

The Sustainability Report includes all entities within the Group as disclosed in the Corporate Structure of the Annual Report except Chengdu Kaiwan and the Associated Company). Entities covered contributed to 100% (FY2021: 100%) of the Group's revenue for FY2022.

FEEDBACK

Your feedback on this Report is an important way of improving our sustainability practices. If you have any comments, suggestions or feedback on this matter, you may send to our investor relations email account: ir@sapphirecorp.com.sg.

STAKEHOLDER COMMUNICATION

We understand the need for regular stakeholder communications, which are relevant to the sustainable development of the Group. Such communications play a key role in Group-wide decision-making processes and to manage the business in a sustainable manner.

Through an internal stakeholder mapping exercise, we identified key stakeholder groups which we prioritise our engagements with. These include individuals or groups that have an interest, that is affected or could be affected by our activities.

Our efforts on sustainability are focused on creating sustainable value for our key stakeholders, which comprise communities, customers, employees, regulators, investors and shareholders ("**Shareholders**") and suppliers. Key stakeholders are determined for each key Sustainability Factor identified, based on the extent of which they can affect or are affected by operations of our Group.

We actively engage our stakeholders through the following channels:

S/N	Key stakeholder	Engagement platform	Frequency of engagement	Expectation of stakeholder
1	Communities	Community campaigns	Regularly	• Social inclusion • Environmental initiatives
2	Customers	• Ad-hoc meetings • Emails • Phone or video calls	Where necessary	• Service and product quality • Timely response to customers' feedback
		Staff memos	Important notices are published when required	
3	Employees	• Training • Regular reviews and appraisals	Where necessary	• Fair labour practices • Job security • Remuneration and benefits • Training and development • Health and safety
		Staff memos	Important notices are published when required	

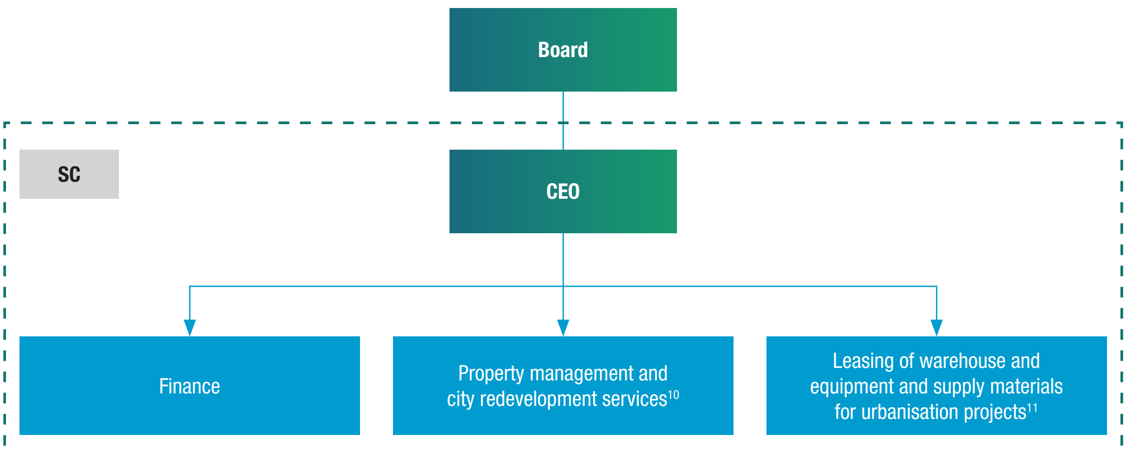
S/N	Key stakeholder	Engagement platform	Frequency of engagement	Expectation of stakeholder
4	Regulators	• Communication with Singapore Exchange ("**SGX**", Accounting and Corporate Authority ("**ACRA**") and other authorities through emails and phone calls • Consultations and briefings organised by key regulatory bodies such as Singapore Stock Exchange and relevant government agencies/ bodies	Where necessary	• Corporate governance • Transparent and timely communication of information • Compliance with rules and regulations
		Notices sent through emails or mails on updates of regulations	As and when there are updates to regulations and statutes	
5	Shareholders	• Annual general meetings • Annual reports	Annually	• Financial performance and sustainability of the business • Business strategy and direction • Corporate governance and compliance • Transparent and timely communication of information
		Results announcements	Half-yearly	
		• Corporate website • Emails • News releases via SGX website	Where necessary	
6	Suppliers	• Ad-hoc meetings • Emails • Phone or video calls	Where necessary	• Clear two-way communications • Timely feedback

Through the above channels, we seek to understand the views of key stakeholders, communicate effectively with them and respond to their concerns.

POLICY, PRACTICE AND PERFORMANCE REPORTING

SUSTAINABILITY GOVERNANCE STRUCTURE

The Board advises and supervises the development of our sustainability strategy and performance targets. Our sustainability strategy is spearheaded by the Sustainability Committee ("**SC**") which is led by our Chief Executive Officer ("**CEO**") and tasked to develop the sustainability strategy, review our material impacts, consider stakeholder priorities and set goals and targets, as well as collect, verify, monitor and report performance data for this Report.



[10] Property management and city redevelopment services include business functions relating to human resources (人力资源), business operations (商业运营), marketing planning (营销策划), market expansion (市场拓展) and sales (销售).

[11] Leasing of warehouse and equipment and supply materials for urbanisation projects include business functions relating to human resources (人力资源), procurement (采购), warehouse (仓库), equipment (设备) and material turnover (周转材料).

SUSTAINABILITY REPORT

SUSTAINABILITY REPORTING PROCESSES

Under our SR policy, our sustainability process begins with an understanding of the Group's context. This is followed by the ongoing identification and assessment of the Group's impacts. The most significant impacts are prioritised for reporting, and the result of this process is a list of key Sustainability Factors disclosed in this Report.

Processes involved are shown in the chart below:

Context

Understand the Group's context by considering its activities, business relationships, stakeholders, and sustainability context of all the entities it controls or has an interest in, including minority interests

Identification

Identify actual and potential impacts on the economy, environment, people and their human rights

Assessment

Assess the significance of impacts

Prioritisation

Prioritise the most significant impacts to determine the key Sustainability Factors for reporting

Review

In each reporting period, review the key Sustainability Factors from the previous reporting period to account for changes in impacts which can result from feedback received from engagement with stakeholders, organisational and external developments

MATERIALITY ASSESSMENT

The materiality assessment considers the likelihood of the occurrence of actual and potential negative and positive impacts ("**Likelihood of Impact**") and significance of our impacts on the economy, environment, people and their human rights, which in turn can indicate our contribution (negative or positive) to sustainable development ("**Significance of Impact**").

PERFORMANCE TRACKING AND REPORTING

We track our key Sustainability Factors by identifying the relevant data points and measuring them. In addition, performance targets that are aligned with our strategy will be set to ensure that we maintain the right course in our path to sustainability. We also consistently enhance our performance-monitoring processes and improve our data capturing systems.

KEY SUSTAINABILITY FACTORS

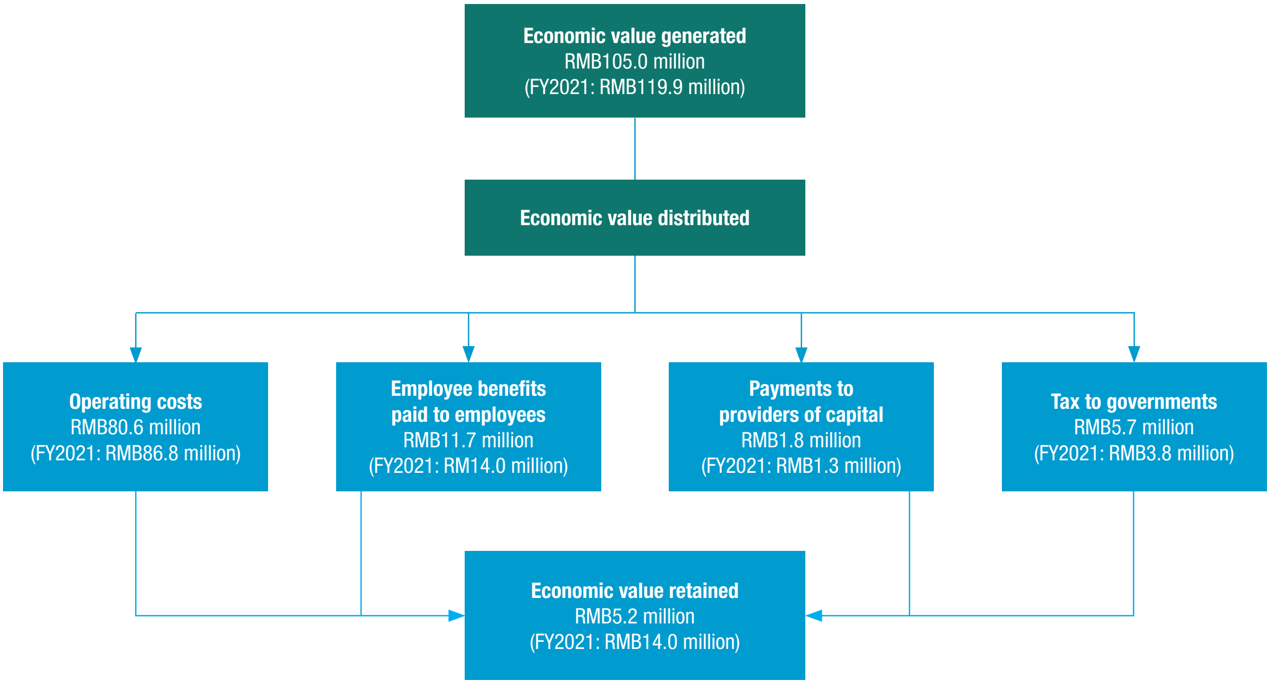
A materiality assessment was conducted by the SC to understand the concerns and expectations of our stakeholders. Through the materiality assessment, factors with significant impacts on the economy, environment, people and their human rights were updated. In this Report, we have also reported our progress in managing these factors and set related targets to improve our sustainability performance.

S/N	Key Sustainability Factor	SDG	Key stakeholder
Economic			
1	Sustainable business performance	Decent work and economic growth	• Customers • Employees • Suppliers • Regulators • Shareholders
Environmental			
2	Water conservation	Clean water and sanitation	• Communities • Shareholders
3	Energy conservation and emissions reduction	Affordable and clean energy	• Communities • Shareholders
Social			
4	Occupational health and safety	Good health and well-being	• Employees • Regulators
5	Employee development and retention	Quality education	Employees
6	Diversity and equal opportunity	Reduced inequalities	Employees
Governance			
7	Robust corporate governance framework	Peace, justice and strong institutions	• Regulators • Shareholders

SUSTAINABILITY REPORT

SUSTAINABLE BUSINESS PERFORMANCE

The Group believes in the creation of long-term economic value and consistent economic performance for the Group and its stakeholders. In line with the commitment to provide value to various stakeholders and to enable a more sustainable future, economic value generated in FY2022 is distributed as follows:



Further details of our financial performance can be found in the financial contents and audited financial statements of this Annual Report.

WATER CONSERVATION

Proper and efficient management of water is important in addressing global water scarcity and reducing wasteful water consumption. We are committed to the responsible usage of water resources through enhancing our water consumption efficiency. To run our operations, we rely on water resources mainly in our office environment and public amenities for cleaning purpose, restrooms and pantries.

Key statistics on water consumption during the Reporting Period are as follows:

Performance indicator	Unit of measurement	FY2022[12]
Water consumption	CuM	149

Our water conservation initiatives include placing notices within the premises and public amenities to remind users to save water, performing regular tracking and analysis of water consumption trends and taking corrective actions when unusual consumption patterns are observed.

ENERGY CONSERVATION AND EMISSIONS REDUCTION

We are committed to the responsible usage of energy resources and emissions reduction to combat climate change. To run our operations, we rely on purchased electricity mainly in our office environment and public amenities for lighting, heating and cooling (Scope 2[13]). Other than indirect GHG emissions (Scope 2), we do not generate significant direct GHG emissions (Scope 1) from operations that are controlled by the Group. Accordingly, no separate disclosure is made on direct GHG emissions (Scope 1) but we will continue to monitor such emissions and to disclose in future, as and when applicable.

Key statistics on electricity consumption and GHG emissions during the Reporting Period are as follows.

Performance indicator	Unit of measurement	FY2022[12]
Energy consumption		
Electricity consumption	kWh	17,587
GHG emissions		
Indirect GHG emissions (Scope 2)	tonnes CO2e	10

12 No comparative data is available due to non-availability of information. We have strengthened our data collection process and disclosed the relevant information in FY2022.

13 GHG emissions from electricity purchased by the Company (Scope 2) are calculated based on the emissions factors published by the local authorities.

Our energy conservation initiatives include placing notices within the premises and public amenities to remind staff and publics to save electricity, performing regular tracking and reviewing of spending on energy consumption to control usage and taking corrective actions when there are unusual consumption patterns.

OCCUPATIONAL HEALTH AND SAFETY

We recognise the importance of health and safety in its development of a competitive workforce. We aim to provide a hazard-free workplace by monitoring and assessing the Group's risks on an ongoing basis. Measures taken include conducting fire safety and electrical safety training for employees and placing notices within the premises to remind employees to be careful and avoid electric shock, installing adequate fire-fighting equipment within the operating premises.

We also actively support the People's Republic of China's ("**PRC**")'s containment measures in response to the COVID-19 outbreak. These measures are necessary to contain COVID-19 and protect the health of our employees and include work from home and flexible working arrangements. With PRC's COVID-19 reopening after the Reporting Period, we remain vigilant and will continue to do our part to ensure that our employees continue to work in a safe and healthy environment.

During the Reporting Period, we encountered zero work-related fatalities, zero high-consequence work-related injuries, zero recordable work-related injuries and zero recordable work-related ill health cases in FY2022 (FY2021: zero work-related fatalities, zero high-consequence work-related injuries, zero recordable work-related injuries and zero recordable work-related ill health cases).

EMPLOYEE DEVELOPMENT AND RETENTION

We firmly believe that our success comes from continued investment in employees. Our sustainable development and growth depend on a steadfast strategy of hiring, retaining and nurturing qualified and experienced personnel. Our Human Resources strategy recognises the importance of social equity and the provision of equal opportunities for the development and retention of our employees.

As part of our continual efforts to upgrade the knowledge of our directors on sustainability reporting and to meet the requirement of listing rule 720(7) of SGX-ST, we confirm that all of our 5 directors have attended one of the approved sustainability training courses during the Reporting Period.

We provide comprehensive training and development opportunities that enhance professional and technical expertise of our employees, so that they can continuously improve their skills and grow within the Group. The training programmes provided include training courses on employee induction, human resources procedures, management skills, property management services, market expansion, cleaning procedures and telecom fraud prevention. During the Reporting Period, a total of 13,946 training hours were provided for our full-time employees and they received an average of 254 training hours per employee.

We also believe that employees' mental and physical health and wellness are of equal importance for employee retention. To meet such needs, we provide regular medical and physical check-ups for them to monitor their health and well-being. We also organised activities and events in promoting healthy living.

To retain employees, we provide reasonable incentives and competitive salaries. All employees are entitled to annual leave based on their job grade and there is no differentiation of pay packages between male and female employees. We also contribute social insurance and housing funds for employees to protect their interests and provides pro-family benefits such as paid maternity leave for our female employees.

In FY2022, our employee turnover rate is approximately 6% (FY2021: approximately 8%). We will work towards improving our turnover rate.

DIVERSITY AND EQUAL OPPORTUNITY

We practice fair hiring without prejudice, regardless of age, gender, religion and ethnicity. In accordance with the PRC's 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》), we strictly forbid our sub-contractors to hire child labour. During the Reporting Period, there is no (FY2021: zero) reported incident of unlawful discrimination against employees.

As at 31 December 2022, the Group has 55 (FY2021: 55) full-time employees, the majority of whom are stationed in the PRC.

We view gender diversity in the Board level as an essential element in supporting sustainable development. We have a female representation of one member (FY2021: one) in the Board or 20% (FY2021: 20%) of the Board. Key statistics on gender diversity of our full-time employees are as follows:

	FY2022		FY2021	
Disclosure	**Male**	**Female**	Male	Female
Overall	60%	40%	65%	35%
Management level				
Top management	57%	43%	60%	40%
Middle management	67%	33%	79%	21%
Staff	42%	58%	61%	39%

In the Group, matured workers are valued for their experience, knowledge and skills. Key statistics on age diversity of our full-time employees are as follows:

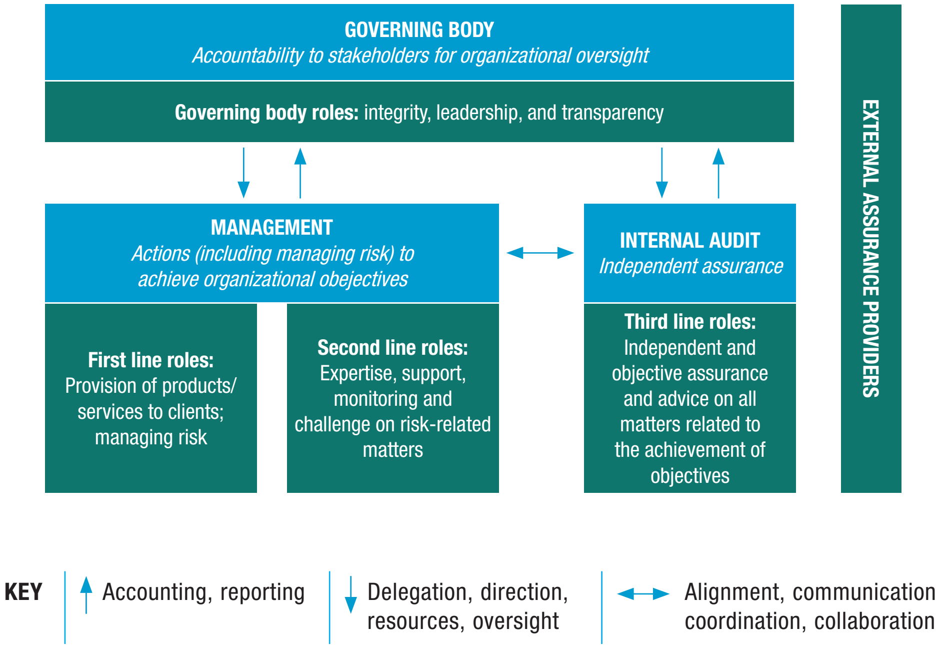
	FY2022			FY2021		
Disclosure	**Below 30**	**30-50**	**Above 50**	**Below 30**	**30-50**	**Above 50**
Overall	16%	82%	2%	16%	82%	2%
Management level						
Top management	–	86%	14%	–	86%	14%
Middle management	33%	67%	–	25%	75%	–
Staff	14%	86%	–	17%	83%	–

SUSTAINABILITY
REPORT

ROBUST CORPORATE GOVERNANCE FRAMEWORK

A high standard of corporate governance is integral in ensuring sustainability of our business as well as safeguarding shareholders' interest and maximising long-term shareholder value. The Board recognises the importance to maintain a sound system of risk management and internal controls to safeguard the interests of the Group and its shareholders.

We aligned our corporate governance and risk management approach with the Three Lines Model issued by the Institute of Internal Auditors ("**IIA**"). The Three Lines Model serves to identify structures and processes that best assist the achievement of organisational objectives and facilitate strong governance and risk management. Under the Three Lines Model, the roles and responsibilities of governing body, management (first- and second-line roles), internal audit (third-line roles) and the relationship among them are defined as follows:



Source: Three Lines Model issued by the IIA

The Group has in place an enterprise risk management ("**ERM**") framework to identify, evaluate and monitor the Group's significant risks. We regularly assess and review our businesses and operational environment to identify and manage emerging and strategic risks that may impact our sustainability. With a positive and proactive attitude, we believe that risks faced by the Group could be converted into opportunities and favourable results.

The Group is also committed to upholding integrity and combating corruption in all its forms. The Group requires all employees to comply with the relevant anti-corruption legislations in all markets where it operates and has a whistle-blowing policy in place to encourage and provide a channel for employees to raise their concerns about possible improprieties in financial reporting or other matters without fear of reprisals. Details of the whistle-blowing policy are made available to all employees.

In FY2022, there is no (FY2021: zero) incident of major corruption for the Group.

You may refer to Corporate Governance Report of this Annual Report for details of our corporate governance practices.

SUSTAINABILITY TARGETS

For our Sustainability Factors identified, we have set targets as follows:

S/N	Sustainability Factor	Target for FY2023
Economic		
1	Sustainable business performance	Maintain or improve our economic value generated subject to economic conditions
Environmental		
2	Water conservation	Maintain or reduce water consumption
3	Energy conservation and emissions reduction	Maintain or reduce GHG emissions
Social		
4	Occupational health and safety	Maintain zero work-related fatalities, high-consequence work-related injuries, recordable work-related injuries and ill health cases (ongoing and long term)
5	Employee development and retention	• Maintain or reduce employee turnover rate • Provide training opportunities for development and growth to keep our employees motivated and engaged
6	Diversity and equal opportunity	Maintain zero incident of unlawful discrimination against employees (ongoing and long term)
Governance		
7	Robust corporate governance framework	Maintain zero incident of major corruption (ongoing and long term)

SUSTAINABILITY **REPORT**

SUPPORTING THE UN SUSTAINABLE DEVELOPMENT GOALS

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 SDGs, which form an urgent call for action by all countries – developed and developing – in a global partnership. We believe that everyone plays an important part in advancing sustainable development and we have identified SDGs which we can contribute to sustainability development through our business practices, products and services. The SDGs that we focused on and the related Sustainability Factors are as follows:

SDG		Our effort
3 GOOD HEALTH AND WELL-BEING	Ensure healthy lives and promote well-being for all at all ages	Occupational health and safety We implement measures to ensure a safe and secure working environment for our employees.
4 QUALITY EDUCATION	Ensure inclusive and equitable quality education and promote lifelong learning opportunities	Employee development and retention We invest in training, education and development of our people to enhance our business competencies.
6 CLEAN WATER AND SANITATION	Ensure availability and sustainable management of water and sanitation for all	Water conservation We implement checks and measures to reduce water wastage in our business operations, which in turn help us to work towards achieving sustainable management and efficient use of natural resources.
7 AFFORDABLE AND CLEAN ENERGY	Ensure access to affordable, reliable, sustainable and modern energy for all	Energy conservation and emissions reduction We implement measures to reduce our energy consumption as not only does it help to improve energy efficiency and reduce GHG emissions, it also helps us to reduce costs incurred to support our business operations.
8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Sustainable business performance We contribute to economic growth through creating long-term value for our stakeholders.
10 REDUCED INEQUALITIES	Reduce inequality within and among countries	Diversity and equal opportunity We create a diverse and inclusive workplace that will bring new perspectives to our business and strengthen our ability to overcome new challenges.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	Robust corporate governance framework We maintain a high standard of corporate governance to safeguard our shareholders' interest and maximise long-term shareholders' value and carry out business with integrity by avoiding corruption in any form.

SUPPORTING THE TCFD

We are committed to support the recommendations by the TCFD and disclosed our climate-related financial disclosures in the following key areas:

Key area	Our approach
Governance	The Board oversees the management and monitoring of the Sustainability Factors and consider climate-related issues in determining the Group's strategic direction and policies. Our sustainability strategy is developed and directed by the Group's SC in consultation with the Board. The SC is led by our CEO and comprises representatives from key Group functions. The responsibilities of the SC include considering climate-related issues in the development of sustainability strategy and policy, target setting, collection, monitoring and reporting of performance data, as well as management of risks and opportunities including those associated with climate change.
Strategy	The climate-related risks and opportunities identified by the Group during the ERM exercise includes the following: • Adverse weather condition – Severe and prolonged weather events may adversely affect the Group's business operations and financial performance. Conversely, this also presented an opportunity for the Group to review and assess its value chain to identify new products and services. We are currently looking into conducting climate-related scenario analysis consistent with the TCFD's recommendation, wherever possible, using commonly agreed sector/subsector scenarios and time horizons, to anticipate and manage climate change impacts.
Risk management	An ERM framework is in place to guide the Group in the identification, analysis and evaluation of risks, implementation of risk treatment plans and continuous monitoring of risks. The Group's climate related risks and opportunities are identified and assessed during an ERM exercise. The climate-related risks and their related opportunities and treatment plans are also reviewed and updated during the ERM exercise and are presented to the Audit and Risk Committee along with the other Group's key risks. We also manage our climate-related risks by monitoring the trend of climate-related performance indicators.
Metrics and targets	We track, measure and report on our environmental performance, including energy, GHG emissions and water management and disclose related metrics in our sustainability report. Monitoring and reporting these metrics help us in identifying areas with material climate-related risks and enabling us to be more targeted in our efforts. To support the climate change agenda, we disclose our Scope 2 GHG emissions in the sustainability report and set climate-related targets such as those related to energy, GHG emissions and water management. We will continue to monitor our emissions and disclose Scope 1 and Scope 3 GHG emissions wherever applicable and practicable.

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

The Board of Directors of Sapphire Corporation Limited (the "**Company**") recognises the importance of good corporate governance and the offering of high standards of accountability to shareholders and are committed to achieving a high standard of corporate governance within the Company and its subsidiaries (the "**Group**"). The Company continues to evaluate and strives to put in place effective self-regulatory corporate practices to protect its shareholders' interests and enhance long-term shareholders' value.

This report describes the Company's corporate governance practices for the financial year ended 31 December 2022 ("**FY2022**"), with specific reference to the provisions of the Code of Corporate Governance 2018 (the "**Code**") and the rules (the "**Listing Rules**") of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Company has adhered to the principles, guidelines and provisions as set out in the Code and Listing Rules, as the case may be. Insofar as any principle, guideline and/or provision has not been complied with, appropriate explanations have been provided.

THE CODE

The Code is divided into five main sections:

(A) Board Matters

(B) Remuneration Matters

(C) Accountability and Audit

(D) Shareholder Rights and Engagement

(E) Managing Stakeholders Relationships

(A) BOARD MATTERS

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

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

Provision 1.1

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

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

The key roles of the Board are:

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

CORPORATE GOVERNANCE REPORT

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

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

When new Directors are appointed to the Board, they are provided with a formal letter setting out the Director's duties and responsibilities, and are required to undergo an orientation programme. The orientation programme for a new Director is intended to provide background information on the Group and industry-specific knowledge, and includes briefings by the Chief Executive Officer ("**CEO**") on the Group's investment strategies, growth initiatives, business policies and governance practices; arrangements for on-site visits to the various overseas places of operations are made to familiarise a new Director with the Group's operations. Where a new Director has no prior experience as a director of an issuer listed on the Singapore Exchange, he must undergo training in the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST. If the NC is of the view that training is not required because the Director has other relevant experience, the basis of the NC's assessment is disclosed. Listing Rule 210(5)(a)

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

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

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

- annual budgets of the Group;
- mergers and acquisitions;
- material acquisitions and disposals of assets;
- corporate or financial restructuring;

- major investments and divestments;
- issuance of new shares;
- proposal and declaration of dividends;
- major corporate policies on key areas of operations; and
- the release of the Group's half yearly and full-year results

To assist the Board in the execution of its responsibilities, specialised committees of the Board, namely the Audit and Risk Committee ("**ARC**"), Nominating Committee ("**NC**"), and the Remuneration Committee ("**RC**") have been established and delegated certain functions of the Board (collectively, the "**Board Committees**"). Provision 1.4

Listing Rule 210(5)(e)

If and when the Board delegates the authority (without abdicating responsibility) to make decisions to a Board Committee, such delegation is disclosed. The ARC, NC and RC operate within clearly defined terms of reference and operating procedures, and these terms of reference and operating procedures are reviewed by the Board on a regular basis. Further details of the scope and functions of the ARC, NC and RC are provided in the relevant sections of this report.

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

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

In FY2022, the Board held four meetings. The attendance of the Directors at meetings of the Board and Board Committees during FY2022 is as follows:

Directors' Attendance at Board and Board Committee Meetings								
	Board Meeting		**Audit and Risk Committee Meeting**		**Nominating Committee Meeting**		**Remuneration Committee Meeting**	
Name of Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Mr Cheung Wai Suen	4	4	4	4^	2	2^	2	2^
Ms Wang Heng	4	4	4	4^	2	2	2	2^
Mr Oh Eng Bin	4	4	4	4	2	2	2	2
Mr Tay Eng Kiat Jackson	4	4	4	4	2	2	2	2
Professor Zhang Weiguo(1)	4	4	4	4	2	2	2	2

Notes:
^ By invitation

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

CORPORATE GOVERNANCE REPORT

The Directors are regularly provided with complete and timely information prior to meetings to enable them to fulfil their duties. The Management provides quarterly management accounts and other relevant information such as risk assessments, audit plans, annual budgets and explanation on material forecasts variances to the Board, as applicable. The Management also submits the periodic group performance report and other relevant information to the Board such as board papers, copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In addition, all other relevant information on material events and transactions are circulated by electronic mail and/or facsimile to the Directors for review and approval. The Senior Management staff may be invited to attend the Board and ARC meetings to answer queries and to provide insights into the Group's operations. Where appropriate, the Senior Management staff will also arrange for external consultants engaged on specific projects or professional consultants to attend Board and Board Committee meetings to address the Board's queries. The Board may also request for Management to take pro-active steps (such as requesting for Management to engage external professionals and consultants) to provide the Board with additional information as required by the Directors to fulfil their duties properly. Provision 1.6

The CEO also updates the Board at each meeting on strategic direction and development pertaining to the Group's investments. The Directors may also, at any time, visit the Group's operations and facilities to gain a better understanding of the Group's business. If any specific or local regulatory change has a material impact on the Group, Management will brief the Directors at Board meetings.

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

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

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

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

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

During FY2022, the Board comprised:

1. Mr Cheung Wai Suen (Executive Director and Chairman of the Board)

2. Ms Wang Heng (Executive Director and CEO)

3. Mr Oh Eng Bin (Lead Independent Non-Executive Director)

4. Mr Tay Eng Kiat Jackson (Independent Non-Executive Director)

5. Professor Zhang Weiguo (Independent Non-Executive Director)

During FY2022, the Board comprised 5 Directors, 3 of whom were Independent Non-Executive Directors and 2 were Directors of the Company who perform an executive function ("**Executive Directors**"). Provision 2.1

On 14 January 2022, Professor Zhang Weiguo was appointed as an independent director, member of the Audit and Risk Committee and Nominating Committee and the Chairman of the Remuneration Committee. Listing Rule 210(5)(d)(i) and Listing Rule 210(5)(d)(ii)

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

In determining Directors' independence, the Board further considers the new Listing Rules 210(5)(d).

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

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

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

Pursuant to Listing Rule 210(5)(d)(iv), the Board considers that a director who has been a director for an aggregate period of more than 9 years (whether before or after listing) is not independent. However, such director may continue to be considered independent until the conclusion of the next annual general meeting of the Company ("**AGM**").

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

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

The Chairman is an Executive Director and in accordance with Provision 2.2 of the Code, Independent Directors comprised more than half of the Board in FY2022. Accordingly, the Board was able to exercise objective judgment on corporate affairs independently and constructively challenge key decisions and strategies taking into consideration the long-term interests of the Group and its shareholders. Provision 2.2

Accordingly, a majority of the Board was made up of Non-Executive Directors in FY2022. All Independent Directors are Non-Executive Directors, who also aid in the development of strategic proposals and oversee the effective implementation by Management to achieve set objectives. Provision 2.3

The NC is responsible for examining the size and composition of the Board and Board Committees. Provision 2.4

Having considered the nature and scope of the Group's operations, the NC is of the view that the Board size of five (5) Directors in FY2022 was an appropriate size for the nature and scope of the Group's operations and to ensure the effective conduct of the Group's affairs.

CORPORATE GOVERNANCE REPORT

Board Diversity Policy

The Company recognises and embraces the importance of diversity at the Board level and sees diversity as an essential element to ensuring the achievement of its strategic objectives. The Company has implemented a Board Diversity Policy ("**Diversity Policy**") which sets out the principles and framework adopted by the Company to maintain diversity on the appointment and composition of its Board.

With reference to the Diversity Policy, the NC reviews and assesses the Board composition on behalf of the Board and recommends the appointment of new directors.

The Board's policy in identifying director nominees is primarily to have an appropriate balance and mix of members with complementary skills, knowledge, experience and core competencies for the Company. The Board also has regard to other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate.

The Company recognises that a diverse Board will enhance the decision-making process by utilising the variety in skills, industry and business experiences, gender and other distinguishing qualities of the members of the Board. As such, the Board will take into consideration the skill sets, experience, knowledge and gender diversity, for any future Board appointments.

In particular, the NC believes that gender is an important aspect of diversity and had set a target to continue to maintain a minimum of 20% female representation on the Board within the next 3 years, while bearing in mind that the Board's needs will change over time.

Having said that, the final decision on selection of directors will be based on merit against the objective criteria set and after giving due regard for the benefits of diversity on the Board.

The Board and the NC believe that the Board and its Board Committees had a good balance and diversity of Directors who have extensive business, financial, accounting, law, human resource and management experience, as well as gender diversity. Details of the Directors' academic and professional qualifications are set out in the "Board of Directors and Key Executives" section of this annual report. In addition, one (1) out of the five (5) Directors in the current Board is female.

Accordingly, the NC is confident that the current Board is able to contribute to the development of the Company's business strategy and that for the time being, the Diversity Policy has allowed the Company to achieve diversity in the Board.

Notwithstanding the foregoing, the NC will review the relevant objectives and targets for promoting and achieving diversity on the Board, the progress made, and make recommendations for approval by the Board. The NC will review the Board Policy annually, which would include an assessment of the effectiveness of this Policy, and make recommendations for changes, as appropriate, to the Board.

Additionally, the Board may, at any given time, also seek to improve one or more aspects of its diversity and measure the Company's progress made in achieving the measurable objectives for promoting diversity accordingly.

The Board was also supported by the Board Committees. The composition of the Board Committees in FY2022 was as follows:

Board Composition and Committees

Board Member	Audit and Risk Committee	Nominating Committee	Remuneration Committee
Mr Cheung Wai Suen	–	–	–
Ms Wang Heng	–	M	–
Mr Oh Eng Bin(1)	M	C	M
Mr Tay Eng Kiat Jackson	C	M	M
Professor Zhang Weiguo(2)	M	M	C

Notes:
C: Chairman
M: Member

(1) Mr Oh Eng Bin was redesignated from the chairman of the RC to a member of the RC with effect from 14 January 2022.
(2) Professor Zhang Weiguo was appointed as an Independent Non-Executive Director, Chairman of the Remuneration Committee and member of the Audit and Risk Committee and Nominating Committee with effect from 14 January 2022.

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

The Independent Non-Executive Directors, led by the Lead Independent Director, met on a need-be basis without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and the remuneration of the Executive Directors. The Lead Independent Director provided feedback to the Executive Chairman after such meetings, as appropriate. Provision 2.5

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

All major proposals and decisions made by the Executive Chairman and CEO are discussed and reviewed by the Lead Independent Director and the Board.

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

The key responsibilities of the Chairman include the following:

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

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

PRINCIPLE 4: BOARD MEMBERSHIP

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

The NC, whose terms of reference are approved by the Board, comprised the following 4 Directors, of which 3 were Independent Directors in FY2022: Provision 4.2

Mr Oh Eng Bin	–	Chairman of NC, Lead Independent Non-Executive Director
Mr Tay Eng Kiat Jackson	–	Independent Non-Executive Director
Ms Wang Heng	–	CEO and Executive Director
Professor Zhang Weiguo(1)	–	Independent Non-Executive Director

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

The NC meets at least once every financial year.

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

- to identify candidates and review and make recommendations to the Board on all appointments and re-appointment (having regard to the Director's contribution and performance (e.g. attendance, preparedness, participants and candour) of members of the Board;
- to review the Board succession plans for Directors, in particular, the Chairman and the CEO;
- to make recommendations on the development of a process for evaluation of the performance of the Board, its Board Committees and Directors;
- to review the training and professional development programs for the Board;
- to evaluate and assess the effectiveness of the Board as a whole, and the contribution by each director to the effectiveness of the Board; and
- to determine the independence of directors in accordance with Provision 2.1 of the Code.

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

Provision 4.3

Listing Rule 720(5)-(6)

The NC, in determining whether to recommend a Director for reappointment, will have regard to such Director's contribution and performance (such as attendance, participation, preparedness and candour) to the Group and whether such Director has been adequately carrying out his or her duties as a Director, taking into consideration that Director's number of listed company board representations and other principal commitments. The NC also takes into consideration the requirements under the Constitution of the Company, the Code, independent-mindedness and any other factors as may be determined by the NC.

Notwithstanding this, the replacement of a Director, when it occurs, does not necessarily reflect the Directors' performance, but may be due to the Board's or the Directors' view of a need to align the Board with the needs of the Group. In accordance with the Company's constitution, one third of the Directors are required to retire from office at each AGM. Mr Tay Eng Kiat Jackson and Professor Zhang Weiguo will be retiring by rotation at the forthcoming AGM pursuant to Regulation 89 of the Company's constitution. Mr Tay Eng Kiat Jackson and Professor Zhang Weiguo have consented to offer themselves for re-election at the forthcoming AGM.

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

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

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

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

Each Independent Director is also required to complete a Director's independence declaration form annually to confirm his independence based on the guidelines as set out in the Code and the Listing Rules. The Company's Independent Directors, namely Mr Oh Eng Bin, Mr Tay Eng Kiat Jackson and Professor Zhang Weiguo have each confirmed that they do not have any relationship with the Company or substantial shareholders, its related corporations or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interests of the Company.

The Independent Directors have further confirmed that each of them (i) is not or has not been employed by the Company or any of its related corporations for FY2022 or any of the past three financial years; and (ii) does not have immediate family members who are or have been employed by the Company or any of its related corporations for the past three financial years and whose remuneration is determined by the RC.

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

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

In FY2022, the following Directors listed in the table below held listed company directorships and had other principal commitments:

Name	Listed Company directorships and other commitments in FY2022	Position	Listed on
Mr Cheung Wai Suen	Ranken Railway Construction Group Co., Ltd	Director	–
	Chengdu Kai Qi Rui Business Management Co., Ltd	Director	–
	Chengdu Fulimeng Environmental Protection Big Data Co., Ltd	Director	–
Ms Wang Heng	Ranken Railway Construction Group Co., Ltd	Director	–
	Best Feast Limited	Director	–
	Ranken Holding Co., Limited	Director	–
	China Chemical Tianfu Limited	Director	–
	Chengdu Kai Qi Rui Business Management Co., Ltd	Director	–
Mr Oh Eng Bin	Dentons Rodyk & Davidson LLP's Corporate Practice Group, Co-Head of the Fintech/Blockchain practice	Senior Partner	
	SHS Holdings Ltd	Independent Director	SGX
	Ferrell Financial Group Limited	Director	–
	Encapture Pte Ltd	Director	–
	Propinquity Investments Ltd	Director	–
	Omnibridge Investments Pte. Ltd.	Director	–
	Omnibridge Investment Partners Pte. Ltd.	Director	–
	Omnibridge Capital Pte. Ltd.	Director	–

Name	Listed Company directorships and other commitments in FY2022	Position	Listed on
Mr Tay Eng Kiat Jackson	Hafary Holdings Limited	Chief Operating Officer and Company Secretary	SGX
	Hafary Pte Ltd	Director	–
	Hafary Centre Pte Ltd	Director	–
	Hafary Balestier Showroom Pte Ltd	Director	–
	Hafary W+S Pte Ltd	Director	–
	One Heart Investment Pte Ltd	Director	–
	One Heart International Trading Private Ltd	Director	–
	OUE Lippo Healthcare Ltd	Independent Director	SGX
	Wood Culture Pte Ltd	Director	–
	Xquisit Pte Ltd	Director	–
	Hap Seng Investment Holdings Pte. Ltd.	Director	–
	Hap Seng Building Materials Marketing Pte. Ltd.	Director	–
	HSC Melbourne Holding Pte. Ltd.	Director	–
	HSC Brisbane Holding Pte. Ltd.	Director	–
	HSC Manchester Holding Pte. Ltd.	Director	–
	HSC London Holding Pte. Ltd.	Director	–
	HSC Leeds Holding Pte. Ltd.	Director	–
	HSC Bristol Holding Pte. Ltd.	Director	–
	HSC Nottingham Holding Pte. Ltd.	Director	–
	MML Marketing Pte. Ltd.	Director	–
	Hafary Crescent Pte. Ltd.	Director	–
	Hafary Element Pte. Ltd.	Director	–
	International Ceramic Manufacturing Hub Pte. Ltd.	Director	–
	International Ceramic Manufacturing Hub Sdn. Bhd.	Director	–
	Hafary Flagship Store Pte. Ltd.	Director	–
	Hafary Trading Sdn. Bhd.	Director	–
Professor Zhang Weiguo	Grizzly Bear Institute Centre, Canada	Chief Researcher	–
	College of Transportation Management, Dalian Maritime University, China	Visiting Professor	–
	Tedbear Consulting Corporation, BC, Canada	Director	–
	Archiact Interactive Ltd., BC, Canada	Director	–
	Zhang Jiawei Research Fund for Niche Behavioral Economics Ltd	Director	–
	Niche Foundation Ltd	Director	–

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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.

The Company's current policy stipulates that if a Director is an Executive Director or a key management personnel, he/she should not hold more than 6 listed company board representation concurrently, as the Board is of the view that more than 6 concurrent board representations will interfere the Executive Director or key management personnel's ability to devote sufficient time and attention to the affairs of the Company. During FY2022, no Director held more than 6 board seats in other listed companies concurrently.

The NC takes into account the results of the assessment of the effectiveness of each individual Director and the respective Directors' actual conduct on the Board in making its assessment. The NC noted that based on the Directors' attendance at the Board and Board committee meetings during the financial year under review, all the Directors were able to participate in at least a substantial number of such meetings to carry out their duties. Although some of the Directors hold directorships and other commitments in other companies which are not in the Group, the Board, with the recommendation of the NC, is satisfied that all the Directors have been able to and have adequately and sufficiently devoted time and attention and diligently carried out their duties during the year. As at the date of this report, none of the current Directors holds more than 3 directorships in other listed companies concurrently.

PRINCIPLE 5: BOARD PERFORMANCE

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

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

As part of the evaluation process, each individual Director was asked to assess the performance of the Board, Board Committees and his or her fellow Directors. The assessment parameters include amongst others, Board and Board Committee cohesion, robustness, sufficiency and quality of discussion and deliberation, regularity of meetings, performance against specific targets and Directors' independence. Key performance indicators used to assess individual Directors include chairmanship/membership of Board Committees, attendance record at the meetings of the Board and the relevant committees, intensity of participation at meetings, contributions to quality of discussions, helping to gain access to new businesses and/or new markets and any special contributions. The NC also considers the Company's financial performance as an assessment parameter for both the Board and Management. That being said, the NC is of the view that such financial criteria are more relevant for the Board's evaluation of the performance of Management, as the Board's role is more in formulating, rather than executing, strategies and policies. The performance measurements ensure that the mix of skills and experience of the Directors continue to meet the needs of the Group. Provision 5.2

The NC is of the view that the Board, the Board Committees and each individual Director's performances were satisfactory in FY2022. No external facilitator was used in the evaluation process.

(B) REMUNERATION MATTERS

PRINCIPLE 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

The RC, whose terms of reference are approved by the Board, comprises the following 3 Independent Directors in FY2022: Provision 6.2

Professor Zhang Weiguo(1)	–	Chairman of RC, Independent Non-Executive Director
Mr Tay Eng Kiat Jackson	–	Independent Non-Executive Director
Mr Oh Eng Bin(2)	–	Lead Independent Non-Executive Director

Notes:
(1) Professor Zhang Weiguo was appointed as an Independent Non-Executive Director, Chairman of the Remuneration Committee and member of the Audit and Risk Committee and Nominating Committee with effect from 14 January 2022.
(2) Mr Oh Eng Bin was redesignated from a chairman of the RC to a member of the RC with effect from 14 January 2022.

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

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

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

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

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

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

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

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

No Director is involved in deciding his own remuneration.

The RC will seek independent professional advice in discharging its functions, if necessary. No external remuneration consultants were engaged in FY2022. Provision 6.4

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PRINCIPLE 7: LEVEL AND MIX OF REMUNERATION

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

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

The performance-related elements of remuneration are designed to align the interests of Directors and key executives with those of shareholders and link rewards to the Group's financial performance. In addition to the financial performance of the Company, non-financial performance conditions such as quality of work and diligence were chosen because of the emphasis the Company places on achieving its vision and goals. The RC is of the opinion that the performance conditions set by the Company were met by its Executive Directors and key executives in FY2022. The Company will also consider the use of contractual provisions in the service contracts to enable the Company to reclaim incentive components of remuneration in exceptional circumstances.

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

The fees of Independent Non-Executive Directors are linked and appropriate to the level of contribution, taking into account factors such as effort, time spent and responsibilities of the Directors. Independent Non-Executive Directors are not over-compensated to the extent that their independence may be compromised. The Independent Non-Executive Directors do not have any service contracts. They are paid a basic fee and additional fees for serving on any of the Board Committees. The Board recommends payment of such fees to be approved by shareholders at the AGM. Provision 7.2

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

PRINCIPLE 8: DISCLOSURE ON REMUNERATION

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

The overall wage policy for executives and Directors is linked to the performance of the Group and the track record of the individual and the potential for contribution of that individual to the Group, and is determined by the Board and the RC, and include financial and non-financial indicators. Further, the fees for Independent Directors are based on a common base component plus additional fees for serving as a member or chairperson of any Board Committee or assisting the Company in any matter requested by the Board or Management for the purpose of the corporate development of the Group, such as sourcing for and recommending contacts who may be of use, relevance or assistance to the Group. The Board will respond to any queries raised at AGMs pertaining to such policies. All incentives and bonuses paid are linked to individual performance of the individual and overall performance of the Group. Provision 8.1

The remuneration for the Directors and key executives in FY2022 received in all forms is as follows:

Name	Remuneration Band	Salary	Bonus	Other Benefits	Directors' Fees[1]	Total
	$	%	%	%	%	%
Present Directors[1]						
Ms Wang Heng	0 to 199,999	100	0	0	0	100
Mr Cheung Wai Suen	0 to 199,999	100	0	0	0	100
Mr Oh Eng Bin	70,000 to 79,999	0	0	0	100[1]	100
Mr Tay Eng Kiat Jackson	60,000 to 69,999	0	0	0	100[1]	100
Professor Zhang Weiguo	50,000 to 59,999	0	0	0	100[1]	100
Key Executives[2]						
Mr Ng Hoi-Gee Kit[3]	0 to 199,999	100	0	0	0	100
Mr Foo Yong How	200,000 to 399,999	99	0	1	0	100
Mr Kwok Chung Chieh Lincoln[4]	0 to 199,999	96	0	4	0	100

Notes:
(1) The Directors' fees of S$192,860 for FY2022 had been approved at the AGM of the Company on 28 September 2022.
(2) The 2018 Code requires the disclosure of the remuneration of at least the top 5 key executives who are not Directors or the CEO to be disclosed in bands no wider than $250,000, and in the aggregate the total remuneration paid. In FY2022, the Company had 3 key executives.
(3) Mr Ng Hoi-Gee Kit ceased to be the Chief Financial Officer of the Company, by reason of his passing, on 16 October 2022.
(4) Mr Kwok Chung Chieh Lincoln was appointed as the Group Financial Controller with effect from 16 November 2022.

While the Company has varied from Provision 8.1(a) of the Code which requires companies to disclose the specific remuneration of each director, the Company has disclosed the remuneration of its Executive Directors and key management personnel in bands of $200,000, and the remuneration of its Non-Executive Directors in bands of $10,000. The Company has not disclosed the remuneration of each Director to the nearest dollar and is of the view that given the sensitive and confidential nature of employees' remuneration, detailed disclosure is not in the best interests of the Company and the Group. Such disclosure would disadvantage the Group in relation to its competitors and may affect adversely the cohesion and spirit of team work prevailing among Management and employees of the Group. The Company believes that the disclosure of its Executive Directors and key management personnel in bands of $200,000, and the remuneration of its Non-Executive Directors in bands of $10,000 with a percentage breakdown, sufficiently allows shareholders to have an understanding of the remuneration packages of its Directors and key executives while preserving the business interests of the Group.

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

The annual aggregate remuneration paid to Directors and key executives for FY2022 is disclosed in Note 25 of the Notes to Financial Statements. The annual aggregate remuneration paid to key executives excluding Directors or the CEO is RMB2,294,599.

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There were no employees of the Group who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S$100,000 during FY2022. Provision 8.2

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

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

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

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

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

    (a) the financial performance of the Group;

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

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

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

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

Since the implementation of the 2018 Scheme, no Shares have been awarded to the Directors, controlling shareholders of the Company or associates of controlling shareholders of the Company, and no employee of the Group has received 5% or more of the total number of Shares available under the 2018 Scheme. During FY2022, no shares were awarded under the 2018 Scheme.

(C) ACCOUNTABILITY AND AUDIT

PRINCIPLE 9: RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Board with the oversight of the ARC is responsible for the Group's risk management framework and policies. The Group has in place an enterprise risk management framework to identify, evaluate and monitor the Group's material and significant risks. The Group's material and significant risks are proactively identified and addressed through the implementation of effective internal controls. The Company has also defined and documented clear roles and responsibilities for the Board and Management in risk mitigation, monitoring and reporting. Provision 9.1

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

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

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

The Board has received assurance from: Provision 9.2

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

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

Based on the framework established and the reviews conducted, the Board is of the opinion that, with the concurrence of the ARC, there was adequate and effective internal controls in place within the Group addressing financial, operational, compliance and information technology risks, and adequate and effective risk management systems. Listing Rule 1207(10)

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

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KEY OPERATIONAL RISKS

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

The Board is aware of the operational risks, which may adversely affect Chengdu KQR if any of these risk factors and uncertainties develops into actual events. It should also be noted that the following is not intended to be an exhaustive list of the risk factors to which the Group's Infrastructure Business is exposed. The risks below have been evaluated by Management to be of relevance to shareholders, further to the examination of the periodic risk reports of the Company.

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

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

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

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

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

Additional working capital requirement – In order for the Company to not be deemed as a cash company under Rule 1018 of the Listing Manual, the Company has voluntarily undertaken to the SGX-ST and has placed 35.7% of the Net Proceeds amounting to RMB91,698,444, being the Tranche 2 Escrowed Sum in the Escrow Account until (i) certain financial conditions ("Financial Conditions") are met and subject to SGX-ST's approval for the Company to cease such escrow arrangement. The first full financial year's results for the purposes of fulfilling the Financial Conditions was FY2021.

For full details of the Financial Conditions, please to refer to the Company's Circular dated 9 October 2020; or (ii) the completion of the acquisition of a business which is able to satisfy the SGX-ST's requirements for a new listing; or (iii) three (3) years from the Completion Date. The Company will require additional working capital for the expansion of the Group's two operating business units, one in the business of leasing of warehouse and equipment and supply of materials for urbanisation projects and the other in the business of building estate management ("BEM"). Failure in getting approval for the Company to cease such escrow arrangement, will adversely affect the Group's expansion plans for the Group's two operating business units.

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

Major disruption of operations – Chengdu KQR and its associated company Ranken Railway's operations are exposed to various operational risks relating, but not limited, to equipment failure, accidents, industrial disputes, natural disasters and China's increasingly stringent prevention measures in an effort to control the outbreak of COVID-19. While the Group has taken necessary and important measures to mitigate such operational risks, and, if practicable, insure against these risks, they cannot completely remove all such possible risks or in certain cases, insurance premium costs could be high in insuring the identified operational risks. Significant compensation claims, warranty claims, liquidated damages (relating to delays in projects completion, accident or unexpected incidents) will adversely affect the Group's reputation and thus, its financial performance and position.

Adverse weather condition – Severe and prolonged weather events may disrupt Chengdu KQR and its associated company Ranken Railway's production schedules and adversely affect the Group's financial performance and position.

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

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

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

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PRINCIPLE 10: AUDIT COMMITTEE

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

The ARC comprised the following 3 Independent Non-Executive Directors in FY2022: Provision 10.2

Mr Tay Eng Kiat Jackson – Chairman on the ARC, Independent Non-Executive Director
Mr Oh Eng Bin – Lead Independent Non-Executive Director
Professor Zhang Weiguo(1) – Independent Non-Executive Director

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

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

The ARC has written terms of reference. The ARC met four times in FY2022 to perform the following functions, as set out in its written terms of reference: Provision 10.1

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

- to review at least annually and report to the Board on the adequacy and effectiveness of the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management framework and policies;

- to review the assurance from the CEO and GFC on the financial records and financial statements;

- to make recommendations to the Board on proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

- to review the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function;

- to review the co-operation given by the Group's officers to the external auditors;

- to review the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on;

- to review and approve the quarterly and half-yearly announcement results (as the case may be) and annual financial statements before submission to Board of Directors; and

- to review interested parties transactions.

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

In line with the requirements of the Listing Rules, the Board confirmed that, in relation to interim financial results, to the best of its knowledge, nothing had come to the attention of the Board which would render the Company's half-yearly results released in FY2022 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 FY2022.

CORPORATE GOVERNANCE REPORT

FINANCIAL REPORTING AND SIGNIFICANT FINANCIAL ISSUES

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

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

Matters considered	**Action**
Interest in Ranken Group (associated Company) (Note 6 to the financial statements)	The ARC has reviewed the management adjustments to the financial results of Ranken Group in accordance with International Financial Reporting Standards ("IFRS") on the audited financial information of Ranken Group prepared under the Accounting Standards for Business Enterprises in China as at/for the financial year ended 31 December 2022 to align the accounting policies of Ranken Group with those of the Group, specifically on the these IFRS adjustments made by the Group's management and audited by the appointed component auditors including the following: (a) reversal of impairment losses amounting to RMB6.6 million on Ranken Group's trade and other receivables and contract assets in accordance with SFRS(I) 9 – *Financial Instruments*; (b) depreciation and amortisation expenses totaling RMB7.0 million on the fair value adjustments made on Ranken Group's non-financial assets which arose from the PPA exercise carried out in FY2020; (c) accounting for Ranken Group's share of profit in Chengdu Derun Jinlong Environmental Management Co., Ltd ("CDJE") who is the operator of a public private partnership ("PPP") project in respect of the first phase of Chengdu Wuhou District Liveable Riverbank project amounting to approximately RMB7.1 million in accordance with SFRS(I) INT 12 – *Service Concession Arrangements*; and (d) accounting for Ranken Group's share of profit in Chengdu Lugao Environmental Management Co., Ltd ((Chengdu Lugao") who is the operator of another PPP project in respect of the Xi River Sewage Treatment Plant 2 amounting to approximately RMB2.9 million in accordance with SFRS(I) INT 12 – *Service Concession Arrangements* The ARC also obtained an understanding on the work performed by the component auditors. The component auditors' work performed was based on the audit instruction set out by the external auditors. As a result of the above procedures, the ARC was satisfied with the carrying value of the associated company is accurate.
Provision for contingent liabilities (Note 14(A) to the financial statements)	The ARC reviewed the methodology and gained comfort in this area through discussion with management in relation to the provision for contingent liabilities. The ARC also obtained an understanding on the work performed by the external auditors. As a result of the above procedures, the ARC was satisfied with the related provisions as recorded in the financial statements.

NON-AUDIT FEES

The audit fees paid to the external auditors of the Company for FY2022 was approximately S$138,000. (FY2021: S$135,000). Listing Rule 1207(6)(a)

There were non-audit fees of S$3,500 paid to the external auditors of the Company for FY2022 in relation to the review of the profit or loss and cash flow forecasts of the Company for financial period from 1 December 2022 to 30 November 2023 prepared by Management. (FY2021: No non-audit fees paid). Listing Rule 1207(6)(b)

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

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

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

Listing Rule 1207(6)(c)

The external auditors, during their course of audit, evaluate the effectiveness of the Company's internal controls relevant to the preparation of financial statements and report to the ARC, together with their recommendations, any material weakness and non-compliance of the internal controls. The ARC has reviewed the external audit reports and based on the controls in place, and is satisfied that there are adequate internal controls in the Group.

The Company confirms that it has complied with Listing Rules 712, 715 and 716 in FY2022.

The ARC has appointed Yang Lee & Associates ("**YLA**") as the internal auditor of the Group to perform internal audit work under an approved internal audit plan on an ongoing basis. The partner-in-charge of the internal auditor Yang Lee & Associates, Lee Dah Khang, is also a certified Internal Auditor of the Institute of Internal Auditors. The internal audit function is therefore staffed with persons with the relevant qualifications and experience and is independent of the activities it audits.

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

The ARC met with the external auditors and internal auditors, without the presence of Management, at least once in FY2022. The ARC reviews the findings from the external auditors and internal auditors and the assistance given to them by the Management to ensure that full cooperation has been extended. Provision 10.5

CORPORATE GOVERNANCE REPORT

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

PRINCIPLE 11: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

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

The Company recognises the need to communicate with the shareholders on all material matters affecting the Group and does not practise selective disclosure. In line with the Group's disclosure obligations pursuant to the Listing Rules and the Companies Act, the Board's policy is that all shareholders should be informed simultaneously in an accurate and comprehensive matter for all material developments that impact the Group through SGXNET and the Company's website. Provision 11.1

Shareholders are entitled to attend the general meetings and are given the opportunity to participate effectively in and vote at the general meetings of the Company. Shareholders are informed of general meetings through reports/circulars/letters sent to all shareholders in addition to notices published via SGXNET and the Company's website.

Due to the current Covid-19 advisories issued by the relevant authorities and to minimise physical interactions and Covid-19 transmission risks, the general meetings of the Company in FY2022 were held by way of electronic means and shareholders were not able to attend the general meetings in person. To enable shareholders to participate in and vote effectively at general meetings held by way of electronic means, the Company set out detailed information on the arrangements relating to attendance at the general meetings, submission of questions in advance of the general meetings, addressing of substantial and relevant questions at the general meetings, and voting procedures for the general meetings.

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

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

The external auditors are also present to assist the Directors to address any queries raised by shareholders about the conduct of the audit and the preparation and content of the auditors' report. The Company has also complied with the provisions of the Listing Rules and has introduced poll voting at all general meetings. The voting results are validated by an independent scrutineer and announced on SGXNET on the same day as the general meeting.

The Directors' attendance at the general meetings of the Company held in FY2022 are set out in the table below:

	Annual General Meeting(1)		Extraordinary General Meeting	
Name of Director	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Mr Cheung Wai Suen	2	2	1	1
Ms Wang Heng	2	2	1	1
Mr Oh Eng Bin	2	2	1	1
Mr Tay Eng Kiat Jackson	2	2	1	1
Professor Zhang Weiguo	2	2	1	1

Notes:

(1) The annual general meetings for the financial year ended 31 December 2020 and for the financial year ended 31 December 2021 were held on 28 April 2022 (and therefore, not held during FY2021) and 28 September 2022 respectively.

If shareholders are unable to attend the general meetings, the Company's Constitution allows a shareholder of the Company who is not a relevant intermediary (as defined in the Companies Act) to appoint up to two proxies to speak, attend and vote in place of the shareholder. Further, a shareholder which is a relevant intermediary (as defined in the Companies Act) may appoint more than two proxies to speak, attend and vote at general meetings. The Company's Constitution contains the appropriate regulations to allow for absentia voting by mail, facsimile or email. Provision 11.4

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from Shareholders relating to the agenda of the meeting, and responses from the Board and Management. During FY2022, the minutes of general meetings were published on SGXNET and the Company's website within one month after the general meetings. Provision 11.5

The Group does not have a dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. Provision 11.6

The Board does not recommend the payment of dividends for the financial year ended 31 December 2022. However, in order for the Company to not be deemed as a cash company under Rule 1018 of the Listing Manual, the Company has placed 36.3% of the Net Proceeds (as defined in the Company's circular dated 9 October 2020) being RMB93,308,000, allocated for distribution to Shareholders by way of dividends. Pending such distribution, the Dividend Allocation Sum will remain in the Escrow Account. Listing Rule 704(24)

And with reference to the Company's announcement dated 4 July 2022:

*"As SGX-ST had informed the Company that SGX-ST has no comments to the Proposed Capital Reduction (as defined in the announcement dated 3 June 2022 ("**Previous Announcement**")), the Board wishes to update that the Company intends to fulfill the undertaking set out in paragraph 4 (of the announcement dated 4 July 2022) by distribution to the Shareholders in the form of the Proposed Cash Distribution after the completion of the Proposed Capital Reduction instead of earlier proposed distribution in the form of dividends pursuant to the Proposed Scrip Distribution Scheme (as defined in the Previous Announcement). There is no change to the arrangement that pending such distribution, the Dividend Allocation Sum will continue to remain in the Escrow Account."*

For further details please refer to the Company's announcement dated 4 July 2022.

And with reference to the Company's announcement dated 27 January 2023:

*"The Board of Directors ("**Board**") of Sapphire Corporation Limited ("**Company**") refers to the Circular and the EGM held on 9 December 2022 where the special resolution in relation to the Proposed Capital Reduction and the Proposed Cash Distribution was duly passed by the Shareholders during the EGM.*

*The Board is pleased to announce that the Company has complied with all the requirements under Sections 78C(1)(b), 78C(1)(c), and the solvency requirements under Section 78C(3) of the Companies Act 1967 of Singapore ("**Companies Act**"), and that no application for the cancellation of the Proposed Capital Reduction and the Proposed Cash Distribution has been made by any creditor within the prescribed time-frame pursuant to the Companies Act.*

The Company has accordingly lodged the relevant documents required under Sections 78E(2)(c) and (d) of the Companies Act with ACRA on 27 January 2023.

The Proposed Capital Reduction is therefore effective as of 27 January 2023. Accordingly, the issued and fully paid-up share capital of the Company with effect therefrom is S$73,717,285 comprising 407,589,893 ordinary shares."

For further details please refer to the Company's announcement dated 27 January 2023.

On 17 February 2023, the Proposed Cash Distribution arising from the Proposed Capital Reduction has been paid to the Shareholders.

CORPORATE GOVERNANCE REPORT

PRINCIPLE 12: ENGAGEMENT WITH SHAREHOLDERS

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

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

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

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

(b) half-yearly financial results and other financial announcements as required;

(c) other announcements on important developments; and

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

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

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

As part of the company's investor relations policy to regularly convey pertinent information to shareholders, price-sensitive announcements including half-year and full year results are released through SGXNET and made available on the Group's website. A copy of the Annual Report and Notice of AGM will be accessible on SGXNET and the Group's website. The Company also released announcements in relation to corporate development via SGXNET and the Group's website (www.sapphirecorp.com.sg) to keep shareholders updated on the developments and the Group, if any. Provision 12.2 Provision 12.3

During the year under review, there were some delays in disclosing its half-yearly results to the financial community in Singapore where it is listed on the SGX Mainboard due to, among other things, the delay in the change of auditors, however, the Group was diligent in disclosing its half-yearly results at the earliest possible date. In addition to the AGM, the Group seeks to understand the views of the shareholders and other stakeholders as set out in the "Sustainability Report" section of this Annual Report, as the Group seeks to align its business interests with that of all stakeholders.

MANAGING STAKEHOLDERS RELATIONSHIP

PRINCIPLE 13: ENGAGEMENT WITH STAKEHOLDERS

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

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

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

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

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

DEALINGS IN SECURITIES

In FY2022, the Company had in place a policy prohibiting share dealings by Directors and employees of the Group during the period commencing one month before the announcement of the Company's half-year and full year financial statements. Directors and employees are also prohibited to deal in the Company's securities on short-term considerations, and are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading periods. The incumbent employees are also required to report to the Directors whenever they deal in the Company's shares.

INTERESTED PERSON TRANSACTIONS

The Company has in place a policy in respect of any transactions with interested persons and has established procedures for review and approval of the interested person transactions entered into by the Group. In FY2022, there were no interested person transactions (including transactions less than $100,000).

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

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

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

MATERIAL CONTRACTS

There were no material contracts of the Group involving the interests of the CEO, Directors, Controlling Shareholders which are either still subsisting at the end of FY2022 or if not then subsisting, entered into since the end of the financial year ended 31 December 2022.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

We are pleased to submit this statement to the members together with the audited consolidated financial statements of Sapphire Corporation Limited (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2022 and the statement of financial position and the statement of changes in equity of the Company as at 31 December 2022.

In our opinion:

(a) the financial statements are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International); and

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

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

Directors

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

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

Arrangements to enable directors to acquire shares or debentures

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

Directors' interest in shares or debentures

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

	Direct		Deemed	
Name of director and corporation in which interests are held	**As at 1.1.2022**	**As at 31.12.2022**	**As at 1.1.2022**	**As at 31.12.2022**
		Number of ordinary shares		
The Company				
Wang Heng	625,000	**625,000**	171,495,264	**171,495,264**

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, either at the beginning 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 2023.

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

Sapphire Shares Award Scheme 2018

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

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

Name	Appointment
Prof. Zhang Weiguo	Chairman of Remuneration Committee/Independent Non-Executive Director
Tay Eng Kiat Jackson	Independent Non-Executive Director
Oh Eng Bin	Independent Non-Executive Director

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

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

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

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

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

   (a) the financial performance of the Group;

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

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

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

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

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

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

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Sapphire Shares Award Scheme 2018 (Continued)

During the financial year, there were:

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

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

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

Audit and Risk Committee

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

Name	Appointment
Tay Eng Kiat Jackson	Chairman of the ARC at the date of this statement/Independent Non-Executive Director
Oh Eng Bin	Lead Independent Non-Executive Director
Prof Zhang Weiguo	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;

- half-yearly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and

- interested person transactions (as defined in Chapter 9 of the SGX-ST Listing Manual).

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

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

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

Independent auditor

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

On behalf of the Directors

WANG HENG

CHEUNG WAI SUEN

Dated: 14 July 2023

INDEPENDENT AUDITOR'S **REPORT**

TO THE MEMBERS OF SAPPHIRE CORPORATION LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sapphire Corporation Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Basis for opinion

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

Key audit matters

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

1) Accuracy of the Group's interests in Ranken Railway Construction Group Co., Ltd ("Ranken Railway") and its subsidiaries ("Ranken Group") (Note 6)

   In October 2020, the Group completed (a) the sale of 43.87% equity interest in Ranken Group to Shandong Hi-Speed Road & Bridge Investment Management Co., Ltd (the "Investor") for a consideration of RMB280 million and (b) the Investor had also subscribed for additional shares in Ranken Railway amounting to RMB75.6 million (the "Disposal"). Following the Disposal, the Group and the Investor each holds approximately 48.82% and 49.82% respectively in the enlarged equity capital of Ranken Railway, with the remaining equity interest of 1.36% held by the Company's Executive Chairman. For the retained interest of 48.82% held in Ranken Group, management has accounted for the investment in Ranken Group as an associate in accordance with SFRS(I) 1-28 – *Investments in Associates and Joint Ventures*.

   As at 31 December 2022, the carrying amount of the Group's interest in Ranken Group amounting to RMB417.8 million (2021 – RMB388.7 million) represented 54% of the Group's total assets. The increase in the Group's interest in Ranken Group is mainly due to the Group's share of profit and other comprehensive income of RMB29.1 million for the financial year ended 31 December 2022.

   The Group's interests in Ranken Group is recognised initially at cost, and subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and other comprehensive income of Ranken Group, less impairment losses, if any.

Key audit matters (Continued)

1) Accuracy of the Group's interests in Ranken Railway Construction Group Co., Ltd ("Ranken Railway") and its subsidiaries ("Ranken Group") (Note 6) (Continued)

For purpose of applying the equity method for the financial year ended 31 December 2022, management made certain adjustments in accordance with International Financial Reporting Standards ("IFRS") on the audited financial information of Ranken Group prepared under the Accounting Standards for Business Enterprises in China as at/for the financial year ended 31 December 2022 to align the accounting policies of Ranken Group with those of the Group. These IFRS adjustments made by the Group's management and audited by the appointed component auditors included the following:

(a) reversal of impairment losses amounting to RMB6.6 million on Ranken Group's trade and other receivables and contract assets in accordance with SFRS(I) 9 – *Financial Instruments;*

(b) depreciation and amortisation expenses totaling RMB7.0 million on the fair value adjustments made on Ranken Group's non-financial assets which arose from the PPA exercise carried out in FY2020;

(c) accounting for Ranken Group's share of profit in Chengdu Derun Jinlong Environmental Management Co., Ltd ("CDJE") who is the operator of a public private partnership ("PPP") project in respect of the first phase of Chengdu Wuhou District Liveable Riverbank project amounting to approximately RMB7.1 million in accordance with SFRS(I) INT 12 – *Service Concession Arrangements*; and

(d) accounting for Ranken Group's share of profit in Chengdu Lugao Environmental Management Co., Ltd ("Chengdu Lugao") who is the operator of another PPP project in respect of the Xi River Sewage Treatment Plant 2 amounting to approximately RMB2.9 million in accordance with SFRS(I) INT 12 – *Service Concession Arrangements*.

The accounting for long term service concession arrangements under 1(c) and 1(d) is complex and involves significant judgement. On inception of the arrangements, the managements of CDJE and Chengdu Lugao exercised judgement in the estimation of the fair value of the construction service contract and the service concession receivables which take into account budgeted construction costs, project value (including service concession rights) and profit margin. Construction revenue is recognised progressively based upon management's estimation of the value of project activities completed. As these long-term contracts can extend over multiple years, changes in conditions and circumstances may result in delays, variation to project schedules and terms as well as cost overruns which may impact revenue recognition and service concession receivables from the service concession arrangements.

We identified the accuracy of the Group's interests in Ranken Group as a key audit matter due to the significance of the amount in the context of the Group's financial statements, combined with the judgements and estimates involved in the IFRS adjustments made by the Group's management to arrive at the net tangible assets and financial information of Ranken Group for purpose of equity accounting.

Our response and work done:

We have issued group audit instructions to the appointed component auditors of Ranken Group in respect of the audit of Ranken Group for purpose of group reporting under SFRS(I). Furthermore, we have reviewed the audit plan of Ranken Group prepared by the component auditors and when deemed necessary, dictated additional audit procedures to be performed by them. We have reviewed the audit work papers of the component auditors to determine the sufficiency of the audit procedures carried out by the component auditors on the accuracy of the net assets and the financial performance of Ranken Group as at and for the financial year ended 31 December 2022 for the purpose of equity accounting.

In respect of the adjustment made by the Group's management on the reversal of impairment loss recognised on Ranken Group's trade and other receivables and contract assets in accordance with SFRS(I) 9, the component auditors have reviewed the key data sources and assumptions used by the Group's management in the determination of default rate and the correlation between the default rate and the current and forward-looking adjustment factor. We have also independently test checked the adequacy of the impairment loss provision on significant debtors' balances by applying the probability of default obtained from credit rating agencies on the outstanding credit exposure and found that the provision made were within range.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SAPPHIRE CORPORATION LIMITED

Key audit matters (Continued)

1) Accuracy of the Group's interests in Ranken Railway Construction Group Co., Ltd ("Ranken Railway") and its subsidiaries ("Ranken Group") (Note 6) (Continued)

Our response and work done: (Continued)

In respect of the adjustments made to the fair value adjustments which arose from the PPA exercise on the deemed acquisition of Ranken Group upon the completion of the disposal, we traced the sources of these adjustments to the report issued by the business valuer and reviewed the adjustments made by the Group's management in FY 2022 on (i) additional depreciation expense recorded on the fair value uplifts on property, plant and equipment, land use rights and investment property over their respective useful lives and (ii) amortisation expense on the customers' order backlogs in accordance with SFRS(I) 3 – *Business Combinations*.

In respect of the adjustments made by the Group's management to account for Ranken Group's share of profits in CDJE and Chengdu Lugao who are the appointed operators of the public private partnership ("PPP") projects, the component auditors have obtained an understanding of management's process for measuring construction revenue and service concession receivables as well as the monitoring of these long-term contracts. They have reviewed the contractual terms of the service concession arrangements to ascertain the progress of work, including any material changes to contractual terms and costs to complete.

Lastly, we have reviewed the reconciliation prepared by management to arrive at the audited adjusted net assets/profit after tax of Ranken Group for purpose of equity accounting and assessed the adequacy and appropriateness of the related disclosures set out in Note 6 to the financial statements.

2) Adequacy of provisions – Provision for contingent liabilities (Note 14(A))

As set out in the Circular in respect of the Group's disposal of Ranken Group to the Investor dated 9 October 2020, the Group has agreed with the Investor that Ranken Group shall be entitled to offset the outstanding uncollected receivables in the books of Ranken Group against the dividend payable due to the Group should Ranken Group fail to collect such receivables within 5 years from the date on which such receivables become due to Ranken Group and the Group will be liable to reimburse any excess receivables which remained outstanding after the dividend setoff and upon such reimbursement, the uncollected receivables will be assigned to the Group.

As at the balance sheet date, the Group's management performed an assessment and reversed provision amounting to RMB3,132,000 in the statement of comprehensive income due to an improvement in the historical default rate adjusted for current and forward-looking information applied on the above outstanding receivables based on the expected credit loss model in accordance with SFRS(I) 9 – *Financial Instruments*.

Our response and work done:

As part of our audit, we have independently obtained the debtors' listing of Ranken Group from Ranken Group's management as at the balance sheet date which detailed the outstanding balances that arose from the date of disposal of Ranken Group to the Investor.

We reviewed the appropriateness of the expected credit loss model applied by management, including the assumptions used in the model and tested the data inputs such as the probability of defaults and loss given defaults in determining the adequacy of the provision recognised.

Disclosure of the pertinent information is set out in Note 14(A) to the financial statements.

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

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

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

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

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 control.

- 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 control.

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SAPPHIRE CORPORATION LIMITED

Auditors' responsibilities for the audit of the financial statements (Continued)

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

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

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

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

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

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

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

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore,
14 July 2023

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	The Group 31 December 2022 RMB'000	The Group 31 December 2021 RMB'000	The Company 31 December 2022 RMB'000	The Company 31 December 2021 RMB'000
ASSETS					
Non-Current					
Property, plant and equipment	4	**57,324**	35,738	**50**	39
Subsidiaries	5	**–**	–	**356,143**	410,786
Associated company	6	**417,827**	388,739	**–**	–
		475,151	424,477	**356,193**	410,825
Current					
Other investments	7	**1,635**	2,812	**1,635**	2,812
Inventories		**–**	229	**–**	–
Trade receivables	8	**57,190**	50,060	**–**	–
Other receivables	9	**36,870**	10,413	**474**	336
Restricted cash in an Escrow Account	10	**91,698**	91,698	**–**	–
Cash and bank balances	10	**107,530**	118,986	**97,612**	193
		294,923	274,198	**99,721**	3,341
Total assets		**770,074**	698,675	**455,914**	414,166
EQUITY					
Capital and Reserves					
Share capital	11	**466,700**	466,700	**466,700**	466,700
Reserves	12	**203,766**	169,232	**(24,593)**	(62,315)
Equity attributable to owners of the company		**670,466**	635,932	**442,107**	404,385
Non-controlling interests	13	**11,335**	12,600	**–**	–
Total equity		**681,801**	648,532	**442,107**	404,385
LIABILITIES					
Non-Current					
Provisions	14	**7,789**	10,921	**–**	–
Lease liabilities	15	**26,390**	1,060	**–**	–
		34,179	11,981	**–**	–
Current					
Lease liabilities	15	**1,705**	1,011	**–**	–
Trade payables	16	**27,855**	15,822	**–**	–
Other payables	17	**24,534**	18,233	**13,807**	9,781
Current tax liabilities		**–**	3,096	**–**	–
		54,094	38,162	**13,807**	9,781
Total liabilities		**88,273**	50,143	**13,807**	9,781
Total equity and liabilities		**770,074**	698,675	**455,914**	414,166

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 RMB'000	2021 RMB'000
The Group			
Revenue	18	**97,593**	114,135
Cost of sales		**(84,181)**	(90,030)
Gross profit		**13,412**	24,105
Other income	19	**7,430**	6,451
Administrative expenses		**(10,719)**	(11,391)
Impairment losses on trade and other receivables	26	**–**	(17)
Provision for contingent liabilities	14(A)	**3,132**	(4,884)
Reversal of provision for guarantee	14(B)	**–**	480
Other expenses		**(2,410)**	(2,226)
Profit from operating activities		**10,845**	12,518
Finance costs	20	**(1,801)**	(1,333)
Share of profit of equity-accounted investees (net of tax)	6	**25,026**	23,167
Profit before tax		**34,070**	34,352
Tax expense	21	**(2,643)**	(4,481)
Profit for the year		**31,427**	29,871
Other comprehensive income/(loss) after tax:			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences arising from foreign operations		**(214)**	232
Share of other comprehensive income of associated company (Note 6)		**4,062**	790
Other comprehensive income for the year, at nil tax		**3,848**	1,022
Total comprehensive income for the year		**35,275**	30,893
Profit attributable to:			
– Owners of the Company		**30,686**	29,166
– Non-controlling interests		**741**	705
		31,427	29,871
Total comprehensive income for the year attributable to:			
– Owners of the Company		**34,534**	30,188
– Non-controlling interests		**741**	705
		35,275	30,893
Earnings/(loss) per share			
– Basic/diluted (cents)	23	**7.53**	7.15

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	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 attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
The Group									
At 1 January 2021	466,700	(7,585)	(14,205)	(8,968)	1,253	168,549	605,744	11,895	617,639
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	29,166	29,166	705	29,871
Other comprehensive income									
Foreign currency translation differences	–	–	–	–	232	–	232	–	232
Share of other comprehensive income of associated company (Note 6)	–	–	–	–	790	–	790	–	790
Total other comprehensive income	–	–	–	–	1,022	–	1,022	–	1,022
Total comprehensive income for the year	–	–	–	–	1,022	29,166	30,188	705	30,893
At 31 December 2021	466,700	(7,585)	(14,205)	(8,968)	2,275	197,715	635,932	12,600	648,532
Total comprehensive income for the year									
Profit for the year	**–**	**–**	**–**	**–**	**–**	**30,686**	**30,686**	**741**	**31,427**
Other comprehensive income									
Foreign currency translation differences	**–**	**–**	**–**	**–**	**(214)**	**–**	**(214)**	**–**	**(214)**
Share of other comprehensive income of associated company (Note 6)	**–**	**–**	**–**	**–**	**4,062**	**–**	**4,062**	**–**	**4,062**
Total other comprehensive income	**–**	**–**	**–**	**–**	**3,848**	**–**	**3,848**	**–**	**3,848**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**3,848**	**30,686**	**34,534**	**741**	**35,275**
Transactions with owners, recognised directly in equity									
Capital reduction in a subsidiary (Note 5(A))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,006)**	**(2,006)**
At 31 December 2022	**466,700**	**(7,585)**	**(14,205)**	**(8,968)**	**6,123**	**228,401**	**670,466**	**11,335**	**681,801**

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

STATEMENT OF
CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Share capital RMB'000	Capital reserve RMB'000	Fair value reserve RMB'000	Other reserves RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
The Company							
At 1 January 2021	466,700	(8,294)	(14,205)	(8,968)	11,179	(19,992)	426,420
Total comprehensive income							
Loss for the year	–	–	–	–	–	(2,579)	(2,579)
Other comprehensive income							
Foreign currency translation differences	–	–	–	–	(19,456)	–	(19,456)
Total comprehensive income for the year	–	–	–	–	(19,456)	(2,579)	(22,035)
At 31 December 2021	466,700	(8,294)	(14,205)	(8,968)	(8,277)	(22,571)	404,385
Total comprehensive income							
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(1,516)**	**(1,516)**
Other comprehensive income							
Foreign currency translation differences	**–**	**–**	**–**	**–**	**39,238**	**–**	**39,238**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**39,238**	**(1,516)**	**37,722**
At 31 December 2022	**466,700**	**(8,294)**	**(14,205)**	**(8,968)**	**30,961**	**(24,087)**	**442,107**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 RMB'000	2021 RMB'000
Cash Flows from Operating Activities			
Profit before tax		**34,070**	34,352
Adjustments for:			
Impairment losses on trade and other receivables	26	**–**	17
Change in fair value of financial asset mandatorily at fair value through profit or loss	22	**1,368**	(613)
Depreciation of property, plant and equipment	22	**4,969**	2,853
Gain on disposal of property, plant and equipment, net	19	**–**	(319)
Interest income	19	**(3,504)**	(4,910)
Interest expense	20	**1,801**	1,333
Share of profit of equity-accounted investees, net of tax	6	**(25,026)**	(23,167)
Provision for contingent liabilities (reversed)/recognised	14(A)	**(3,132)**	4,884
Reversal of provision for guarantee	14(B)	**–**	(480)
Operating profit before working capital changes		**10,546**	13,950
Changes in inventories		**229**	1,288
Changes in contract assets		**–**	6,316
Changes in trade and other payables		**16,869**	(1,737)
Changes in trade and other receivables		**(10,587)**	(30,524)
Cash generated from/(used in) operations		**17,057**	(10,707)
Income tax paid		**(5,739)**	(3,810)
Net cash generated from/(used in) operating activities		**11,318**	(14,517)
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment		**(825)**	(3,480)
Investment in an associated company	6	**–**	(20,000)
Interest received		**3,504**	4,308
Loan to an associated company	9	**(20,000)**	–
Loan to an unrelated party	9	**(3,000)**	–
Proceeds from sale of property, plant and equipment		**–**	648
Net cash generated from disposal of a subsidiary(1)		**–**	56,000
Tax paid on gain on disposal of a subsidiary(2)		**–**	(16,933)
Transfer to Escrow Accounts	10	**–**	(56,000)
Net cash used in investing activities		**(20,321)**	(35,457)
Cash Flows from Financing Activities			
Capital reduction in a subsidiary paid to non-controlling interest	5	**(2,006)**	–
Amounts owing to shareholders	Note A	**1,584**	
Interest paid	Note A	**(1,801)**	(1,333)
Payment of lease liabilities	Note A	**(248)**	(966)
Net cash used in financing activities		**(2,471)**	(2,299)
Net decrease in cash and cash equivalents		**(11,474)**	(52,273)
Cash and cash equivalents at beginning of year		**118,986**	170,909
Effect of exchange rate fluctuations on cash held		**18**	350
Cash and cash equivalents at end of year	10	**107,530**	118,986

(1) This related to the final tranche of the Sale Consideration of RMB56 million from the disposal of Ranken Railway Construction Group Co., Ltd and its subsidiaries ("Ranken Group") to Shandong Hi-Speed Road & Bridge Investment Management Co., Ltd (the "Investor") to be received by the Group, pursuant to completion of the audit of the financial affairs of Ranken Group for the Audit Period from 1 September 2019 to 31 October 2020 with no losses incurred by Ranken Group by the Investor-appointed auditor in accordance with PRC accounting standards. The RMB56 million is currently held in escrow in the Escrow Account as disclosed in Note 10.

(2) This related to income tax attributable to the gain on disposal of Ranken Group which was paid in the financial year ended 31 December 2021.

CONSOLIDATED STATEMENT OF
CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Note A: Reconciliation of liabilities arising from financing activities

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

	Lease liabilities RMB'000	Amounts owing to shareholders RMB'000	Accrued factoring interest expense RMB'000	Total RMB'000
	(Note 15)	(Note 17)		
Balance at 1 January 2021	–	7,885	–	7,885
Cashflows:				
Payment of lease liabilities	(966)	–	–	(966)
Interest paid	(127)	–	(1,206)	(1,333)
	(1,093)	–	(1,206)	(2,299)
Non-cashflows:				
New leases (Note 4)	3,037	–	–	3,037
Interest expense (Note 20)	127	–	1,206	1,333
	3,164	–	1,206	4,370
Balance at 31 December 2021	2,071	7,885	–	9,956
Cashflows:				
Amounts owing to shareholders	**–**	**1,584**	**–**	**1,584**
Payment of lease liabilities	**(248)**	**–**	**–**	**(248)**
Interest paid	**(897)**	**–**	**(904)**	**(1,801)**
	(1,145)	**1,584**	**(904)**	**(465)**
Non-cashflows:				
New leases (Note 4)	**25,726**	**–**	**–**	**25,726**
Interest expense (Note 20)	**897**	**–**	**904**	**1,801**
Others	**546**	**–**	**–**	**546**
	27,169	**–**	**904**	**28,073**
Balance at 31 December 2022	**28,095**	**9,469**	**–**	**37,564**

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

1 GENERAL INFORMATION

The financial statements of Sapphire Corporation Limited (the "Company") and of the Group for the financial year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

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

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

The principal activities of the Company are those of investment management, provision of management services and holding company. The principal activities of the subsidiaries and the associates are set out in Notes 5 and 6, respectively.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements are prepared in accordance with the provisions of the Singapore Companies Act 1967 and Singapore Financial Reporting Standards (International) ("SFRS(I)").

In the current financial year, the presentation of profit or loss and other comprehensive income has been changed to the 'one-statement' approach from the 'two-statement' approach because management is of the view that the former is more concise for understanding purpose.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

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

(a) Judgements made in applying accounting policies

(i) Identification of functional currency

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

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

(ii) Classification of the Tranche 1 and Tranche 2 Escrowed Sum in the Group's cash and cash equivalents (Notes 10(A) and 10(B))

As at 31 December 2022 and 2021, "cash and bank balances" includes the Dividend Allocation Sum, being part of the Tranche 1 Escrowed Sum, related to an amount equivalent to 36.3% of the Net Proceeds being RMB93,308,000, which will be allocated for distribution to Shareholders by way of dividends, and has been included as "cash and cash equivalents" in the consolidated statement of cash flows as the amount is held in short-term, highly liquid investments readily convertible to known amounts of cash, subject to an insignificant risk of changes in value, and deemed to be held for the purpose of meeting short-term cash commitments.

As at 31 December 2022 and 2021, the remaining 35.7% of the Net Proceeds amounting to RMB91,698,000, being the Tranche 2 Escrowed Sum, has not been included in "cash and cash equivalents" in the consolidated statement of cash flow as the amount is subject to SGX-ST's approval for the Company to cease such escrow arrangement. Despite which, the amount has been classified as "current" in the consolidated statement of financial position as management is of the view that the financial conditions have been met and approval to cease such escrow arrangement will be obtained in the next 12 months.

(iii) Income tax (Note 21)

The Group is primarily exposed to income taxes in Singapore and the People's Republic of China. Significant judgment is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for expected tax issue based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payable as at 31 December 2022 was Nil (2021 – RMB3.1 million).

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

(b) Key sources of estimation uncertainty

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

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

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

(ii) Accounting for investment in associate (Note 6)

In applying the equity method on the Group's interest in Ranken Group for the financial year ended 31 December 2022, management has made certain adjustments of RMB9.6 million to the financial results of Ranken Group to align the accounting policies of Ranken Group with those of the Group.

These adjustments included (a) reversal of impairment losses amounting to RMB6.6 million on Ranken Group's trade and other receivables and contract assets in accordance with SFRS(I) 9 – *Financial Instruments*, (b) the accounting of Ranken Group's share of associates' profits amounting to RMB10.0 million who are the operators of a public private partnership ("PPP") arrangements to build, operate and transfer the first phase of Chengdu Wuhou District Liveable Riverbank Project and Xi River Sewage Treatment Plant 2 Project, offset by the effects on depreciation and amortisation on Ranken Group's non-financial assets amounting to RMB7.0 million arising from the purchase price allocation exercise carried out in FY2020, respectively.

These adjustments involve the use of significant accounting estimates such as (a) the assumptions used in the expected credit loss model in determining the adequacy of the provision for impairment loss recognised, (b) the estimation of the fair value of the construction service contracts during the construction and maintenance phases of the service concession arrangement projects and the service concession receivables which take into account budgeted construction costs, project value (including service concession rights) and profit margin applied on the service concession arrangements undertaken by the associates of Ranken Group and (c) changes in the useful lives of Ranken Group's non-financial assets which affect the amount of depreciation and amortisation expenses recorded.

A 1% increase/(decrease) in the profit margin applied on the service concession arrangements undertaken by the associates of Ranken Group and an increase/(decrease) in the useful lives of Ranken Group's non-financial assets by 1 year, while keeping other parameters constant, would not significantly affect the Group's share of results in Ranken Group. However, a 0.5% increase/(decrease) in the historical loss rate applied on the trade and other receivables and contract assets of Ranken Group would decrease/increase the Group's share of results by approximately RMB6.8 million.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

(b) Key sources of estimation uncertainty (Continued)

(iii) Provision for contingent liabilities (Note 14(A))

As set out in the Circular in respect of the Group's disposal of Ranken Group to the Investor dated 9 October 2020, the Group has agreed with the Investor that Ranken Group shall be entitled to offset the outstanding uncollected receivables in the books of Ranken Group against the dividend payable due to the Group should Ranken Group fail to collect such receivables within 5 years from the date on which such receivables become due to Ranken Group and the Group will be liable to reimburse any excess receivables which remained outstanding after the dividend setoff and upon such reimbursement, the uncollected receivables will be assigned to the Group.

As at the balance sheet date, the Group's management performed an assessment and reversed provision amounting to RMB3,132,000 in the statement of comprehensive income due to an improvement in the historical default rate adjusted for current and forward-looking information applied on the above outstanding receivables based on the expected credit loss model in accordance with SFRS(I) 9 – *Financial Instruments*.

A 0.5% increase/decrease in the probability of default used would decrease/increase the Group's profit before tax by RMB1.8 million (2021 – RMB1.8 million).

(iv) Allowance for expected credit losses on trade and other receivables (Note 26)

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

The Group and the Company apply the 3-stage general approach to determine ECL for third parties and related parties. ECL is measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL for Stage 2 or Stage 3 assets. An asset moves from Stage 1 to Stage 2 when its credit risk increases significant and subsequently to Stage 3 as it becomes credit impaired. In assessing whether credit risk has significantly increased, the Group and the Company consider qualitative and quantitative reasonable and supportable forward-looking information.

Lifetime ECL represents ECL that will result from all possible default events over the expected life of a financial instrument whereas 12-month ECL represents the portion of lifetime ECL expected to result from default events possible within twelve months after the reporting date. The carrying amount of the Group's and the Company's trade and other receivables are disclosed in Notes 8 and 9, respectively. An increase/decrease of 10% in the estimated future cash inflows will lead to further allowance for impairment of RMB8.3 million and RMB28,900 (2021 – RMB5.4 million and RMB17,000) respectively, on the Group's and the Company's trade and other receivables.

2 BASIS OF PREPARATION (CONTINUED)

2.5 Adoption of new and amended standards and interpretations

The Group has applied the following SFRS(I), amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2022:

- Amendment to SFRS(I) 16 : Covid-19 – Related Concessions beyond 30 June 2021
- Amendment to SFRS(I) 3 : Reference to the Conceptual Framework
- Amendment to SFRS(I) 1-16 : Property, plant and equipment- Proceeds before Intended Use
- Amendment to SFRS(I) 37 : Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to SFRS(I)s 2018-2020

The application of these amendments to standards and interpretations does not have a material effect on the financial statement.

2.6 Standards issued but not yet effective

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

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2	*Disclosure of Accounting Policies*	1 January 2023
Amendments to SFRS(I) 1-8	*Definition of Accounting Estimates*	1 January 2023
Amendments to SFRS(I) 1-12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to SFRS(I) 1-1	*Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to SFRS(I) 10 and SFRS(I) 1-28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Yet to be determined
Amendments to SFRS (I) 16	*Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to SFRS (I) 1-1	*Non-current Liabilities with Covenants*	1 January 2024
Amendments to SFRS(I) 1-7 and SFRS(I) 7	*Supplier Finance Arrangements*	1 January 2024

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

Business combinations

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Business combinations (Continued)

Acquisition before 1 January 2017

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

Acquisitions from 1 January 2017

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

– the fair value of the consideration transferred; plus

– the recognised amount of any non-controlling interests (“NCI”) in the acquiree; plus

– if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Business combinations (Continued)

Acquisitions from 1 January 2017 (Continued)

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

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

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

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

– power over the investee;

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

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

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

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

– rights arising from other contractual arrangements; and

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

Transaction with non-controlling interests

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Changes in ownership interests in subsidiaries without loss of control

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

Changes in the Group's ownership interest in existing subsidiaries

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

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

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

3.2 Associates

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

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

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

Service concession arrangements

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash from or at the direction of the grantor for the construction or upgrade services provided, and the right to receive cash depends only on the passage of time. Such financial assets are measured at fair value on initial recognition and classified as financial assets measured at amortised cost. If the Group is paid for the construction services partly by a financial asset and partly by and intangible asset, then each component of the consideration is accounted for separately and is initially recognised at the fair value of the consideration.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Associates (Continued)

Construction contracts

A contract with a customer is classified as a construction contract when the contract relates to work on infrastructure under the control of the customer and therefore the associate'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 associate has an enforceable right to payment for performance completed to date. The progress towards the completed satisfaction of each PO is measured using the input method which is based on costs incurred relative to the total expected costs incurred to the satisfaction of that performance obligation.

When the outcome of the contract cannot be reasonably measured but the associate 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 be recovered until such time that it can reasonably measure the outcome of the PO.

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

3.3 Foreign currency

Foreign currency transactions

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

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

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

Foreign operations

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

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

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to consolidated statement of comprehensive income.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

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

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

(ii) Classification and subsequent measurement

Non-derivative financial assets

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

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

Financial assets at amortised cost

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

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

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

Equity investments at fair value through other comprehensive income

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

Financial assets at fair value through profit or loss

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets: Business model assessment

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

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

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

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

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

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

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

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

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

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

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

- contingent events that would change the amount or timing of cash flows;

- terms that may adjust the contractual coupon rate, including variable-rate features;

- prepayment and extension features; and

- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 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 (Continued)

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

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

Financial assets at FVTPL

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

Financial assets at amortised cost

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

Equity investments at FVOCI

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 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 the statement of comprehensive income.

(iv) Offsetting

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

(v) Cash and cash equivalents

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

(vi) Share capital

Ordinary shares

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Property, plant and equipment

Recognition and measurement

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

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

Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

Subsequent costs

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

Depreciation

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

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

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. The estimated useful lives for the current and comparative years are as follows:

Land and building	–	30 to 50 years
Plant and machinery	–	1 to 20 years
Furniture, fittings and office equipment	–	2 to 5 years
Motor vehicles	–	2 to 10 years
Renovation	–	5 years
Construction site facilities	–	1 to 5 years
Right of use – premises	–	3 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate. No depreciation is provided on assets under construction.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leased assets

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

(i) As a lessee

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leased assets (Continued)

(i) As a lessee (Continued)

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

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

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

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

Short-term leases and leases of low-value assets

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

(ii) As a lessor

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

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

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

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

3.7 Inventories

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 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 3.9) 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.

3.9 Impairment

(i) Non-derivative financial assets and contract assets

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

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

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

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

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

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

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

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

The Group considers trade and other receivables and contract assets 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (Continued)

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

Measurement of ECLs

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

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECLs in the statement of financial position

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

Write-off

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

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, contract assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For goodwill, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (Continued)

(ii) Non-financial assets (Continued)

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes.

Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

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

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

3.10 Employee benefits

Defined contribution plans

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

Short-term employee benefits

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Employee benefits (Continued)

Share-based payment transactions

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

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

3.11 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

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, which is determined based on the incremental costs of fulfilling the obligation under the contract and an allocation of other costs directly related to fulfilling the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

3.12 Contingencies

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

- a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the financial statements, except for contingent liability assumed in a business combination that is a present obligation and for which fair value can be reliably determined.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial guarantee contracts

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

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with SFRS(I) 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15. ECLs are probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Group and the Company expects to recover.

3.14 Revenue

Revenue from sale of goods and rendering 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue (Continued)

Rendering of services

Revenue from providing operations, maintenance and supervision services is recognised over time when the customers simultaneously receives and consumes the benefits as the Group performs the services.

Sale of goods

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

Equipment leasing

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

Interest income

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

3.15 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 the statement of comprehensive income 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 the statement of comprehensive income using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

3.17 Value-added tax

Revenue, expenses and assets are recognised net of the amount of value-added tax (“VAT”), except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authorities, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and except that trade receivables and trade payables are recorded with the amount of VAT included. The net amount of VAT recoverable from or payable to the taxation authorities are included as part of other receivables or other payables in the statement of financial position.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Tax

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

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

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

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 Earnings per share

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

3.20 Segment reporting

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

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

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

4 PROPERTY, PLANT AND EQUIPMENT

	Land and building RMB'000	Renovation RMB'000	Plant and machinery RMB'000	Furniture, fittings and office equipment RMB'000	Construction site facilities RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
The Group								
Cost								
At 1 January 2021	22,392	895	2,024	814	54	1,327	8,195	35,701
Additions	3,037	–	–	35	–	97	3,348	6,517
Disposals/write-off	–	–	(599)	(10)	–	(5)	–	(614)
Transfer	9,913	–	716	968	(54)	–	(11,543)	–
Effect of movements in exchange rates	–	(41)	–	(21)	–	–	–	(62)
At 31 December 2021	35,342	854	2,141	1,786	–	1,419	–	41,542
Additions	**25,726**	**–**	**–**	**43**	**–**	**–**	**782**	**26,551**
Effect of movements in exchange rates	**–**	**83**	**–**	**44**	**–**	**–**	**–**	**127**
At 31 December 2022	**61,068**	**937**	**2,141**	**1,873**	**–**	**1,419**	**782**	**68,220**
Accumulated depreciation								
At 1 January 2021	1,142	895	295	477	54	434	–	3,297
Depreciation	2,174	–	411	90	–	178	–	2,853
Disposals/write-off	–	–	(286)	–	–	(1)	–	(287)
Transfer	–	–	–	54	(54)	–	–	–
Effect of movements in exchange rates	–	(41)	–	(18)	–	–	–	(59)
At 31 December 2021	3,316	854	420	603	–	611	–	5,804
Depreciation	**4,354**	**–**	**275**	**182**	**–**	**158**	**–**	**4,969**
Effect of movements in exchange rates	**–**	**83**	**–**	**40**	**–**	**–**	**–**	**123**
At 31 December 2022	**7,670**	**937**	**695**	**825**	**–**	**769**	**–**	**10,896**
Carrying amount								
At 31 December 2022	**53,398**	**–**	**1,446**	**1,048**	**–**	**650**	**782**	**57,324**
At 31 December 2021	32,026	–	1,721	1,183	–	808	–	35,738

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4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Renovation RMB'000	Furniture, fittings and office equipment RMB'000	Total RMB'000
The Company			
Cost			
At 1 January 2021	895	461	1,356
Effect of movements in exchange rates	(41)	(21)	(62)
At 31 December 2021	854	440	1,294
Additions	**–**	**21**	**21**
Effect of movements in exchange rates	**83**	**44**	**127**
At 31 December 2022	**937**	**505**	**1,442**
Accumulated depreciation			
At 1 January 2021	895	405	1,300
Depreciation for the year	–	14	14
Effect of movements in exchange rates	(41)	(18)	(59)
At 31 December 2021	854	401	1,255
Depreciation for the year	**–**	**14**	**14**
Effect of movements in exchange rates	**83**	**40**	**123**
At 31 December 2022	**937**	**455**	**1,392**
Carrying amount			
At 31 December 2022	**–**	**50**	**50**
At 31 December 2021	–	39	39

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

	RMB'000
The Group	
Land and building and premises	
At 1 January 2021	–
New leases	3,037
Depreciation charge for the year	(1,012)
At 31 December 2021	2,025
New leases	**25,726**
Depreciation charge for the year	**(2,717)**
At 31 December 2022	**25,034**

As at 31 December 2022, the carrying amount of the Group's land and building mainly comprised a warehouse premise in the PRC with a gross floor area of 13,000 square metres and remaining tenure of approximately 17 years (2021 – 18 years).

As at 31 December 2022, the Group's ROU assets were held by a subsidiary and comprised premises used for its city redevelopment services through tenancy agreements. The lease runs for a period of 9 years (2021 – 3 years).

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Right-of-use ("ROU") assets classified under property, plant and equipment (Continued)

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

	2022 RMB'000	2021 RMB'000
The Group		
Interest expense on lease liabilities (Note 20)	**897**	127
Expenses related to short-term leases (Note 22)	**197**	163

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

	2022 RMB'000	2021 RMB'000
The Group		
Cost of goods sold	**4,951**	2,801
Other operating expenses	**18**	52
	4,969	2,853

5 SUBSIDIARIES

	2022 RMB'000	2021 RMB'000
The Company		
Equity investments at cost		
At 1 January	**410,786**	430,472
Capital reduction (Note A)	**(94,094)**	–
Effect of movements in exchange rates	**39,451**	(19,686)
At 31 December	**356,143**	410,786

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5 SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name	Country of incorporation/ principal place of business	Effective interest held by the Group 2022	2021	Principal activities
Ranken Holding Co., Limited[(1)] and its subsidiaries:	Hong Kong	**100**	100	Investment holding
– Chengdu Kai Qi Rui Business Management Co., Ltd. ("Chengdu KQR")[(2)] and its subsidiaries:	China	**98.0**	98.0	Enterprise management, engineering information and technology consultation
– Sichuan Yilong Equipment Co., Ltd[(2)]	China	**97.6**	97.6	Equipment maintenance and leasing
– Chengdu Shengshi Jialong City Management Service Co., Ltd[(2)]	China	**97.6**	97.6	Property management and consulting services
– Chengdu Kaiwan Enterprise Management Consulting Co., Ltd.[(2)]	China	**58.8**	58.8	Property management and consulting services

Notes:

(1) Audited by Foo Kon Tan LLP for purpose of consolidation

(2) Audited by a member firm of HLB International, HLB ThinkBridge Shanghai CPAs for purpose of consolidation

Note A: Capital reduction exercise

On 21 July 2022, Chengdu KQR completed the capital reduction exercise, and the registered share capital was reduced by RMB96,100,000 from RMB229,080,000 to RMB132,890,000, of which RMB94,094,000 was remitted to the immediate holding company, Ranken Holding Co Limited. The remaining RMB2,006,000 was paid to the non-controlling interest and was recorded as a reduction to the non-controlling interest in the consolidated statement of changes in equity.

On 5 October 2022, Ranken Holding Co Limited completed the capital reduction exercise and the registered share capital was reduced by RMB94,094,000 from RMB334,306,332 to RMB240,212,332, of which RMB93,209,000 was remitted to the Company and was included in "cash and bank balances" of the Group and the Company as at 31 December 2022 (Note 10(B)).

6 ASSOCIATED COMPANY

	2022 RMB'000	2021 RMB'000
The Group		
Interests in associated companies	**417,827**	388,739
Group's interest in the net assets of investee:		
At 1 January	**388,739**	344,782
Dividends declared	**(18,954)**	(12,282)
Group's contribution during the year	**18,954**	32,282
Group's share of other comprehensive income	**4,062**	790
Group's share of profit	**25,026**	23,167
At 31 December	**417,827**	388,739

In 2022, the Group increased the cost of investment in Ranken Railway Construction Group Co., Ltd. ("Ranken Railway") from RMB277,309,348 to RMB296,263,781 (2021: RMB245,026,942 to RMB277,309,348) by way of capitalisation of dividends distributed by Ranken Railway of RMB18,954,433 (2021: RMB12,282,406 and cash injection of RMB20,000,000) into the share capital. The other shareholders of Ranken Railway have proportionately increased their investment in Ranken Railway in the same manner with no change in the percentage of shareholdings.

Details of the associate are as follows:

Name	Country of incorporation/ principal place of business	Effective interest held by the Group 2022	Effective interest held by the Group 2021	Principal activities
Ranken Railway Construction Group Co., Ltd ("Ranken Railway") and its subsidiaries[(1)]	China	**48.8**	48.8	EPC for railway, highway, municipal, industrial and civil construction and airports and water conservancy projects and investment holding

(1) Audited by Baker Tilly Jinan Certified Public Accountants (2021: ShineWing Certified Public Accountants and HLB ThinkBridge Shanghai CPAs) for purpose of consolidation in accordance with IFRS.

The associate is accounted for using the equity method in the Group's consolidated financial statements.

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6 ASSOCIATED COMPANY (CONTINUED)

Summarised financial information in respect of Ranken Railway is set out below. The information below reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for any differences in accounting policies between the Group and the associates.

	2022 RMB'000	2021 RMB'000
The Group		
Non-current assets[(a)]	**381,530**	373,280
Current assets	**2,889,878**	2,670,882
Non-current liabilities	**(234,330)**	(63,887)
Current liabilities	**(2,198,405)**	(2,199,988)
Net assets	**838,673**	780,287
Proportion of the Group's ownership interest in the associate (%) (*)	**49.82**	49.82
Carrying amount of the Group's interest in associate	**417,827**	388,739
Revenue for the year	**1,629,507**	2,326,454
Profit for the year	**50,232**	46,501
Other comprehensive income	**8,147**	1,585
Total comprehensive income for the year	**58,379**	48,086

(*) – Relates to Chengdu KQR's direct interest in Ranken Group

(a) The Group's share of profit included the depreciation and amortisation expenses totaling RMB7.0 million (2021: RMB21.4 million) on the fair value adjustments made on Ranken Group's non-financial assets which arose from the purchase price allocation exercise carried out in FY2020.

2022

In accordance with the share transfer and capital increase agreement, Chengdu KQR has an outstanding unpaid equity capital of RMB32,098,743 in Ranken Railway as at 31 December 2022 (31 December 2021: RMB51,053,176). The shareholders of Ranken Railway are required to pay up the outstanding equity capital in tandem and in the same proportions and are to pay up any outstanding share capital obligations by 25 August 2030. This capital commitment has not been recognised in the Group's consolidated financial statements.

Ranken Group does not have any contingent liabilities and commitments.

7 OTHER INVESTMENTS

	2022 RMB'000	2021 RMB'000
The Group and The Company		
Equity investment – mandatorily at FVTPL:		
At 1 January	**2,812**	2,316
Changes in fair value (Note 22)	**(1,368)**	613
Translation differences	**191**	(117)
At 31 December	**1,635**	2,812

8 TRADE RECEIVABLES

	2022 RMB'000	2021 RMB'000
The Group		
Trade receivables – third parties	**6,140**	6,437
Trade receivables – associated company	**44,595**	43,686
Bills receivables – associated company	**6,518**	–
	57,253	50,123
Impairment loss	**(63)**	(63)
	57,190	50,060

The Group's exposure to credit risk is disclosed in Note 26 to the financial statements.

9 OTHER RECEIVABLES

	The Group		The Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Other receivables due from third parties	**3,395**	4,335	**219**	132
Amount due from a former subsidiary	**14,859**	14,859	**14,859**	14,859
Impairment loss	**(14,859)**	(14,859)	**(14,859)**	(14,859)
	3,395	4,335	**219**	132
Amount due from an associated company	**615**	–	**–**	–
Loan to an associated company	**20,000**	–	**–**	–
Loan to third party	**3,000**	–	**–**	–
Deposits	**70**	42	**70**	42
Financial assets at amortised cost	**27,080**	4,377	**289**	174
Other tax recoverable	**–**	80	**–**	80
Prepayments	**9,790**	5,956	**185**	82
	36,870	10,413	**474**	336

As at 31 December 2022 and 2021, the amount due from a former subsidiary of RMB14,859,000 (equivalent to AUD3,132,000) was due from Mancala Holdings Pty Ltd, which ceased to be a subsidiary of the Company following the Group's disposal of the former Mining Service segment in FY2017. The amount representing advances made and payments made on behalf was interest-free, unsecured, repayable on demand and was fully impaired in the 2020.

In 2022, the Group extended unsecured loans to an associated company and a third party which bore interest at 4.38% and 4.75% per annum, respectively, with maturity of 12 months.

Amounts due from an associated company representing advances made and payments made on behalf are interest-free, unsecured and repayable on demand.

The Group's and the Company's exposure to credit risk is disclosed in Note 26 to the financial statements.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

10 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Current:				
– Restricted cash in an Escrowed Account (Note A)	**91,698**	91,698	**–**	–
– Cash and bank balances (Note B)	**107,530**	118,986	**97,612**	193
Cash and bank balances in the statements of financial position	**199,228**	210,684	**97,612**	193
Less: Restricted cash in an Escrow Account (Note A)	**(91,698)**	(91,698)		
Cash and cash equivalents in the statement of cash flows	**107,530**	118,986		

The weighted average effective interest rates per annum relating to cash and bank balances at the reporting date for the Group and the Company were 1.71% (2021 – 2.06%) and 1.13% (2021 – 0.49%) respectively. Interest rates are repriced within one year.

As disclosed in the Circular dated 9 October 2020, in order for the Company to not be deemed as a cash company under Rule 1018 of the Listing Manual, the Company had voluntarily undertaken to SGX-ST that upon receipt of the full amount of the Sale Consideration from the Investor, the Company will place the Net Proceeds into the Escrow Account as follows:

Note A: As at 31 December 2022 and 2021, the remaining 35.7% of the Net Proceeds amounting to RMB91,698,000, being the Tranche 2 Escrowed Sum, has not been included in "cash and cash equivalents" in the consolidated statement of cash flow as the amount is subject to SGX-ST's approval for the Company to cease such escrow arrangement. Despite which, the amount has been classified as "current" in the consolidated statement of financial position as management is of the view that the financial conditions have been met and approval to cease such escrow arrangement will be obtained in the next 12 months.

In the event that SGX-ST does not approve the cessation of the escrow arrangement as mentioned above before the expiry of three (3) years from the date that the shares in Ranken Railway are registered in the name of the Investor, the Company shall distribute the Tranche 2 Escrow Sum to its Shareholders by way of dividends after a capital reduction exercise (which may not be required) to write off all accumulated losses of the Group after FY2020 (if any).

The SGX-ST will reject the Company's application to withdraw the Tranche 2 Escrowed Sum if the Company's latest audited full year consolidated accounts are subject to an adverse opinion, a qualified opinion, a disclaimer of opinion or the Company's auditors have stated that a material uncertainty related to going concern exists.

Note B: As at 31 December 2022 and 2021, "cash and bank balances" includes the Dividend Allocation Sum, being part of the Tranche 1 Escrowed Sum, related to an amount equivalent to 36.3% of the Net Proceeds being RMB93,308,000, which will be allocated for distribution to Shareholders by way of dividends, and has been included as "cash and cash equivalents" in the consolidated statement of cash flows as the amount is held in short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and deemed to be held for the purpose of meeting short-term cash commitments. On 17 February 2023, the cash distribution of RMB93,254,912 (equivalent to S$18,586,099) were paid to the shareholders of the Company.

11 SHARE CAPITAL

	2022	2021	2022	2021
	No. of ordinary shares ('000)		RMB'000	RMB'000
The Company				
Issued and paid up:				
At 1 January and at 31 December	**407,590**	407,590	**466,700**	466,700

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Capital management

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

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

The capital structure of the Group consists of 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 2022 and 2021.

12 RESERVES

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

	The Group		The Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Capital reserve	**(7,585)**	(7,585)	**(8,294)**	(8,294)
Fair value reserve	**(14,205)**	(14,205)	**(14,205)**	(14,205)
Other reserves	**(8,968)**	(8,968)	**(8,968)**	(8,968)
Translation reserve	**6,123**	2,275	**30,961**	(8,277)
Accumulated profits/(losses)	**228,401**	197,715	**(24,087)**	(22,571)
	203,766	169,232	**(24,593)**	(62,315)

Capital reserve represents 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 Group's and the Company's fair value of equity investment in Mancala Holdings Limited designated at FVOCI, which was fully written down in 2019.

Other reserves represent expenses incurred in relation to the issue of shares of the Company.

The translation reserve comprises foreign exchange differences arising from the translation of the financial statements in currencies other than the Group's presentation currency.

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

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13 NON-CONTROLLING INTERESTS

Non-controlling interests ("NCI") relates to minority shareholders' stake in various subsidiaries under Ranken Holding Co., Limited (Note 5). The following table summarises financial information relating to Ranken Holding Co., Limited and its subsidiaries, modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

	2022 RMB'000	2021 RMB'000
The Group		
Attributable to NCI (2%):		
Profit for the year representing total comprehensive income	**741**	705
Non-current assets	**475,100**	424,441
Current assets	**203,933**	275,842
Non-current liabilities	**(34,179)**	(11,981)
Current liabilities	**(78,104)**	(58,302)
Net assets	**566,750**	630,000
Net assets attributable to NCI	**11,335**	12,600
Cash flows generated from/(used in) operating activities	**10,669**	(15,322)
Cash flows used in investing activities	**(18,135)**	(34,862)
Cash flows used in financing activities	**(2,471)**	(2,139)
Net decrease in cash and cash equivalents	**(9,937)**	(52,323)

14 PROVISIONS

	2022 RMB'000	2021 RMB'000
The Group		
Provision for contingent liabilities (Note (A))	**6,658**	9,790
Provision for guarantee (Note (B))	**1,131**	1,131
	7,789	10,921

(A) Provision for contingent liabilities

This relates to the provision for guarantee provided by the Group to the Investor for the recoverability of outstanding receivable balances in Ranken Railway as at 31 August 2019. Should Ranken Railway fail to collect such receivables within five (5) years from the date on which such receivables are due, Ranken Railway shall be entitled to offset such amounts against the dividends payable to Chengdu KQR, and Chengdu KQR shall be liable to reimburse any excess receivables which remain outstanding after the set-off, and upon such reimbursement, the uncollected receivables will be assigned to Chengdu KQR.

The estimate has been made by identifying receivables that are credit-impaired and the ECL model was applied to determine the amount of provision required.

A 0.5% increase/decrease in the probability of default used would decrease/increase the Group's profit before tax by RMB1.8 million (2021 – RMB1.8 million).

14 PROVISIONS (CONTINUED)

(A) Provision for contingent liabilities (Continued)

The movement during the year is as follows:

	2022 RMB'000	2021 RMB'000
The Group		
At 1 January	**9,790**	4,906
Provision (reversed)/recognised	**(3,132)**	4,884
At 31 December	**6,658**	9,790

(B) Provision for guarantee

As at 31 December 2022, the Group, through Chengdu KQR, has provided guarantees for banking facilities of Ranken Railway amounting to an aggregate sum of RMB3.9 million (2021 – RMB35.0 million); and its 49.82% share of covered guarantee amounting to RMB135 million (2021 – RMB98 million), respectively (Note 25).

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with SFRS(I) 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15. Expected credit losses ("ECL" are probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Group and the Company expects to recover.

The movement during the year is as follows:

	2022 RMB'000	2021 RMB'000
The Group		
At 1 January	**1,131**	1,611
Provision reversed	**–**	(480)
At 31 December	**1,131**	1,131

15 LEASE LIABILITIES

	2022 RMB'000	2021 RMB'000
The Group		
Undiscounted lease payments due:		
– Later than five years	**15,877**	–
– Later than one year and not later than five years	**16,713**	1,092
– No later than one year	**3,807**	1,092
	36,397	2,184
Less: Future interest costs	**(8,302)**	(113)
	28,095	2,071
Represented by:		
– Non-current	**26,390**	1,060
– Current	**1,705**	1,011
	28,095	2,071

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15 LEASE LIABILITIES (CONTINUED)

The Group's lease liabilities are secured by the lessors' title to the leased assets.

Total cashflows for all leases in the current financial year amounted to RMB1,342,000 (2021 – RMB1,256,000), including short-term leases of RMB197,000 (2021 – RMB163,000) (Note 22). Interest expense on lease liabilities of RMB897,000 (2021 – RMB127,000) is recognised within "finance costs" in the consolidated statement of comprehensive income (Note 20).

As at 31 December 2022, the Group's short-term commitments at the reporting date are not substantially dissimilar to those giving rise to the Group's short-term lease expense for the financial year.

16 TRADE PAYABLES

	2022 RMB'000	2021 RMB'000
The Group		
Trade payables	**27,855**	15,822

17 OTHER PAYABLES

	The Group		The Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Amounts due to a subsidiary	**–**	–	**9,731**	4,985
Amounts owing to shareholders	**9,469**	7,885	**–**	–
Accrued expenses	**7,468**	7,578	**3,608**	3,767
Security deposits	**1,045**	413	**–**	–
Other payables	**2,588**	590	**468**	1,029
Financial liabilities at amortised cost	**20,570**	16,466	**13,807**	9,781
Other tax payables	**3,964**	1,767	**–**	–
	24,534	18,233	**13,807**	9,781

Amounts due to a subsidiary and shareholders comprise advances received, are non-trade, unsecured, non-interest bearing and repayable on demand.

18 REVENUE

	2022 RMB'000	2021 RMB'000
The Group		
Revenue from contracts with customers	**92,875**	102,203
Warehouse, premises and equipment leasing	**4,718**	11,932
	97,593	114,135

18 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:

Rendering of services

Nature of goods or services	The Group provides operations, maintenance and supervision based on specifically negotiated contracts with customers.
When revenue is recognised	Revenue is recognised over time when the customer simultaneously receives and consumes the benefits as the Group performs the services.
Significant payment terms	Invoices are issued on a monthly basis and are payable based on stipulated credit terms in the contract.

Sale of goods

Nature of goods or services	The Group manufactures railway sleepers that are sold for a specific project.
When revenue is recognised	Revenue is recognised when goods are delivered to the customers and all criteria for acceptance have been satisfied.
Significant payment terms	Invoices are issued when goods are delivered to the customers.

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by major products and service lines, geographical markets and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segment (see Note 28).

	Reportable segment Infrastructure	
	2022 RMB'000	**2021 RMB'000**
The Group		
Major products/service lines		
Infrastructure:		
– Rendering of services	**27,850**	30,181
– Sale of goods	**65,025**	72,022
	92,875	102,203
Primary geographical markets		
China	**92,875**	102,203
Timing of revenue recognition		
Products transferred at a point in time	**65,025**	72,022
Products and services transferred over time	**27,850**	30,181
Revenue from contracts with customers	**92,875**	102,203

Note: The above excludes revenue from leasing.

NOTES TO THE FINANCIAL STATEMENTS

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18 REVENUE (CONTINUED)

Contract balances

The following tables provides information about receivables from contracts with customers.

	2022 RMB'000	2021 RMB'000
The Group		
Trade receivables (Note 8)	**57,190**	50,060

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.

Significant changes in the contract assets in the previous year were as follows:

	2022 RMB'000	2021 RMB'000
The Group		
Contract asset reclassified to trade receivables	**–**	(6,271)

Transaction price allocated to the remaining performance obligations

As at 31 December 2022 and 2021, the revenue expected to be recognised in the future related to performance obligations for its construction contracts that are unsatisfied (or partially satisfied) is Nil.

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.

19 OTHER INCOME

	2022 RMB'000	2021 RMB'000
The Group		
Interest income from banks	**3,504**	4,308
Interest income – associated company	**–**	602
Gain on disposal of property, plant and equipment, net	**–**	319
Government grants	**–**	60
Change in fair value of financial asset designated as fair value through profit or loss	**–**	613
Foreign exchange gain	**2,966**	–
Others	**960**	549
	7,430	6,451

20 FINANCE COSTS

	2022 RMB'000	2021 RMB'000
The Group		
Interest expense:		
– lease liabilities	**897**	127
– factoring expenses	**904**	1,206
	1,801	1,333

21 TAX EXPENSE

	2022 RMB'000	2021 RMB'000
The Group		
Current tax expense		
– Current year	**2,643**	4,481

Reconciliation of effective tax rate

	2022 RMB'000	2021 RMB'000
The Group		
Profit before tax:	**34,070**	34,352
Share of profit of equity-accounted investees	**(25,026)**	(23,167)
Profit before share of profit of equity-accounted investees	**9,044**	11,185
Tax using the Singapore tax rate of 17% (2021 – 17%)	**1,537**	1,902
Effect of tax rates in foreign jurisdictions	**1,062**	1,341
Non-deductible tax expenses	**809**	1,342
Tax exempt income	**(765)**	(104)
	2,643	4,481

Non-deductible expenses relate mainly to net provisions recognised and depreciation charge on qualifying property, plant and equipment and fair value loss on financial asset at fair value through profit or loss.

In the current year, tax exempt income includes provisions reversed; and fair value gain on financial assets designated at fair value through profit or loss in the previous financial year, respectively.

Income tax recognised in other comprehensive income

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

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

	2022 RMB'000	2021 RMB'000
The Group and the Company		
Tax losses	**263,015**	258,726

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

21 TAX EXPENSE (CONTINUED)

As at 31 December 2022, the Group's and the Company's unutilised tax losses amounting to S$59.3 million (2021 – S$59.3 million) may be carried forward indefinitely.

Deferred tax assets have not been recognised as it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. The unutilised tax losses 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 2022 and 2021, 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.

22 PROFIT FOR THE YEAR

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

The Group	Note	2022 RMB'000	2021 RMB'000
Audit fees paid and payable to:			
- auditors of the Company		**673**	648
- other auditors		**870**	700
Changes in fair value of financial asset mandatorily at fair value through profit or loss	7	**1,368**	(613)
Cost of inventories included in cost of sales		**59,152**	67,863
Depreciation of property, plant and equipment	4	**4,969**	2,853
Directors' remuneration and fees		**904**	780
Exchange (gain)/loss, net		**(2,966)**	266
Expenses related to short-term leases	4	**197**	163
Gain on disposal of property, plant and equipment, net		**–**	(319)
Property and project management expenses		**13,677**	9,459
Subcontracting costs		**3,304**	3,768
Employee benefits expense:			
- Salaries, bonuses and other costs		**10,506**	12,963
- Contributions to defined contribution plans		**1,231**	1,055
		11,737	14,018
Employee benefits expense are recorded to the following:			
- Cost of sales		**5,459**	5,225
- Administrative expenses		**6,278**	8,793
		11,737	14,018

23 EARNINGS PER SHARE

The calculation of basic earnings per share ("EPS") for the year ended 31 December 2022 was based on the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding of 407,590,000 (2021 – 407,590,000), calculated as follows:

Profit attributable to ordinary shareholders

	2022 RMB'000	2021 RMB'000
The Group		
Profit attributable to ordinary shareholders	**30,686**	29,166

Weighted-average number of ordinary shares

	2022 '000	2021 '000
The Group		
Issued ordinary shares at 1 January and 31 December	**407,590**	407,590

23 EARNINGS PER SHARE (CONTINUED)

Earnings per share

	2022 RMB (cents)	2021 RMB (cents)
The Group		
Basic/diluted	**7.53**	7.15

In 2022 and 2021, the diluted earnings per share are the same as basic earnings per share as the Group does not have any dilutive equity instruments.

24 LEASES

Leases as lessor

In FY2021, the Group leased out construction equipment. All leases are classified as operating leases from a lessor perspective.

Operating lease

The Group leases out its investment properties and construction equipment. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income from equipment leasing recognised by the Group during 2022 was RMB4,718,000 (2021 – RMB11,932,000) (Note 18).

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25 RELATED PARTIES

Transactions with key management personnel

Key management personnel compensation

Key management personnel compensation comprised:

	2022 RMB'000	2021 RMB'000
The Group		
Short-term employee benefits	**2,120**	2,199
Post-employment benefits	**175**	146
	2,295	2,345

Other related party transactions

	2022 RMB'000	2021 RMB'000
The Group		
Legal services rendered by a firm of which a director is a partner of the firm	**342**	432
Associated company:		
Revenue from contracts with customer – construction contracts	**17,757**	27,127
Leasing income	**3,180**	9,859
Sale of goods	**49,221**	50,006

Other related party balances

	2022 RMB'000	2021 RMB'000
The Group		
Guarantee provided for banking facilities	**3,917**	34,993
Covered guarantee provided for banking facilities (1)	**135,294**	97,582

(1) Determined based on Chengdu KQR's 49.82% share of guarantees provided on banking facilities utilised by the associated company amounting to RMB271.7 million (2021 – RMB196 million) as at 31 December 2022.

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

Credit risk

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

The carrying amounts of financial assets and contract assets represent the maximum credit exposure to credit risk.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Trade and other receivables

Impairment losses on financial assets recognised in the statement of comprehensive income were as follows:

	2022 RMB'000	2021 RMB'000
The Group		
Impairment loss on trade and other receivables	**–**	17

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 28.

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.

All of the Group's customers are in PRC.

The Group does not require collateral in respect of trade and other receivables. The Group does not have trade and other receivable and contract assets for which no loss allowance is recognised because of collateral.

Exposure to credit risk

The exposure to credit risk for trade and other receivables (excluding prepayments and other tax recoverable) and contract assets at the reporting date by geographic region was as follows:

	The Group		The Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Singapore	**289**	174	**289**	174
China	**83,981**	54,263	**–**	–
	84,270	54,437	**289**	174

As at 31 December 2022, the Group has concentration of credit risk on the outstanding trade receivables due from Ranken Group amounting to RMB51.1 million or 89% (2021 – RMB43.7 million or 88%) of the Group's trade receivables (refer to Note 8). As at the date of this report, approximately RMB12.6 million of the trade balance; and the loan to the associated company of RMB20 million (Note 9) remained outstanding, while the loan extended to a third party (Note 9) has been fully received.

The Group measures the loss allowances of trade and other receivables using the 'roll rate' method, based on receivables ageing and expected loss rate, and made adjustments for trade receivables from customers to reflect current conditions.

Contract assets relate to unbilled work in progress. The Group measures the loss allowances of contract assets at an amount equal to lifetime ECLs, which is calculated using a simplified approach using a provision matrix, to compute the expected credit loss for retention sum and unbilled receivables from customers. In the provision matrix, the Group uses the actual historical credit loss experience over the past four years, adjusted for forward-looking overlay. Management is of the view that the historical conditions are representative of the conditions prevailing at the reporting date as the customer profile has not changed.

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Trade receivables and contract assets (Continued)

Expected credit loss assessment as at 31 December 2022

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables (excluding prepayments and other tax recoverable) as at 31 December 2022:

	Weighted-average loss rate %	Not-credit-impaired RMB'000	Credit-impaired RMB'000	Gross carrying amount RMB'000	Total impairment loss allowance RMB'000	Net RMB'000
The Group						
2022						
Current (not past due)	**0.12**	**84,333**	**–**	**84,333**	**(63)**	**84,270**
More than one year past due	**100**	**–**	**14,859**	**14,859**	**(14,859)**	**–**
		84,333	**14,859**	**99,192**	**(14,922)**	**84,270**
Loss allowance		**(63)**	**(14,859)**			
		84,270	**–**			

Expected credit loss assessment as at 31 December 2021

	Weighted-average loss rate %	Not-credit-impaired RMB'000	Credit-impaired RMB'000	Gross carrying amount RMB'000	Total impairment loss allowance RMB'000	Net RMB'000
The Group						
2021						
Current (not past due)	0.12	54,500	–	54,500	(63)	54,437
More than one year past due	100	–	14,859	14,859	(14,859)	–
		54,500	14,859	69,359	(14,922)	54,437
Loss allowance		(63)	(14,859)			
		54,437	–			

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26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Trade receivables and contract assets (Continued)

Expected credit loss assessment as at 31 December 2021 (Continued)

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:

	2022 RMB'000	**2021 RMB'000**
The Group		
At 1 January	**14,922**	15,617
Impairment losses recognised	**–**	17
Effects of foreign currency translation	**–**	(712)
At 31 December	**14,922**	14,922

Cash and bank balances

The Group's and the Company's cash and bank balances as at 31 December 2022 represents its maximum credit exposure on these assets. The cash and bank balances are held with bank and financial institution counterparties which are regulated. Impairment on bank balances 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 bank balances have low credit risk based on the external credit ratings of the counterparties.

The amount of the allowance on cash and bank balances was negligible.

Other receivables of the Company

As at 31 December 2022, the Company's financial assets included in other receivables amounted to RMB289,000 (2021 – RMB174,000), mainly to amounts due from third party and rental deposits placed with lessors. Impairment on the balances have been measured on the lifetime expected loss basis. Allowance had been made on credit-impaired balances due from a former subsidiary arising from uncertainty of collection due to under-performance and unfavourable market conditions of the debtor, amounting to RMB14,859,000 (2021 – RMB14,859,000).

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 bank balances 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.

The Company's management operates a centralised cash and treasury function and monitors the cashflow position of the Company and its entities within the Group and deploys its available cash amongst these entities to continue its operations and meet its financial obligations as and when they fall due. There is no implication to the Group which reported net current assets of RMB240.8 million (2021 – RMB236.0 million) as at 31 December 2022.

Exposure to liquidity risk

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

		Contractual cash flows			
The Group	**Carrying amount RMB'000**	**Total RMB'000**	**Less than 1 year RMB'000**	**Within 1 to 5 years RMB'000**	**More than 5 years RMB'000**
As at 31 December 2022					
Non-derivative financial liabilities					
Provisions (Note 14)	**7,789**	**(7,789)**	**–**	**(7,789)**	**–**
Lease liabilities (Note 15)	**28,095**	**(36,397)**	**(3,807)**	**(16,713)**	**(15,877)**
Trade payables (Note 16)	**27,855**	**(27,855)**	**(27,855)**	**–**	**–**
Other payables (Note 17)	**20,570**	**(20,570)**	**(20,570)**	**–**	**–**
	84,309	**(92,611)**	**(52,232)**	**(24,502)**	**(15,877)**
As at 31 December 2021					
Non-derivative financial liabilities					
Provisions (Note 14)	10,921	(10,921)	–	(10,921)	–
Lease liabilities (Note 15)	2,071	(2,184)	(1,092)	(1,092)	–
Trade payables (Note 16)	15,822	(15,822)	(15,822)	–	–
Other payables (Note 17)	16,466	(16,466)	(16,466)	–	–
	45,280	(45,393)	(33,380)	(12,013)	–

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26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (Continued)

Exposure to liquidity risk (Continued)

The Company	Carrying amount RMB'000	Contractual cash flows Total RMB'000	Less than 1 year RMB'000	Within 1 to 5 years RMB'000
As at 31 December 2022				
Non-derivative financial liabilities				
Other payables (Note 17)	**13,807**	**(13,807)**	**(13,807)**	**–**
As at 31 December 2021				
Non-derivative financial liabilities				
Other payables (Note 17)	9,781	(9,781)	(9,781)	–

Pursuant to the completion of the capital reduction exercise of the Company as disclosed in Note 29 to the financial statements, the Company entered into a loan facility agreement with Ranken Holding Co., Ltd ("Ranken HK") of S$1 million with effect from 1 April 2023. The loan extended by Ranken HK is non-interest bearing and is repayable on 1 January 2025. The existing loan amount due to Ranken HK as at 30 June 2023 will also be due on 1 January 2025.

Market risk

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

Interest rate risk

As at 31 December 2022 and 2021, the Group and the Company are not exposed to market risk for changes in interest rates. The Group and the Company do not use derivative financial instruments to hedge their exposure in the fluctuations of interest rate.

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.

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 bank balances 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").

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.

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Other market price risk (Continued)

Risk management policy (Continued)

Sensitivity analysis – Equity price risk

The Group's and Company's equity investments held for investments at fair value through profit or loss relate to investment in an equity instrument that is listed on the Hong Kong Stock Exchange.

A 5% increase in the share price of the equity instrument as at 31 December would have increased the profit before tax of the Group and the Company by RMB82,000 (2021 – RMB141,000). An equal change in the opposite direction would have decreased the profit before tax of the Group and the Company by RMB82,000 (2021 – RMB141,000). This analysis assumes that all other variables, in particular exchange rates, remain constant.

27 FAIR VALUE MEASUREMENT

Accounting classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value due to their short-term nature and immaterial effect of discounting.

27 FAIR VALUE MEASUREMENT (CONTINUED)

Accounting classifications and fair values (Continued)

The Group	Note	Carrying amount Mandatorily at FVTPL – equity instruments RMB'000	Financial assets at amortised cost RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000	Fair value Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
2022									
Financial assets measured at fair value									
Equity investments – mandatorily at FVTPL	7	**1,635**	**–**	**–**	**1,635**	**1,635**	**–**	**–**	**1,635**
Financial assets not measured at fair value									
Trade receivables	8	**–**	**57,190**	**–**	**57,190**				
Other receivables	9	**–**	**27,080**	**–**	**27,080**				
Cash and bank balances	10	**–**	**199,228**	**–**	**199,228**				
		–	**283,498**	**–**	**283,498**				
Financial liabilities not measured at fair value									
Provisions	14	**–**	**–**	**(7,789)**	**(7,789)**				
Lease liabilities	15	**–**	**–**	**(28,095)**	**(28,095)**				
Trade payables	16	**–**	**–**	**(27,855)**	**(27,855)**				
Other payables	17	**–**	**–**	**(20,570)**	**(20,570)**				
		–	**–**	**(84,309)**	**(84,309)**				
2021									
Financial assets measured at fair value									
Equity investments – mandatorily at FVTPL	7	2,812	–	–	2,812	2,812	–	–	2,812
Financial assets not measured at fair value									
Trade receivables	8	–	50,060	–	50,060				
Other receivables	9	–	4,377	–	4,377				
Cash and bank balances	10	–	210,684	–	210,684				
		–	265,121	–	265,121				
Financial liabilities not measured at fair value									
Provisions	14	–	–	(10,921)	(10,921)				
Lease liabilities	15	–	–	(2,071)	(2,071)				
Trade payables	16	–	–	(15,822)	(15,822)				
Other payables	17	–	–	(16,466)	(16,466)				
		–	–	(45,280)	(45,280)				

27 FAIR VALUE MEASUREMENT (CONTINUED)

Accounting classifications and fair values (Continued)

The Company	Note	Carrying amount Mandatorily at FVTPL – equity instruments RMB'000	Financial assets at amortised cost RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000	Fair value Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
2022									
Financial assets measured at fair value									
Equity investments – mandatorily at FVTPL	7	**1,635**	**–**	**–**	**1,635**	**1,635**	**–**	**–**	**1,635**
Financial assets not measured at fair value									
Other receivables	9	**–**	**289**	**–**	**289**				
Cash and bank balances	10	**–**	**97,612**	**–**	**97,612**				
		–	**97,901**	**–**	**97,901**				
Financial liabilities not measured at fair value									
Other payables	17	**–**	**–**	**(13,807)**	**(13,807)**				
		–	**–**	**(13,807)**	**(13,807)**				
2021									
Financial assets measured at fair value									
Equity investments – mandatorily at FVTPL	7	2,812	–	–	2,812	2,812	–	–	2,812
Financial assets not measured at fair value									
Other receivables	9	–	174	–	174				
Cash and bank balances	10	–	193	–	193				
		–	367	–	367				
Financial liabilities not measured at fair value									
Other payables	17	–	–	(9,781)	(9,781)				
		–	–	(9,781)	(9,781)				

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27 FAIR VALUE MEASUREMENT (CONTINUED)

Measurement of fair values

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

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

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

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

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

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

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

Transfers between Levels 1 and 2

For 2022 and 2021, 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.

28 OPERATING SEGMENTS

For the year ended 31 December 2022 and 31 December 2021, the Group has only one reportable segment, i.e. the infrastructure segment. The Company continues to be an investment management and holding company with a business model aligned towards urbanisation trends.

Under the Infrastructure segment, the Group now has two operating business units and an investment holding company. One of the operating business units is in the business of property management and city redevelopment services undertaken by Chengdu Shengshi Jialong City Management Service Co., Ltd. ("Jialong"). The other business unit is in the business of leasing of warehouse and equipment and supply of materials for urbanisation projects undertaken by Sichuan Yilong Equipment Co., Ltd. ("Yilong"). The investment holding company is undertaken by Chengdu KQR, where the Group also owns a 48.82% effective interest in Ranken Railway Construction Group Co., Ltd ("Ranken Railway") and its subsidiaries who are principally engaged in the engineering, procurement and construction ("EPC") business related to the land transport infrastructure and water conservancy and environmental projects in China.

The CEO reviews internal management reports at least quarterly.

28 OPERATING SEGMENTS (CONTINUED)

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.

In year 2022 and 2021, unallocated items comprise both the Company's and Ranken Holding Co., Limited's performance and assets. In year 2022 and 2021, the performance of the Infrastructure segment represents that of Chengdu Kai Qi Rui Business Management Co., Ltd. and its subsidiaries and associated company, as reported to the CEO.

The Group	**Jialong RMB'000**	**Yilong RMB'000**	**Chengdu KQR RMB'000**	**Total RMB'000**
As at 31 December 2022				
Infrastructure segment				
Revenue and expenses				
External revenues (Note 18)	**28,695**	**68,898**	**–**	**97,593**
Interest income	**21**	**37**	**2,892**	**2,950**
Interest expense (Note 20)	**(1,187)**	**(614)**	**–**	**(1,801)**
Depreciation	**(2,733)**	**(2,219)**	**(3)**	**(4,955)**
Share of profit of equity-accounted investees (net of tax) (Note 6)	**–**	**–**	**25,026**	**25,026**
Reportable segment profit before tax	**5,250**	**4,086**	**28,949**	**38,285**
Other segment information				
Reportable segment assets	**55,711**	**122,563**	**492,026**	**670,300**
Capital expenditure (Note 4)	**25,748**	**782**	**–**	**26,530**
Reportable segment liabilities	**(39,974)**	**(26,321)**	**(39,107)**	**(105,402)**
As at 31 December 2021				
Infrastructure segment				
Revenue and expenses				
External revenues (Note 18)	30,793	83,342	–	114,135
Interest income	4	15	4,881	4,900
Interest expense (Note 20)	(127)	(1,206)	–	(1,333)
Depreciation	(1,012)	(1,827)	–	(2,839)
Share of profit of equity-accounted investees (net of tax) (Note 6)	–	–	23,167	23,167
Reportable segment profit before tax	8,999	8,121	22,807	39,927
Other segment information				
Reportable segment assets	31,019	103,112	561,153	695,284
Capital expenditure (Note 4)	3,037	3,480	–	6,517
Reportable segment liabilities	(18,914)	(10,228)	(44,844)	(73,986)

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28 OPERATING SEGMENTS (CONTINUED)

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

The Group	2022 RMB'000	2021 RMB'000
Revenue		
Total revenue for reportable segments (Note 18)	**97,593**	114,135
Profit or loss		
Total profit before tax for reportable segments	**38,285**	39,927
Unallocated amounts:		
– Other income	**3,694**	1,348
– Other expense (head office expenses)	**(7,909)**	(6,923)
– Tax expense	**(2,643)**	(4,481)
Consolidated profit for the year	**31,427**	29,871
Assets		
Total assets for reportable segments	**670,300**	695,284
Other unallocated amounts	**99,774**	3,391
Consolidated total assets	**770,074**	698,675
Liabilities		
Total liabilities for reportable segments	**105,402**	73,986
Elimination of inter-segment liabilities	**(29,000)**	(36,435)
Other unallocated amounts	**11,871**	12,592
Consolidated total liabilities	**88,273**	50,143

	Reportable segment total RMB'000	Unallocated amounts RMB'000	Consolidated total RMB'000
Other material items 2022			
Interest income (Note 19)	**2,950**	**554**	**3,504**
Interest expense (Note 20)	**(1,801)**	**–**	**(1,801)**
Depreciation (Note 22)	**(4,955)**	**(14)**	**(4,969)**
Capital expenditure (Note 4)	**(26,530)**	**(21)**	**(26,551)**
Other material items 2021			
Interest income (Note 19)	4,900	10	4,910
Interest expense (Note 20)	(1,333)	–	(1,333)
Depreciation (Note 22)	(2,839)	(14)	(2,853)
Capital expenditure (Note 4)	(6,517)	–	(6,517)

As at 31 December 2022, the other unallocated amounts relate mainly to the Dividend Allocation Sum as disclosed in Note 10(B).

28 OPERATING SEGMENTS (CONTINUED)

Geographical segments

Geographical segments are analysed by the following principal geographical areas: Singapore and China

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	
	2022	**2021**	**2022**	**2021**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Singapore	**–**	–	**50**	39
China	**97,593**	114,135	**475,101**	424,438
Total	**97,593**	114,135	**475,151**	424,477

Major customers

Revenue from one (1) customer of the Infrastructure segment (2021 – one (1) customer of the Infrastructure segment) represents approximately 72% (2021 – 73%) of the Group's total revenue.

29 SUBSEQUENT EVENTS

On 27 January 2023, the Company announced the completion of the capital reduction and the paid-up share capital of the Company comprising 407,589,893 ordinary shares was reduced to S$73,717,285 (from S$98,458,091) by way of the following:

(i) the cancellation of the share capital of the Company to the extent of the sum of the accumulated losses of the Company as at 31 December 2021 of approximately S$6,154,707 (RMB22,571,000) ("**Accumulated Losses**") and applying such amount of approximately S$6,154,707 (RMB22,571,000), being the credit arising from the aforesaid cancellation of share capital, to write off the Accumulated Losses; and

(ii) by returning to all Shareholders equally, the aggregate amount of S$18,586,099 (RMB93,254,912) which is approximately 36.28% of Net Proceeds, being the surplus capital of the Company in excess of its needs, by way of a cash distribution of S$0.0456 per issued Share held by a shareholder as at the Capital Reduction book closure date ("**Cash Distribution**").

On 17 February 2023, the Cash Distribution of S$18,586,099 (RMB93,254,912) were paid to the shareholders of the Company.

STATISTICS OF SHAREHOLDINGS

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 22 JUNE 2023

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	1,155	15.21	45,652	0.01
100 – 1,000	1,861	24.51	857,448	0.21
1,001 – 10,000	3,400	44.79	13,216,490	3.24
10,001 – 1,000,000	1,151	15.16	61,889,514	15.19
1,000,001 AND ABOVE	25	0.33	331,580,789	81.35
TOTAL	**7,592**	**100.00**	**407,589,893**	**100.00**

TWENTY LARGEST SHAREHOLDERS AS AT 22 JUNE 2023

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	OCBC SECURITIES PRIVATE LTD	176,330,345	43.26
2	UOB KAY HIAN PTE LTD	80,906,468	19.85
3	ENG KOON HOCK	9,008,000	2.21
4	NIPPON PAINT (SINGAPORE) COMPANY PRIVATE LIMITED	8,632,111	2.12
5	SICHUAN SHUNTONG MINE INDUSTRY GROUP LTD	6,051,388	1.48
6	PHILLIP SECURITIES PTE LTD	5,781,881	1.42
7	RAFFLES NOMINEES (PTE) LIMITED	4,517,722	1.11
8	DBS NOMINEES PTE LTD	4,154,685	1.02
9	LOKE GIM TAY	3,788,066	0.93
10	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	3,782,336	0.93
11	UNITED OVERSEAS BANK NOMINEES PTE LTD	3,538,120	0.87
12	OCBC NOMINEES SINGAPORE PTE LTD	2,985,494	0.73
13	MAYBANK SECURITIES PTE. LTD.	2,883,034	0.71
14	SHIU TAI WAI	2,516,200	0.62
15	SIM TOCK MANG	2,300,000	0.56
16	HSBC (SINGAPORE) NOMINEES PTE LTD	2,028,500	0.50
17	ZHANG ZHIHU	1,958,333	0.48
18	DENNIS OH TIONG JEE	1,951,400	0.48
19	DBSN SERVICES PTE LTD	1,562,466	0.38
20	NIPPON PAINT (H.K.) COMPANY LIMITED	1,486,700	0.36
	TOTAL	**326,163,249**	**80.02**

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Best Feast Limited	171,495,264	42.08	–	–	171,495,264	42.08
Cheng Du Wu Xing Ke Trading Limited(1)	–	–	171,495,264	42.08	171,495,264	42.08
Ms Wang Heng(2)	625,000	0.15	171,495,264	42.08	172,120,264	42.23
Ou Rui Limited	71,759,357	17.61	–	–	71,759,357	17.61
Mr Li Xiaobo(3)	–	–	71,759,357	17.61	71,759,357	17.61

Notes:

(1) Cheng Du Wu Xing Ke Trading Limited is deemed to be interested in the Shares held by Best Feast Limited by virtue of Section 7 of the Companies Act (Cap. 50) of Singapore (the "Act").

(2) Based on her indirect interests (through Chengdu Zhong Qian Zhi Heng Management Limited) and direct interests in Cheng Du Wu Xing Ke Trading Limited, Ms Wang Heng is deemed interested in the Shares held by Best Feast Limited, a wholly-owned subsidiary of Cheng Du Wu Xing Ke Trading Limited by virtue of Section 7 of the Act.

(3) Mr Li Xiaobo holds 100% of the issued and paid up share capital of Ou Rui Limited and is deemed to be interested in the Shares held by Ou Rui Limited by virtue of Section 7 of the Act.

Shareholdings Held in Hand of Public

Based on information available to the Company as at 22 June 2023 approximately 40% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

The Company did not hold any treasury shares as at 22 June 2023.

The Company does not have any subsidiary holdings as at 22 June 2023.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty Seventh Annual General Meeting of **SAPPHIRE CORPORATION LIMITED** (the "**Company**") will be convened and held at Esplanade 1, Level 3 Esplanade Boardroom of Singapore Recreation Club, B Connaught Drive, Singapore 179682 on Monday, 31 July 2023 at 10.00 a.m. (Singapore Time), for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the year ended 31 December 2022 together with the Reports of the Auditors thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of S$195,000 for the financial year ending 31 December 2023 to be paid in cash and/or shares (2022: S$192,860). **(Resolution 2)**

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

   (a) To re-elect Mr Tay Eng Kiat Jackson who retires pursuant to Regulation 89 of the Company's Constitution and who, being eligible, offer himself for re-election.

   See Explanatory Note (i) **(Resolution 3)**

   (b) To re-elect Professor Zhang Weiguo who retires pursuant to Regulation 89 of the Company's Constitution and who, being eligible, offer himself for re-election.

   See Explanatory Note (ii) **(Resolution 4)**

4. To re-appoint Foo Kon Tan LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

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 1967 (the "**Act**") and Rule 806 of the Listing Manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

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

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

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

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

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and convertible securities to be issued pursuant to this Resolution shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to the shareholders of the Company shall not exceed twenty percent (20%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as at the time of passing of this Resolution);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares and convertible securities that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

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

   (b) new Shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with the rules of the Listing Manual of the SGX-ST; and

   (c) any subsequent bonus issue, consolidation or subdivision of Shares.

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST as amended from time to time (unless such compliance has been waived by the SGX-ST) and the Constitution; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting is required by law to be held, whichever is the earlier."

See Explanatory Note (iii) **(Resolution 6)**

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 1967 of Singapore, the Directors of the Company be and are hereby authorised to grant share awards ("**Awards**") in accordance with the provisions of the Scheme and to allot and issue from time to time such number of fully paid-up Shares as may be required to be allotted and issued pursuant to the vesting of Awards under the Scheme, provided that the aggregate number of Shares available under the Scheme, when added to all Shares, options or awards granted under any other share option scheme, share award scheme or share incentive scheme of the Company then in force, shall not exceed 15% of the total issued share capital (excluding treasury shares and subsidiary holdings) of the Company from time to time."

See Explanatory Note (iv) **(Resolution 7)**

By Order of the Board
Sapphire Corporation Limited

Wang Heng
Chief Executive Officer and Executive Director
Singapore, 16 July 2023

NOTICE OF
ANNUAL GENERAL MEETING

Explanatory Notes:–

(i) Further to the re-election of Mr Tay Eng Kiat Jackson pursuant to Ordinary Resolution 3, 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**").

(ii) Further to the re-election of Professor Zhang Weiguo pursuant to Ordinary Resolution 4, he will continue to serve as Chairman of the Remuneration Committee, a member of the Audit and Risk Committee and the Nominating Committee of the Company and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

(iii) The Ordinary Resolution 6 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 6 is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

(iv) The Ordinary Resolution 7 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.

Important Notes to Shareholders on arrangements for the AGM:

1. The Annual General Meeting will be on **Monday, 31 July 2023 at 10.00 a.m. (Singapore Time)** for the purpose of considering and if thought fit, passing, with or without any modification, the Ordinary Resolutions set out in this Notice of Annual General Meeting.

2. Printed copies of this Notice of Annual General Meeting and the Proxy Form for the financial year ended 31 December 2022 will be sent to members. The Notice of Annual General Meeting, the Proxy Form and the FY2022 Annual Report may be accessed at the Company's website at the URL http://www.sapphirecorp.com.sg. This Notice of Annual General Meeting, the Proxy Form and the FY2022 Annual Report are also available on SGXNET at the URL https://www.sgx.com/securities/company-announcements.

3. **Members will be able to attend the Annual General Meeting in person. A member (whether individual or corporate) must vote live at the Annual General Meeting or appoint proxy(ies) (other than the Chairman of the Meeting) or the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting if such member wishes to exercise his/her/its voting rights at the Annual General Meeting.** The Proxy Form may be accessed at the Company's website at the URL http://www.sapphirecorp.com.sg and is also available on SGXNET at the URL https://www.sgx.com/securities/company-announcements. Where a member (whether individual or corporate) appoints proxy(ies) (including the Chairman of the Meeting), he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which failing which the proxy(ies) will vote or abstain from voting at his/her discretion.

4. Shareholders of the Company may submit questions relating to the Ordinary Resolutions tabled for approval at the Annual General Meeting, together with their full name (as per CDP/CPF/SRS/Script-based records), identification number (e.g. NRIC/Passport/Company Registration Number), shareholding type (e.g. CDP/CPF/SRS/Script-based), email address and contact number to enable the Company (or its agents or service providers) to authenticate their status as Shareholders of the Company, in the following manner:

   (a) by email to the Company at ir@sapphirecorp.com.sg; or

   (b) by post to the Company's registered office at 1 Robinson Road #17-00 AIA Tower Singapore 048542,

   in either case, by **10.00 a.m. (Singapore Time) Sunday, 23 July 2023**. The Company will endeavour to address all substantial and relevant questions (determined by the Company in its sole discretion) received by **10.00 a.m. (Singapore Time) on Wednesday, 26 July 2023** (that is, at least 48 hours prior to the closing date and time for the lodgement of the Proxy Forms).

5. CPF/SRS investors who wish to appoint the Chairman of the Meeting as their proxy, should approach their Central Provident Fund and SRS Operators Agent Banks (as the case may be) to submit their votes and/or questions relating to the Ordinary Resolutions to be tabled for approval at the Annual General Meeting by **10.00 a.m. (Singapore Time) on Thursday, 20th July 2023**, being at least seven (7) working days before the Annual General Meeting.

6. Duly appointed proxy(ies), including the Chairman of the Meeting acting as proxy, need not be a member of the Company.

7. The Proxy Form must be submitted to the Company in the following manner:

   (a) if submitted by post, be deposited at the Share Registrar's office at 80 Robinson Road, #11-02, Singapore 068898; or

   (b) if submitted electronically, be submitted via email in Portable Document Format (PDF) format to the Share Registrar at sg.is.proxy@sg.tricorglobal.com.

   in either case, by **10.00 a.m. (Singapore Time) on Friday, 28 July 2023** at least **72 hours** before the time fixed for holding the Annual General Meeting of the Company and/or any adjournment thereof. A member who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or by scanning and submitting it by way of electronic means via email to the email address provided above. **Members are strongly encouraged to submit the completed Proxy Forms by way of electronic means via email.**

8. A Depositor's name must appear on the Depository Register as at 72 hours before the time fixed for holding the Annual General Meeting in order for the Depositor to be entitled to attend, speak and vote at the Annual General Meeting.

9. The Company will publish the minutes of the AGM on the Company's website at the URL www.sapphirecorp.com.sg and on SGXNET at the URL https://www.sgx.com/securities/company-announcements within one month after the date of the Annual General Meeting.

Summary of Key dates/deadlines

Key Dates	Events
10.00 a.m. on Thursday, 20 July 2023	**Deadline for CPF and SRS investors.** CPF investors and SRS investors who wish to appoint the Chairman of the Meeting as proxy must approach their respective CPF agent banks or SRS operators to submit their votes at least seven (7) working days before the AGM.
10.00 a.m. on Sunday, 23 July 2023	**Deadline for Shareholders to submit questions.** Shareholders may submit questions related to the resolutions to be tabled for approval at the AGM in the following manner: (a) by email to the Company at ir@sapphirecorp.com.sg; or (b) by post to the Company's registered office at 1 Robinson Road #17-00 AIA Tower Singapore 048542.
10.00 a.m. on Wednesday, 26 July 2023	**Addressing questions.** The Company will endeavour to address all substantial and relevant questions received from Shareholders relating to the resolutions set out in the Notice of AGM by **10.00 a.m. Wednesday, 26 July 2023**, which will be published on the Company's website at the URL www.sapphirecorp.com.sg and SGXNet at the URL https://www.sgx.com/securities/company-announcements.
10.00 a.m. on Friday, 28 July 2023	Shareholders of the Company to submit the completed and signed Proxy Forms in the following manner: (a) by email to the Company's Share Registrar, Tricor Barbinder Share Registration Service, at sg.is.proxy@sg.tricorglobal.com; or (b) by post to the Company's Share Registrar, Tricor Barbinder Share Registration Service, at 80 Robinson Road, #11-02, Singapore 068898. **Shareholders are strongly encouraged to submit the completed Proxy Forms by way of electronic means via email.**
By Thursday, 31 August 2023	**Minutes of AGM.** The Company will publish the minutes of AGM on the Company's website at the URL http://sapphirecorp.listedcompany.com/home.html and on SGXNet at the URL https://www.sgx.com/securities/company-announcements within one month after the AGM.
Sunday, 23 July 2023	**We sincerely hope that you will appreciate our sustainability efforts and to embrace e-communications. If you still wish to receive physical copies of the AR2022, please complete the Request Form below and return it to us via post by 23 July 2023.**

NOTICE OF
ANNUAL GENERAL MEETING

PERSONAL DATA PRIVACY

By submitting the Proxy Form, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the proxy(ies) (including the Chairman of the Meeting) for the Annual General Meeting of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting of the Company (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

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

	Name of Director	
Details	**Tay Eng Kiat Jackson**	**Zhang Weiguo**
Date of appointment	24 October 2019	14 January 2022
Date of last re-appointment	28 April 2022	28 April 2022
Age	45	57
Country of principal residence	Singapore	Canada
The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process)	The Board of Directors, having considered the recommendation of the Nominating Committee, and having reviewed the recommendation of the Nominating Committee and the qualifications and working experience of Mr Tay Eng Kiat Jackson ("**Mr Tay**"), is of the view that he has the requisite experience and capabilities to assume the responsibilities as an Independent Non-Executive Director of the Company. Accordingly, the Board of Directors has approved the appointment of Mr Tay as an Independent Non-Executive Director of the Company.	The Board of Directors, having considered the recommendation of the Nominating Committee, and having reviewed the recommendation of the Nominating Committee and the qualifications and working experience of Professor Zhang Weiguo ("**Professor Zhang**"), is of the view that he has the requisite experience and capabilities to assume the responsibilities as an Independent Non-Executive Director of the Company. Accordingly, the Board of Directors has approved the appointment of Professor Zhang as an Independent Non-Executive Director of the Company.
Whether the appointment is executive and if so, please state the area of responsibility	Non-Executive	Non-Executive
Job title (e.g. Lead ID, AC Chairman, AC member, etc)	Independent Non-Executive Director, Chairman of the Audit and Risk Committee, a member of the Nominating Committee and Remuneration Committee	Independent Non-Executive Director, Chairman of the Remuneration Committee, a member of the Audit and Risk Committee and Nominating Committee
Professional memberships/qualifications	Bachelor of Accountancy (Minor in Marketing) degree from Nanyang Technological University Member of the Institute of Singapore Chartered Accountants Member of the Singapore Institute of Directors	Bachelor of Marine Engineering Management, Dalian Maritime University, China Master's Degree in International Trade, Ocean University of China Master's Degree in Senior Business Administration, Guanghua School of Management, Peking University PhD in Marxism Sinicization studies, School of Humanities and Social Sciences, Dalian Maritime University, China

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

Details	Name of Director	
	Tay Eng Kiat Jackson	**Zhang Weiguo**
Working experience and occupation(s) during the past 10 years	January 2017 – Present: Independent Director of OUE Lippo Healthcare Limited September 2015 – Present: Chief Operating Officer of Hafary Holdings Limited February 2015 – September 2015: Chief Financial Officer of SingHaiyi Group Ltd June 2009 – February 2015: Financial Controller of Hafary Holdings Limited	May 2011 – April 2013: Director and President of Shandong Shipping Corporation April 2013 – October 2015: Professor, Doctoral Supervisor, College of Transportation Management, Dalian Maritime University, China Director of World Maritime Research Center, Dalian Maritime University, China September 2013 – September 2016: Visiting Scholar, Beedie School of Business, Jack Austin Centre for Asia Pacific Business Studies, Simon Fraser University, Canada 2015 – 2017: Researcher at the Institute of Strategic Research, Peking University, China September 2016 – September 2019: Researcher, Beedie School of Business, Jack Austin Centre for Asia Pacific Business Studies, Simon Fraser University, Canada September 2019 – September 2021: Visiting Scholar, Beedie School of Business, Jack Austin Centre for Asia Pacific Business Studies, Simon Fraser University, Canada 2016 – Present: Visiting Professor, College of Transportation Management, Dalian Maritime University, China 2016 – Present: Chief Researcher of GBIC (Grizzly Bear Institute Centre, Canada)
Shareholding interest in the Company and its subsidiaries	Nil	Nil
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

<table>
<tr><th rowspan="2">Details</th><th colspan="2">Name of Director</th></tr>
<tr><th>Tay Eng Kiat Jackson</th><th>Zhang Weiguo</th></tr>
<tr><td>Conflict of Interest (including any competing business)</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Undertaking (in the format set out in Appendix 7H) under Rule 720(1) submitted to the Company?</td><td>Yes</td><td>Yes</td></tr>
<tr><td>Other Principal Commitments Including Directorships</td><td><u>Past (for the past 5 years)</u>
– Sim Leisure Group Limited, Chairman and Independent Director

<u>Present</u>
– Hafary Holdings Limited, Chief Operating Officer and Company Secretary
– OUE Lippo Healthcare Limited, Independent Director
– Hafary Pte Ltd, Director
– Hafary Centre Pte Ltd, Director
– Hafary Balestier Showroom Pte Ltd, Director
– Hafary W+S Pte Ltd, Director
– One Heart Investment Pte Ltd, Director
– One Heart International Trading Private Ltd, Director
– Wood Culture Pte Ltd, Director
– Xquisit Pte Ltd, Director
– Hap Seng Investment Holdings Pte. Ltd., Director
– Hap Seng Building Materials Marketing Pte. Ltd., Director
– HSC Melbourne Holding Pte. Ltd., Director
– HSC Brisbane Holding Pte. Ltd., Director
– HSC Manchester Holding Pte. Ltd., Director
– HSC London Holding Pte. Ltd., Director
– HSC Leeds Holding Pte. Ltd., Director
– HSC Bristol Holding Pte. Ltd., Director
– HSC Nottingham Holding Pte. Ltd., Director
– MML Marketing Pte. Ltd., Director
– Hafary Crescent Pte. Ltd., Director
– Hafary Element Pte. Ltd., Director
– Hafary Flagship Store Pte. Ltd., Director
– International Ceramic Manufacturing Hub Pte. Ltd., Director
– International Ceramic Manufacturing Hub Sdn Bhd, Director
– Hafary Trading Sdn Bhd, Director</td><td><u>Past (for the past 5 years)</u>
Nil

<u>Present</u>
– Tedbear Consulting Corporation, BC, Canada, Director
– Archiact Interactive Ltd., BC, Canada, Director
– Zhang Jiawei Research Fund for Niche Behavioral Economics Ltd, Director
– Niche Foundation Ltd, Director</td></tr>
</table>

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

Details	Name of Director	
	Tay Eng Kiat Jackson	Zhang Weiguo
(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
(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
(c) Whether there is any unsatisfied judgment against him?	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
(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

Details	Name of Director	
	Tay Eng Kiat Jackson	Zhang Weiguo
(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
(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
(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
(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
(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

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

Details	Name of Director	
	Tay Eng Kiat Jackson	Zhang Weiguo
(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
(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
(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
(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
Any prior experience as a director of an issuer listed on the Exchange?	Not applicable.	Not applicable.
If yes, please provide details or prior experience.	Not applicable	Not applicable
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	Not applicable	Not applicable

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

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

IMPORTANT:
1. The Annual General Meeting ("**AGM**") is being convened, and will be held at Esplanade 1, Level 3 Esplanade Boardroom of Singapore Recreation Club, B Connaught Drive, Singapore 179682 on **Monday, 31 July 2023 at 10.00 a.m. (Singapore Time)**.
2. The Notice of AGM may be accessed at (a) the Company's website at http://sapphirecorp.listedcompany.com/home.html; and (b) on the SGX website at https://www.sgx.com/securities/company-announcements.
3. Members of the Company will be able to attend the AGM in person. A member (whether individual or corporate) must vote live at the AGM or must appoint proxy(ies) (other than the Chairman of the AGM) or the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.
4. CPF or SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by **10.00 a.m. (Singapore Time) on Thursday, 20 July 2023**, being at least seven (7) working days before the date of the AGM.
5. By submitting this proxy form, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated **16 July 2023**.
6. **Please read the notes overleaf which contain instructions on, inter alia, the appointment of proxy(ies) (including the Chairman of the AGM) to attend, speak and vote on his/her/its behalf at the AGM.**

I/We, ____________________ (name) ____________________ (NRIC/Passport/Company Registration Number*)
of ____ (address)
being a member/members* of **Sapphire Corporation Limited** (the "**Company**"), hereby appoint:
(a) the Chairman of the AGM; or
(b) the individual(s) named below:

Name	NRIC/Passport No.	Proportion of Shareholding	
		No. of Shares	%
Address			

and/or*

Name	NRIC/Passport No.	Proportion of Shareholding	
		No. of Shares	%
Address			

as my/our* proxy/proxies* to attend, speak and vote for me/us* on my/our* behalf at the AGM to be convened and held at Esplanade 1, Level 3 Esplanade Boardroom of Singapore Recreation Club, B Connaught Drive, Singapore 179682 on **Monday, 31 July 2023 at 10.00 a.m. (Singapore Time)** and at any adjournment thereof.

I/We* direct my/our* proxy/proxies* or the Chairman of the AGM as proxy to vote for or against, or abstain from voting on, the resolutions to be proposed at the AGM as indicated hereunder. **In absence of specific instructions as to voting, or abstentions from voting, in respect of a resolution**, the proxy/proxies* will vote or abstain from voting at his/their* discretion, as he/they* will on any other matter arising at the AGM and at any adjournment thereof.

No.	Ordinary Resolutions relating to:	Number of Votes For#	Number of Votes Against#	Number of Votes Abstain#
1.	To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2022 together with the Reports of the Auditors thereon.			
2.	To approve the payment of Directors' fees of S$195,000 for the financial year ending 31 December 2023 to be paid in cash and/or shares.			
3.	To re-elect Mr Tay Eng Kiat Jackson as Director of the Company.			
4.	To re-elect Professor Zhang Weiguo as Director of the Company.			
5.	To re-appoint Foo Kon Tan LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.			
6.	To approve to the Directors to allot and issue shares in the capital of the Company – Share Issue Mandate.			
7.	To approve the authority for Directors to grant awards and issue shares under the Sapphire Share Award Scheme.			

* Delete as appropriate.
\# If you wish to exercise all your votes "For" or "Against" a resolution, please tick within the box provided in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box in respect of that resolution. If you tick in the abstain box for a resolution, you are directing your proxy not to vote on that resolution. Alternatively, please indicate the number of shares that your proxy(ies) (including the Chairman of the AGM), is directed to abstain from voting in the "Abstain" box in respect of that resolution.

Dated this ________ day of __________________ 2023

Total number of Shares held in:	No. of Shares
CDP Register	
Register of Members	

____
Signature(s) of Member(s) or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. Printed copies of this Notice of AGM and the Proxy Form for the financial year ended 31 December 2022 will be sent to members. The Notice of AGM, the Proxy Form and the FY2022 Annual Report may be accessed at the Company's website at http://sapphirecorp.listedcompany.com/home.html. This Notice of AGM, the Proxy Form and the FY2022 Annual Report are also available on SGXNET at https://www.sgx.com/securities/company-announcements.

2. Please insert the total number of shares held by you. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If no number is inserted, this Proxy Form shall be deemed to relate to all the shares held by you.

3. **Members will be able to attend the AGM in person. A member (whether individual or corporate) must vote live at the AGM or appoint proxy(ies) (other than the Chairman of the AGM) or the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.** The Proxy Form for the AGM of the Company may be accessed at the Company's website at http://sapphirecorp.listedcompany.com/home.html and is also available on SGXNET at https://www.sgx.com/securities/company-announcements. Where a member (whether individual or corporate) appoints proxy(ies) (including the Chairman of the AGM), he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the proxy(ies) will vote or abstain from voting at his/her discretion.

4. Duly appointed proxy(ies), including the Chairman of the AGM as proxy, need not be a member of the Company.

5. The Proxy Form must be submitted to the Company in the following manner:

   (a) if submitted by post, be deposited at the Share Registrar's office at 80 Robinson Road, #11-02, Singapore 068898; or

   (b) if submitted electronically, be submitted via email in Portable Document Format (PDF) format to the Share Registrar at sg.is.proxy@sg.tricorglobal.com.

   in either case, by **10.00 a.m. (Singapore Time) on Friday, 28 July 2023**. The Company will endeavour to address all substantial and relevant questions (determined by the Company in its sole discretion) received by **10.00 a.m. (Singapore Time) on Wednesday, 26 July 2023** (that is, at least 48 hours prior to the closing date and time for the lodgement of the Proxy Forms). **Shareholders are strongly encouraged to submit the completed Proxy Forms by way of electronic means via email.**

6. CPF/SRS investors who wish to appoint the Chairman of the AGM as their proxy, should approach their Central Provident Fund and SRS Operators Agent Banks (as the case may be) to submit their votes and/or questions relating to the resolutions to be tabled for approval at the AGM by **10.00 a.m. (Singapore Time) on Thursday, 20th July 2023**, being at least seven (7) working days before the AGM.

7. Where the Proxy Form is executed by an individual, it must be executed under the hand of the individual or his attorney duly authorized. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorized.

8. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

9. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act 1967 of Singapore.

10. Any amendments or modifications made in a Proxy Form must be initialled by the person who signs the Proxy Form.

GENERAL:

The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the 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 the Proxy Form, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the proxy for the AGM of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM of the Company (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

CORPORATE **INFORMATION**

BOARD OF DIRECTORS
Mr Cheung Wai Suen (Executive Chairman)
Ms Wang Heng (Chief Executive Officer and Executive Director)
Mr Oh Eng Bin (Lead Independent Director)
Mr Jackson Tay Eng Kiat
Professor Zhang Weiguo

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

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

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

GROUP FINANCIAL CONTROLLER
Mr Kwok Chung Chieh Lincoln
Email: lincolnkwok@sapphirecorp.com.sg

COMPANY SECRETARY
Gn Jong Yuh Gwendolyn

REGISTERED OFFICE
1 Robinson Road #17-00
AIA Tower
Singapore 048542
Tel: 6535 1944
Fax: 6535 8577

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

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

SAPPHIRE
盛世企业

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#25-05 Shenton House
Singapore 068805
T: (65) 6250 3838
F: (65) 6253 8585
E: info@sapphirecorp.com.sg
www.sapphirecorp.com.sg