SAPPHIRE CORPORATION LIMITED

REGISTRATION NUMBER: 198502465W

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

Contents

A. Condensed interim consolidated statement of profit or loss

	Note	Group 1H2022 RMB'000	Group 1H2021 RMB'000	Change %
Revenue	4.2	56,859	30,539	86.2
Cost of sales		(47,312)	(24,538)	92.8
Gross profit		9,547	6,001	59.1
Other income	5	3,353	4,105	(18.3)
Administrative expenses		(5,881)	(7,025)	(16.3)
Other expenses		(1,258)	(754)	66.8
Profit/(loss) from operating activities		**5,761**	**2,327**	**147.6**
Finance costs	6	(589)	(1,117)	(47.3)
Share of profit of associated company		6,815	4,653	46.5
Profit/(loss) before tax	7	**11,987**	**5,863**	**104.5**
Tax expense	8	(2,470)	(931)	165.3
Profit/(loss) for the period		**9,517**	**4,932**	**93.0**
Profit attributable to:				
Owners of the Company		9,225	4,711	95.8
Non-controlling interests		292	221	32.1
Profit for the period		**9,517**	**4,932**	**93.0**
Earnings/(loss) per share – Basic/(diluted) (cents)		**2.26**	**1.16**	

B. Condensed interim consolidated statement of comprehensive income

The Group	Group 1H2022 RMB'000	Group 1H2021 RMB'000	
Profit for the period	**9,517**	**4,932**	**93.0**
Other comprehensive income/(loss) after tax:			
Items that are or may be reclassified to profit or loss:			
Foreign currency translation differences	(168)	127	NM
Share of other comprehensive income of an associated company	(67)	488	NM
Realisation of reserve upon disposal of a subsidiary			
Total other comprehensive income for the year	**(235)**	**615**	NM
Total comprehensive income for the year	**9,282**	**5,547**	67.3
Total comprehensive income attributable to:			
- Owners of the Company	8,993	5,326	68.9
- Non-controlling interest	289	221	30.8
Total comprehensive income for the year	**9,282**	**5,547**	**67.3**

C. Condensed interim statements of financial position

		Group		Company	
	Note	30.6.2022 RMB'000	31.12.2021 RMB'000	30.6.2022 RMB'000	31.12.2021 RMB'000
Assets					
Property, plant and equipment	9	34,514	35,738	34	39
Subsidiaries		–	–	419,084	410,786
Associated company		395,487	388,739	–	–
Total non-current assets		430,001	424,477	419,118	410,825
Other investment	10	2,433	2,812	2,433	2,812
Inventories		–	229	–	–
Trade receivables	11	60,419	50,060	–	–
Other receivables	11	10,992	10,413	378	336
Restricted cash in an escrow account	12	91,698	91,698	–	–
Cash and cash equivalents	12	121,800	118,986	120	193
Total current assets		287,342	274,198	2,931	3,341
Total assets		717,343	698,675	422,049	414,166
Equity					
Share capital		466,700	466,700	466,700	466,700
Reserves		178,225	169,232	(56,815)	(62,315)
Equity attributable to owners of the Company		644,925	635,932	409,885	404,385
Non-controlling interests		12,889	12,600	–	–
Total equity		657,814	648,532	409,885	404,385
Liabilities					
Provisions	13	10,292	10,921	–	–
Lease liabilities	14	1,036	1,060	–	–
Total non-current liabilities		11,328	11,981	–	–
Lease liabilities	14	536	1,011	–	–
Trade payables	15	13,970	15,822	–	–
Other payables	15	30,510	18,233	12,164	9,781
Current tax liabilities		3,185	3,096	–	–
Total current liabilities		48,201	38,162	12,164	9,781
Total liabilities		59,529	50,143	12,164	9,781
Total equity and liabilities		717,343	698,675	422,049	414,166

D. Condensed interim consolidated statement of cash flows

	Group	
	1H2022 RMB'000	1H2021 RMB'000
Operating activities		
Profit before tax	11,987	5,863
Adjustments for:		
Depreciation of property, plant and equipment	1,168	1,298
Gain on disposal of property, plant and equipment, net	(267)	–
Change in fair value of financial asset designated as fair value through profit or loss	430	(1,045)
Provision/(reversal) of impairment loss on trade and other receivables and contract assets	136	(44)
Reversal of provisions	(629)	(500)
Interest income	(1,891)	(2,375)
Interest expense	589	1,117
Share of profit of equity-accounted investees (net of tax)	(6,815)	(4,653)
Operating profit/(loss) before working capital changes	4,708	(339)
Changes in working capital:		
Inventories	229	470
Contract assets	–	5,752
Contract liabilities	–	–
Trade and other payables	10,425	(12,630)
Trade and other receivables	(11,074)	5,596
Cash flows generated from/(used) in operations	4,288	(1,151)
Tax paid	(2,381)	(2,635)
Net cash generated from/(used) in operating activities	1,907	(3,786)
Investing activities		
Interest received	1,891	345
Payment for purchase of property, plant and equipment	(541)	(3,126)
Proceeds from disposal of property, plant and equipment	864	–
Payment for disposal of subsidiaries (tax paid)	–	(16,933)
Remaining Tranche 2 proceeds received from the disposal of a subsidiary	–	56,000
Transfer to Escrow Accounts	–	(56,000)
Loan to an associated company	–	(20,000)
Net cash generated from/(used in) investing activities	2,214	(39,714)
Financing activities		
Payment of lease liabilities	(499)	–
Interest paid	(589)	(1,117)
Net cash used in financing activities	(1,088)	(1,117)
Net increase/(decrease) in cash and cash equivalents	3,033	(44,617)
Cash and cash equivalents at beginning of the period	118,986	170,909
Effect of exchange rate changes on the balances held in foreign currencies	(219)	203
Cash and cash equivalents at end of the period (Note 12)	121,800	126,495

E. Condensed interim statements of changes in equity

Consolidated Statements of Changes in Equity

The Group	Share capital RMB'000	Capital reserve RMB'000	Fair value Reserve RMB'000	Other reserve RMB'000	Foreign exchange translation reserve RMB'000	Retained profits RMB'000	Total Equity RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
2022									
Balance at 1 January 2022	466,700	(7,585)	(14,205)	(8,968)	2,275	197,715	635,932	12,600	648,532
Profit for the period	–	–	–	–	–	9,225	9,225	292	9,517
Foreign currency translation Differences	–	–	–	–	(165)	–	(165)	(3)	(168)
Share of other comprehensive income of associated company	–	–	–	–	(67)	–	(67)	–	(67)
Total other comprehensive Income	–	–	–	–	(232)	–	(232)	(3)	(235)
Total comprehensive income for the financial period	–	–	–	–	(232)	9,225	8,993	289	9,282
Balance at 30 June 2022	466,700	(7,585)	(14,205)	(8,968)	2,043	206,940	644,925	12,889	657,814
2021									
Balance at 1 January 2021	466,700	(7,585)	(14,205)	(8,968)	1,253	168,549	605,744	11,895	617,639
Profit for the period	–	–	–	–	–	4,711	4,711	221	4,932
Foreign currency translation Differences	–	–	–	–	127	–	127	–	127
Share of other comprehensive income of associated company	–	–	–	–	488	–	488	–	488
Total other comprehensive Income	–	–	–	–	615	–	615	–	615
Total comprehensive income for the financial period	–	–	–	–	615	4,711	5,326	221	5,547
Balance at 30 June 2021	466,700	(7,585)	(14,205)	(8,968)	1,868	173,260	611,070	12,116	623,186

The Company	Share capital RMB'000	Capital reserves RMB'000	Fair value reserve RMB'000	Other reserve RMB'000	Foreign exchange translation reserve RMB'000	Retained profits RMB'000	Total Equity RMB'000
2022							
Balance at 1 January 2022	466,700	(8,294)	(14,205)	(8,968)	(8,277)	(22,571)	404,385
Loss for the period	–	–	–	–	–	(2,633)	(2,633)
Foreign currency translation Differences	–	–	–	–	8,133	–	8,133
Total comprehensive income for the financial period	–	–	–	–	8,133	(2,633)	5,500
Balance at 30 June 2022	466,700	(8,294)	(14,205)	(8,968)	(144)	(25,204)	409,885
2021							
Balance at 1 January 2021	466,700	(8,294)	(14,205)	(8,968)	11,179	(19,992)	426,420
Loss for the period	–	–	–	–	–	(1,213)	(1,213)
Foreign currency translation Differences	–	–	–	–	(11,866)	–	(11,866)
Total comprehensive income for the financial period	–	–	–	–	(11,866)	(1,213)	(13,079)
Balance at 30 June 2021	466,700	(8,294)	(14,205)	(8,968)	(687)	(21,205)	413,341

F. Notes to the condensed interim consolidated financial statements

1. Corporate information

Sapphire Corporation Limited (the "Company") is incorporated and domiciled in Singapore and whose shares are publicly traded on the Mainboard of the Singapore Exchange.

These condensed interim consolidated financial statements as at and for six months ended 30 June 2022 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in equity-accounted investee.

The principal activities of the Company are those of investment management, provision of management services and holding company.

The principal activities of the subsidiaries and the associate company are set out in Notes 5 and 6 respectively in the FY2021 Annual Report. There are no significant changes of principal activities for six months ended 30 June 2022.

2. Basis of Preparation

The condensed interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

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

2.1 New and amended standards adopted by the Group

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

- Reference to the Conceptual Framework (Amendments to SFRS(I) 3)
- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to SFRS(I) 1-16)
- Onerous Contracts – Costs of Fulfilling a Contract (Amendments to SFRS(I) 1-37)
- Annual Improvements to SFRS(I)s 2018 – 2020

The application of the above amendments to standards and interpretations is not expected to have a material effect on the consolidated financial statements of the Group and of the Company for the year ending 31 December 2022.

2.2 Use of judgements and estimates

The preparation of the condensed 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 period. 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.

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) Revenue recognition for construction contracts

The Group contracts with customers to carry out construction services according to plans and specifications set out in the contract. The analysis of whether the contract comprises one or more performance obligations, determining whether the performance obligations are satisfied over time and the method used to measure progress for revenue recognition (where performance obligations are satisfied over time), represent areas requiring critical judgement exercised by the Group.

Revenue recognition on an uncompleted construction contract is dependent on estimating the total revenue of the construction contract. The Group has applied certain assumptions used to measure the variable considerations, which include discounts and liquidated damages included in the transaction price.

Variable consideration is estimated and is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty is subsequently resolved. Constrained variable consideration is excluded from revenue recognised at each reporting date. Actual outcomes in terms of total revenue maybe higher or lower than estimated at reporting date, which would affect the level of revenue recognised in the current and future years.

(iii) Measure of allowance for onerous contracts

As the Group is unable to voluntarily terminate the construction contracts, any allowance for onerous contracts is estimated after taking into account estimated transaction prices and estimated total construction costs. The estimated transaction prices are based on contract amount adjusted for any possible variation orders. The estimated total construction costs are based on constructed amounts and, in respect of amounts not contracted for, management's estimates of the amounts to be incurred taking into consideration historical trends of the amounts incurred. Any changes in estimates would affect the amount of provision for onerous contracts recognised in the current financial year. As 30.6.20222 and 31.12.2021, the Group's significant associated company has recorded provision for onerous contracts on 3 and 3 construction projects amounting to RMB 0.6 million and RMB 1.0 million, respectively.

(iv) Classification of the Dividend Allocation Sum under Tranche 1 Escrowed Sum and Tranche 2 Escrowed Sum in the Group's cash and cash equivalents

As 30.06.22 and 31.12.21, the Group has received RMB 280 million from the Investor arising from the disposal of the Group's equity interest in Ranken Group. As set out in the Circular dated 9 October 2020, a Dividend Allocation Sum of approximately RMB 93.3 million being part of the Tranche 1 Escrowed Sum, equivalent to 36.3% of the net proceeds from the disposal of Ranken Group, will be allocated for distribution to the Company's shareholders by way of dividends, forms part of the Group's cash and cash equivalents as at the balance sheet date as there is no restriction placed on the timing of the declaration of such dividends. The amount is currently held in escrow in the Escrow Account and is included in "cash and cash equivalents".

As at 30.6.2022 and 31.12.21, another amount of RMB 91.7 million, relates to the remaining 35.7% of the Tranche 2 Escrow Sum. The amount has been classified as "current" in the consolidated statement of financial position as the amount arose from the disposal of Ranken Railway is expected to be released from the Escrow Account within the next 12 months on the basis that the financial conditions have been met; subject to SGX-ST's approval for the Company to cease such escrow arrangement.

(v) Provision for contingent liabilities

The provision for contingent liabilities as disclosed in Note 13(a) relates to the guarantee provided by the Group to the Investor for the recoverability of outstanding receivable balances in Ranken Group as at 31 August 2020. Should Ranken Railway fail to collect such receivables within 5 years from the date on which such receivables are due, Ranken Railway shall be entitled to offset such amounts against the dividend payable to the Group and the Group shall be liable to reimburse any excess receivables which remain outstanding after the set-off to Ranken Railway. 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.

(vi) Income tax

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 30 June 2022 is RMB 3.2 million (31.12.2021 – RMB 3.1 million).

(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 on 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

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

In applying the equity method on the Group's interest in Ranken Group for the financial period ended 30 June 2022, management has made certain adjustments to the financial results of Ranken Group to align the accounting policies of Ranken Group with those of the Group.

These adjustments involve the use of significant accounting estimates such as the assumptions used in the expected credit loss model in determining the adequacy of the provision for impairment loss recognised and the expected construction margin applied on the PPP arrangement undertaken by the associate of Ranken Group and the reasonableness of the fair value of the construction services during the construction phase of the PPP project.

(iii) Estimation of total contract costs for construction contracts

Post disposal, Ranken Group changed its basis for measuring the progress of a revenue contract from the output method to the input method. There is an increase in the level of estimation uncertainty in determining the total estimated construction contract costs for ongoing contracts as at the reporting date arising from volatile economic conditions brought on by the COVID-19 pandemic. Management has made necessary revisions to the budgeted project costs as provided by the project quantity surveyors due to the impact of COVID-19.

For the period ended 30.6.2022, if the estimated total contract costs decrease by 5% from management's estimates, the Group's share of profit in Ranken Group will increase by approximately RMB 2.0 million. If the remaining estimated contract costs increase by 5% from management's estimate, the Group's share of profit will decrease by approximately RMB 2.0 million.

(iv) Allowance for expected credit losses on trade and other receivables and contract assets

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 Note 11. An increase/ decrease of 10% in the estimated future cash inflows will lead to further allowance for impairment of RMB 6.6 million and RMB 18,000 respectively on the Group's and the Company's trade and other receivables and contract assets.

3. Seasonal operations

As the Group's operations are primarily in China, the Group and its associated company (Ranken Railway)'s business operations are generally slower in the first half of each year affected by cold weather and the Chinese New Year Break. Other than the aforesaid, The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

4.1 Reportable Segment

For the period ended 30 June 2022 and 30 June 2021, the Group has only one reportable segment, the infrastructure segment.

The Company is an investment management and holding company with a business model aligned towards urbanisation trends.

Under the infrastructure segment, the Group 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.. 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 Kai Qi Rui Business Management Co., Ltd. ("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.

These operating segments are reported in a manner consistent with internal reporting provided to the CEO who is responsible for allocating resources and assessing performance of the operating segments.

The unallocated items comprise both the Company's and Ranken Holding Co., Limited's performance and assets.

	Infrastructure 1H2022			
	Jialong	Yilong	Chengdu KQR	Total
	RMB'000	RMB'000	RMB'000	RMB'000
External revenues	12,897	43,962	–	56,859
Interest income	7	9	1,874	1,890
Interest expenses	(235)	(354)	–	(589)
Depreciation	(50)	(1,110)	(2)	(1,162)
Share of profit of associated company	–	–	6,815	6,815
Reportable segment profit before tax	6,535	1,104	8,217	15,856
Reportable segment assets	24,630	111,829	577,838	714,297
Capital expenditure	10	531	–	541
Reportable segment liabilities	16,066	17,904	45,707	79,677

	1H2021			
	Jialong	Yilong	Chengdu KQR	Total
	RMB'000	RMB'000	RMB'000	RMB'000
External revenues	2,387	28,152	–	30,539
Interest income	2	11	2,362	2,375
Interest expense	–	(1,117)	–	(1,117)
Depreciation	(19)	(1,270)	(1)	(1,290)
Share of profit of associated company	–	–	4,653	4,653
Reportable segment profit/(loss) before tax	(1,567)	3,721	6,478	8,632
Reportable segment assets	4,202	80,718	564,595	649,515
Capital expenditure	844	2,282	–	3,126
Reportable segment liabilities	3,229	6,037	46,997	56,263

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

	1H2022 RMB'000	1H2021 RMB'000
Revenue		
Total revenue for reportable segments	56,859	30,539
Profit or loss		
Total profit before tax for reportable segments	15,856	8,632
Unallocated amounts:		
- Other income	4	1,102
- Other expense	(3,873)	(3,871)
- Tax expense	(2,470)	(931)
Consolidated profit for the year	9,517	4,932

	1H2022 RMB'000	1H2021 RMB'000
Assets		
Total assets for reportable segments	714,297	649,515
Elimination of inter-segment assets	–	–
Other unallocated amounts	3,046	3,716
Consolidated total assets	717,343	653,231
Liabilities		
Total liabilities for reportable segments	79,677	56,263
Elimination of inter-segment liabilities	(33,135)	(38,478)
Other unallocated amounts	12,987	12,260
Consolidated total liabilities	59,529	30,045

	Reportable segment total RMB'000	Unallocated amounts RMB'000	Consolidated total RMB'000
Other material items 1H2022			
Interest income	1,890	1	1,891
Interest expense	(589)	–	(589)
Depreciation and amortization	(1,162)	(6)	(1,168)
Capital expenditure	541	–	541
Other material items 1H2021			
Interest income	2,375	–	2,375
Interest expense	(1,117)	–	(1,117)
Depreciation and amortisation	(1,290)	(8)	(1,298)
Capital expenditure	3,126	–	3,126

Geographical information

	Revenue		Non-current assets	
	1H2022 RMB'000	1H2021 RMB'000	1H2022 RMB'000	1H2021 RMB'000
Singapore	–	–	34	47
China	56,859	30,539	429,967	475,806
Total	56,859	30,539	430,001	475,853

4.2 Revenue

	Group	
	1H2022 RMB'000	1H2021 RMB'000
Revenue from contracts with customers	54,934	23,439
Warehouse, premises and equipment leasing	1,925	7,100
	56,859	30,539

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.

	Reportable segment Infrastructure	
	1H2022 RMB'000	**1H2021 RMB'000**
Major products/service lines		
Infrastructure:		
- Sale of goods	42,383	21,043
- Rendering of services	12,551	2,396
	54,934	23,439
Primary geographical markets		
China	54,934	23,439
	54,934	23,439
Timing of revenue recognition		
Products transferred at a point in time	42,383	21,043
Products and services transferred over time	12,551	2,396
Revenue from contracts with customers	54,934	23,439

Note: The above excludes revenue from warehouse, equipment and premise leasing.

5. Other income

	Group	
	1H2022 RMB'000	**1H2021 RMB'000**
Interest income – banks	1,891	2,155
Interest income – associated company	–	220
Government grants	211	40
Exchange (loss)/gain, net	69	–
Change in fair value of financial asset designated as fair value through profit or loss	–	1,045
Gain on disposal of property, plant and equipment, net	267	–
Reversal of impairment loss on trade and other receivables and contract assets	–	44
Reversal of provisions	629	500
Others	286	101
	3,353	4,105

6. Finance costs

	Group	
	1H2022 RMB'000	1H2021 RMB'000
Interest expense – lease liabilities	46	–
Factoring expenses	543	1,117
	589	1,117

7. Profit/(loss) before tax

The following items have been included in arriving at profit/(loss) before tax:

	Group	
	1H2022 RMB'000	1H2021 RMB'000
Exchange loss, net	–	(73)
Change in fair value of financial asset designated as fair value through profit or loss	(430)	–
Impairment losses on trade and other receivables and contract assets	(136)	–
Depreciation of property, plant and equipment	(1,168)	(1,298)

8. Tax expense

	Group	
	1H2022 RMB'000	1H2021 RMB'000
Current tax expense		
Current year	2,470	931

9. Property, plant and equipment

During the six months ended 30 June 2022, the Group acquired assets amounting to RMB 541,000 (30 June 2021: RMB3,126,000) and disposed of assets amounting to RMB 597,000 (30 June 2021: Nil).

10. Other investment

Equity investments – mandatorily at FVTPL

Financial assets mandatorily at fair value to profit and loss comprise the following:

	Group		Company	
	30.06.2022 RMB'000	**31.12.2021 RMB'000**	**30.06.2022 RMB'000**	**31.12.2021 RMB'000**
Hong Kong listed equity securities				
China Vanadium Titano-Magnetite Mining Company Limited	2,433	2,812	2,433	2,812

During the interim period, the Group had not disposed any its investments.

The Group classifies financial assets measured at fair value using a fair value hierarchy which reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
b) Inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
c) Inputs for the assets or liability which are not based on observable market data (unobservable inputs) (Level 3)

The following table presented the assets measured at fair value:

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Group and Company as at 30.6.2022				
Equity investments – mandatorily at FVTPL	2,433	–	–	2,433
Group and Company as at 31.12.2021				
Equity investments – mandatorily at FVTPL	2,812	–	–	2,812

11. Trade receivables and other receivables

	Group		Company	
	30.06.2022 RMB'000	**31.12.2021 RMB'000**	**30.06.2022 RMB'000**	**31.12.2021 RMB'000**
Trade receivables				
Third parties	14,225	6,437	–	–
Associated company	46,354	43,686	–	–
	60,579	50,123	–	–
Impairment loss	(160)	(63)	–	–
Net	60,419	50,060	–	–
Other receivables				
Other receivables due from third parties	5,661	4,335	135	132
Amount due from former subsidiary	14,859	14,859	14,859	14,859
Impairment loss	(14,898)	(14,859)	(14,859)	(14,859)
	5,622	4,335	135	132
Deposits	43	42	43	42
Financial assets at amortised costs	5,665	4,377	178	174
Other tax recoverable	34	80	34	80
Prepayments	5,293	5,956	166	82
Net	10,992	10,413	378	336

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

	Group		Company	
	1H2022 RMB'000	**1H2021 RMB'000**	**1H2022 RMB'000**	**1H2021 RMB'000**
At beginning of the period	14,922	15,617	14,859	15,571
Impairment loss/(reversal)	136	(44)	–	–
At end of the period	15,058	15,573	14,859	15,571

At each reporting date, the Group identifies trade receivables and contract assets that are credit-impaired and measures loss allowance at an amount equal to lifetime expected credit losses ("ECL") using a provision matrix. There have been no significant changes to the movement in the allowance for impairment loss in respect of trade and other receivables, and contract assets during the period.

12. Restricted cash

	Group		Company	
	30.06.2022 RMB'000	31.12.2021 RMB'000	30.06.2022 RMB'000	31.12.2021 RMB'000
Current:				
- Cash and bank balances (Note B)	121,800	118,986	120	193
- Restricted cash in an Escrowed Account (Note A)	91,698	91,698	–	–
Cash and cash equivalents in the statements of financial position	213,498	210,684	120	193
Restricted cash in an Escrowed Account (Note A)	(91,698)	(91,698)		
Cash and cash equivalents in the statement of cash flows	121,800	118,986		

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 has 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 30 June 2022 and 31 December 2021, the remaining 35.7% of the Net Proceeds amounting to RMB91,698,000, being the Tranche 2 Escrowed Sum is included in “cash and cash equivalents” on the basis that financial conditions have been met and subject to SGX-ST's approval for the Company to cease such escrow arrangement in the next 12 months; and

Note B: The Dividend Allocation Sum, being part of the Tranche 1 Escrowed Sum relates to an amount equivalent to 36.3% of the Net Proceeds being RMB 93,308,000, which will be allocated for distribution to Shareholders by way of dividends and is included in “cash and cash equivalents”.

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 Escrowed 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.

13. Provisions

The provisions related to (a) guarantee for accounts receivables of an associated company and (b) guarantee and covered guarantee for banking facilities of an associated company. During the six months ended 30 June 2022, the Group reversed provision amount of RMB 629,000 relating to the guarantee and covered guarantee for banking facilities of an associated company (1H 2021: RMB 500,000).

14. Lease liabilities

The lease liabilities relate to right of use assets – premises with carrying value of RMB 1,518,000 as at 30 June 2022 (31 December 2021: RMB 2,025,000)

Other than the above, the Group has no borrowings and debts securities as at 30 June 2022 and 31 December 2021.

15. Trade and other payables

	Group		Company	
	30.06.2022 RMB'000	**31.12.2021 RMB'000**	**30.06.2022 RMB'000**	**31.12.2021 RMB'000**
Trade payables				
Trade payable to third parties	13,970	15,822	–	–
	13,970	15,822	–	–
Other payables				
Other payable to third parties	27,859	13,719	4,588	4,113
Amount due to subsidiary	–	–	6,973	4,985
Employees benefits	1,338	2,747	603	683
Financial liabilities at amortised costs	29,197	16,466	12,164	9,781
Other tax payables	1,313	1,767	–	–
	30,510	18,233	12,164	9,781

16. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2022 and 31 December 2021:

	Group		Company	
	30.06.2022 RMB'000	**31.12.2021 RMB'000**	**30.06.2022 RMB'000**	**31.12.2021 RMB'000**
Financial Assets				
Equity investments – mandatorily at FVTPL	2,433	2,812	2,433	2,812
Cash and bank balances, trade and other receivables and contact assets (Amortised cost)	272,583	265,121	298	367
	275,016	267,933	2,731	3,179
Financial Liabilities				
Provisions	10,292	10,921	–	–
Trade and other payables and lease liabilities (Amortised cost)	44,739	34,359	12,163	9,781
	55,031	45,280	12,163	9,781

17. Related party transactions

	Group	
	1H2022	**1H2021**
	RMB'000	**RMB'000**
Transaction with associated company:		
- Lease revenue	1,409	6,507
- Sale of goods	34,184	17,357
- Rendering of services	9,636	–
- Interest income	220	220
Expenses incurred for legal fees where a director is a partner of the legal firm	–	99

Other related party balances	Group	
	30.06.2022	**31.12.2021**
	RMB'000	**RMB'000**
Guarantee provided for banking facilities – associated company	19,997	34,993
Covered guarantee provided for banking facilities – associated company *	116,938	97,582

* Determined based on the KQR Chengdu's 49.82% share of RMB 235 million (31.12.2021: RMB 196 million).

There are no material related party transactions apart from those disclosed elsewhere in the condensed interim financial statements.

18. Subsequent events

There are no known subsequent events which have led to adjustments to this set of condensed interim financial statements.

G. Other information required by Listing Rule Appendix 7.2.

1. Review

The condensed consolidated statement of financial position of Sapphire Corporation Limited and its subsidiaries as at 30 June 2022 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2. Review of performance of the Group

Review of Condensed interim consolidated statement of profit or loss and other comprehensive income (1H2022 vs 1H2021)

Revenue rose by RMB 26.3 million to RMB 56.9 million mainly due higher revenue from sales of goods from supply of construction materials as well as rendering of city urbanization services, offset by lower revenue from lease of equipment.

For the similar reasons mentioned above, gross profit rose by RMB 3.5 million to RMB 9.5 million.

Other income fell by RMB 0.8 million to RMB 4 million mainly due the absence of gain in fair value of financial asset, offset by gain on disposal of plant and equipment.

Administrative expenses fell by RMB 1.1 million to RMB 5.9 million mainly due to cost control measures.

Other expenses rose by RMB 0.5 million to RMB 1.3 million mainly due loss in fair value of financial asset and impairment losses on trade and other receivables.

Finance costs fell by RMB 0.5 million to RMB 0.6 million mainly due to lower factoring expenses, offset by interest expense for lease liabilities.

Share of profit of equity-accounted investees (net of tax) rose by RMB 2.2 million to RMB 6.8 million, mainly due to higher profits of Ranken Railway and thus the Group's equity-accounting for share of profits.

Tax expenses rose by RMB 1.5 million to RMB 2.5 million mainly due higher operating profit during the period.

Given the above, net profit for 1H2022 rose by RMB 4.5 million to RMB 9.2 million, net of non-controlling interest.

Review of Financial Position (30 June 2022 vs 31 December 2021)

Total non-current assets rose by RMB 5.5 million mainly due to the following significant changes during the period:

- Property, plant and equipment fell by RMB 1.2 million mainly due to depreciation during the period;
- Associated company rose by RMB 6.7 million mainly due to the Group's share of profit of associated company, Ranken Railway; and

Total current assets rose by RMB 13.1 million mainly due to the following significant changes during the period:

- Other investment fell by RMB 0.4 million mainly due to decrease in fair value of quoted shares classified as financial assets at fair value;
- Inventories fell by RMB 0.2 million mainly due utilization during the period;
- Trade receivables rose by RMB 10.4 million mainly due to higher revenue during the period;
- Other receivables rose by RMB 0.6 million mainly due to higher other receivables due from third parties relating to payment made for tender deposits;
- Cash and cash equivalents rose by RMB 2.8 million mainly due to cash inflow from operating and investing activities, offset by cash outflow from financing activities.

Total non-current liabilities fell by RMB 0.7 million mainly due to the following significant changes during the period:

- Provisions and fell by RMB 0.6 million mainly due to the reversal of provision for guarantee and covered guarantee of banking facilities of an associated company, in line with shorter period of loans and borrowings guaranteed for the associated company; and
- Lease liabilities fell by RMB 24,000 due to repayment during the period.

Total current liabilities rose by RMB 10.0 million mainly due to the following significant changes during the year:

- Trade payables fell by RMB 1.9 million mainly due to a shorter credit period given for purchases of construction materials;
- Other payables rose by RMB 12.3 million mainly due to higher advance receipt from customers, offset by lower other payables for employee benefits; and
- Current tax liabilities rose by RMB 89,000 mainly due to provision offset by payment during the period.

Total equity

Total equity attributable to owners of the Company or Shareholders' Equity rose by RMB 9.0 million due to profit for the year of RMB 9.2 million, offset negative other comprehensive income of RMB 0.2 million.

Review of Cash Flows (1H2022 vs 1H2021)

Operating cash flow improved by RMB 5.7 million mainly to due higher profit during the period. The operating cash inflow for 1H2022 of RMB 1.9 million is arrived at after accounting for (a) operating profit before working capital changes of RMB 4.7 million and (ii) net working capital changes of RMB 0.4 million and tax payment of RMB 2.4 million.

Cash flow from investing activities rose by RMB 41.9 million mainly due to absence of (a) payment of tax in relation to the disposal of subsidiaries and (b) loan to associated company (Ranken Railway).

Cash outflow from financing activities fell by RMB 29,000 mainly due to lower interest/factoring expenses paid, offset by payment of lease liabilities.

Given the above, cash and cash equivalents rose by RMB 3 million during the period.

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

Share Capital

There was no change in the Company's issued capital since the previous period reported on.

Convertible Securities

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

3(ii) To show the total number of issued shares excluding treasury shares as at end of the current financial period and as at end of the immediately preceding year

	30.06.2022	31.12.2021
Total number of issued shares excluding treasury shares	407,589,893	407,589,893

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

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

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

The figures are based on management's records and have not been audited or reviewed by our auditors and may be subject of adjustment.

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

Not applicable.

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

	For the 6 months ended	
	1H2022	**1H2021**
Basic earnings per share (RMB cents)	2.26	1.16
Diluted earnings per share (RMB cents)	2.26	1.16

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

	For the 6 months ended	
	1H2022	**1H2021**
Weighted average number of shares	407,589,893	407,589,893

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

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

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

	Group		Company	
	30.06.2022	**31.12.2021**	**30.06.2022**	**31.12.2021**
Net asset value per ordinary share (RMB cents)	158.23	156.02	100.56	99.21
Number of shares in issue	407,589,893	407,589,893	407,589,893	407,589,893

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

As disclosed in the 1H2021 results announcement on 13 April 2022:

"With a service-centric approach, the Group aims to generate recurring income by providing a comprehensive suite of city redevelopment services."

The above actual results for 1H2022 are in line with the prospect statement disclosed on 13 April 2022 where the Group's revenue in 1H2022 rose by RMB 26.3 million to RMB 56.9 million.

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

As challenges from the spread of the highly contagious Omicron variant of the coronavirus remained unabated, the Chinese economy continues to face uncertainties.

While China has set its economic growth target at around 5.5% in 2022, it has recently highlighted that this economic growth target growth should serve as guidance rather than a hard target that must be achieved.

Over the past several decades, China's strong economic growth has gone hand-in-hand with urbanisation and China's urbanisation rate of permanent residence hit 64.72% in 2021, according to the country's top economic planner. Over the past year, the country has seen an accelerated trend of rural residents moving to cities, said the National Development and Reform Commission.

According to China's 14th Five-Year Plan (2021-2025), it aims to raise its urbanisation rate to 65% in the period with a focus on people-centered approach in advancing new urbanisation strategy, promoting the high-quality development of urbanization in 2022.

These include plans to facilitate about half of the rural migrants to settle in five super-city clusters, including the Beijing-Tianjin-Hebei region, the Yangtze River Delta, the mid-Yangtze River area, the Greater Bay Area, and Chongqing-Chengdu city cluster. Each cluster will be designed to enable both "domestic circulation" and serve as hubs in facilitating "external circulation" between China and the global economy.

According to a World Bank report, the Chongqing-Chengdu metropolis will serve as a center for the development of western China, a gateway for the Yangtze Economic Belt, a logistics node for the Eurasian overland Belt & Road Initiative and a strategic economic fulcrum for ASEAN.

Chengdu is our key operating market and 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 RMB 372.1 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.

In major Chinese metropolises, much of the infrastructure built in support of expansive urban development is now reaching a critical point in its lifecycle, with many under-utilised land parcels and buildings in need of significant repairs or even complete overhaul.

Hence, there is a growing need for future communities that combine the characteristics of both residential buildings and community public service that focuses on improving people's daily life experience. These will particularly arise from sizeable improvements in cross-city transit systems, mixed-use residential-recreational-commercial developments, and the adoption of renewable energies.

In addition, on the back of increasingly stringent environmental protection regulations in China and to combat climate change, 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 offer 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 environmental conservation projects.

With 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.

10 Dividend

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

No.

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

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

11 If no dividend has been declared/recommended, a statement to that effect and the reasons for the decision

No dividend has been declared/recommended in the current period.

As disclosed above on page 16, a Dividend Allocation Sum, being part of the Tranche 1 Escrowed Sum and an amount equivalent to 36.3% of the Net Proceeds being RMB 93,308,000, will be allocated for distribution to Shareholders by way of dividends. Pending such distribution, the Dividend Allocation Sum will remain in the Escrow Account.

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)

12 Disclosure of Interested Person Transaction Conducted under a Shareholder Mandate for the period ended 30 June 2022

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

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

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

Confirmation by the Board

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the six-month period ended 30 June 2022 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Wang Heng	**Cheung Wai Suen**
Group Chief Executive Officer	**Executive Chairman**
8 September 2022	**8 September 2022**