SAPPHIRE CORPORATION LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 198502465W)

THE PROPOSED SALE OF EQUITY INTERESTS IN, AND MATERIAL DILUTION OF EFFECTIVE EQUITY INTERESTS IN, RANKEN RAILWAY CONSTRUCTION GROUP CO., LTD. ("RANKEN RAILWAY"), RESULTING IN RANKEN RAILWAY CEASING TO BE A SUBSIDIARY OF THE COMPANY

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1. INTRODUCTION

1.1. The board of directors (the "**Board**") of Sapphire Corporation Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that Chengdu Kai Qi Rui Business Management Co., Ltd. ("**Chengdu KQR**"), the Company's 98%-owned subsidiary, and Ranken Railway, Chengdu KQR's 99.6%-owned subsidiary, have entered into a share transfer and capital increase agreement dated 28 May 2020 ("**Agreement**") with Shandong Hi-Speed Road & Bridge Investment Management Co., Ltd. ("**Investor**"), for the (a) sale of a certain percentage of the equity interests in Ranken Railway held by Chengdu KQR to the Investor ("**Sale**"); and (b) subscription by the Investor for additional equity interests in Ranken Railway ("**Subscription**". and collectively with the Sale, the "**Proposed Transaction**").

1.2. The Proposed Transaction comprises:

(a) the Sale by Chengdu KQR of 263,237,476 shares of Ranken Railway ("**Sale Shares**") held by Chengdu KQR amounting to approximately 43.87% of the existing equity capital of Ranken Railway (or equivalent to 39.22% of the enlarged equity capital of Ranken Railway post-Proposed Transaction) to the Investor, for a consideration of RMB 280,000,000 ("**Sale Consideration**"); and

(b) the Subscription by the Investor for 71,125,048 shares of Ranken Railway ("**Subscription Shares**") amounting to approximately 10.6% of the enlarged equity capital of Ranken Railway post-Proposed Transaction, at a subscription price of RMB 75,654,172 ("**Subscription Price**" and collectively with the Sale Consideration amounting to an aggregate of RMB 355,654,172, the "**Consideration**").

Please refer to paragraph 3 of this announcement ("**Announcement**") for details on the Consideration.

1.3. Upon completion of the Proposed Transaction, each of the Investor and Chengdu KQR will hold approximately 49.82% of the enlarged equity capital of Ranken Railway, with the remaining equity interests in Ranken Railway continuing to be held by Mr. Cheung Wai Suen ("**Mr. Cheung**"), the Executive Chairman of the Company. Accordingly, upon completion of the Proposed Transaction, Ranken Railway will cease to be a subsidiary of the Company and become an "associated company" of the Group as defined under the Listing Manual (as defined below), with the Company's effective interest in Ranken Railway reduced from 97.60% to 48.82%. Please refer to Appendix A of this Announcement for a diagrammatic representation of the shareholdings of Ranken Railway post-Proposed Transaction.

1.4. As the relative figures in respect of the Proposed Transaction computed on the bases set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Listing Manual**") exceeds 20%, the Proposed Transaction constitutes a major transaction under Chapter 10 of the Listing Manual. Accordingly, the Proposed Transaction is conditional upon, *inter alia*, approval of the shareholders of the Company ("**Shareholders**") being obtained.

1.5. The Company is also consulting the SGX-ST on the applicability of Rule 1018(1) of the Listing Manual as to whether the Company would be considered a "cash company" (being a company in which the assets consist wholly or substantially of cash or short-dated securities) subsequent to the completion of the Proposed Transaction and will keep Shareholders updated on the results of the consultation. Please refer to paragraph 13 of this Announcement for further details.

2. INFORMATION ON RANKEN RAILWAY AND THE INVESTOR

2.1. Information on Ranken Railway

On 1 October 2015, the Company acquired the entire issued share capital of Ranken Holding Co., Limited (formerly known as Ranken Infrastructure Limited), an investment holding company incorporated in Hong Kong. Pursuant to the acquisition, the Company became the holding company of Ranken Holding Co. Limited and its subsidiaries, which includes Ranken Railway, of which the Company has an effective equity interest of 97.6% held via Chengdu KQR. Mr. Cheung, the Executive Chairman of the Company, holds direct equity interest of 0.4% and effective equity interest of 2.4% in Ranken Railway.

Ranken Railway was incorporated on 6 April 1998 in the People's Republic of China ("**PRC**") and is a full-fledged engineering, procurement and construction firm. It 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 the PRC and South Asia.

Ranken Railway is a principal subsidiary of the Group which, excluding the Carved-out Assets (as defined below), accounted for approximately 128% of the Group's unaudited consolidated pre-tax profits (before income tax, minority interests and extraordinary items) for the financial year ended 31 December 2019 ("**FY2019**").

Additional information on the financial performance and position of Ranken Railway for FY2019 and the financial period commencing from 1 January 2020 to 30 April 2020 had been announced by the Investor's parent company, Shandong Hi-Speed Road & Bridge Co., Ltd. ("**Shandong Listco**"), in its announcement to its shareholders on 1 June 2020, and a translation of which is set out in Appendix B of this Announcement. The Company wishes to highlight that such financial information solely relates to Ranken Railway and are prepared in accordance with PRC accounting standards.

As the Proposed Transaction excludes the Carved-out Assets, Ranken Railway will undergo an internal restructuring prior to Completion (as defined below) of the Proposed Transaction. Pursuant to the restructuring, the shareholdings of Ranken Railway in two (2) of its subsidiaries, being 100% of 四川易隆装备有限公司 (Sichuan Yilong Equipment Co., Ltd.) ("**SYE**") and 95% of 成都嘉隆物业服务有限公司 (Chengdu Jialong Property Service Co., Ltd.) ("**CJPS**", and 95% of CJPS collectively with 100% of SYE, collectively the "**Carved-out Assets**"), will be acquired by Chengdu KQR and Mr. Cheung at nil consideration via capital distribution in proportion to their respective shareholdings of Ranken Railway, i.e. 99.6% and 0.4% respectively. Chengdu KQR and Mr. Cheung will also acquire 5% of CJPS, which is currently held by Sichuan Jinlong Labor Service Co., Ltd., a subsidiary of Ranken Railway, at fair value for an aggregate consideration of RMB 94,368, in proportion to their respective shareholdings of Ranken Railway. Upon completion of the restructuring exercise, SYE and CJPS will become subsidiaries of Chengdu KQR, and Chengdu KQR and Mr. Cheung will hold respectively 99.6% and 0.4% of each of SYE and CJPS. SYE and CJPS are classified under the infrastructure business of the Group.

Please refer to Appendix A of this Announcement for a diagrammatic representation of the group structure of the Group and Ranken Railway prior to, and after, the abovementioned internal restructuring.

2.2. Information on the Investor

The Investor is a wholly-owned subsidiary of Shandong Listco. Shandong Listco is a company incorporated in the PRC and listed on the Main Board of the Shenzhen Stock Exchange (stock code:000498). Shandong Listco and its subsidiaries are in the business of undertaking infrastructure construction, including highways, bridges, tunnels, municipal works engineering, traffic engineering, ports and waterways.

As at 31 December 2019, Shandong Listco's market capitalisation is approximately RMB 5.24 billion, with an order book of approximately RMB 22.1 billion. Based on Shandong Listco's annual report for the 2019 financial year, the net assets attributable to its holding company amounted to approximately RMB 5.5 billion, and total assets approximately RMB 32.1 billion.

The controlling shareholder of Shandong Listco is Shandong Hi-Speed Group Co., Ltd. ("**Shandong HSG**"), which holds 60.66% of the shares of Shandong Listco. Shandong HSG is a wholly-state-owned enterprise ("**SOE**") headquartered in Jinan City, Shandong Province of the PRC.

All information in relation to the Investor was based on representations made by the Investor to the Company. The Investor has further confirmed to the Company that, and to the best of the knowledge of the Company, none of the Investor and its associates is related to the Company, its directors and controlling Shareholders.

3. THE PROPOSED TRANSACTION

3.1. Consideration

The Consideration was arrived at after arms' length negotiations between the Investor and the Company, which were based on valuations conducted by each of the Investor and the Company.

Pursuant to Rule 1014(5) of the Listing Manual, the Company has commissioned RSM Corporate Advisory Pte. Ltd. ("**RSM**") to conduct a valuation on Ranken Railway. Pursuant to the valuation report dated 8 May 2020 issued by RSM ("**RSM Valuation Report**") on Ranken Railway, the valuation on Ranken Railway (less the Carved-out Assets) as at 31 December 2019 is estimated to be between RMB 640.9 million and RMB 689.2 million ("**Valuation**").

A valuation on Ranken Railway was also undertaken by 中联资产评估集团有限公司 ("**Zhonglian Assets**"), which was commissioned by the Investor. Zhonglian Assets is approved by the Ministry of Finance of the People's Republic of China and the China Securities Regulatory Commission to engage in valuations of PRC assets. Pursuant to PRC law and as advised by the Company's PRC counsel, the Investor, as a subsidiary of an SOE, is required to appoint an competent and independent valuer in respect of the acquisition of assets. The preliminary valuation of Ranken Railway excluding the Carved-out Assets ("**Transaction Valuation**") pursuant to such valuation undertaken by Zhonglian Assets is RMB 638,207,000, with the Carved-out Assets being valued at RMB 21,793,000[(1)]. The Transaction Valuation represents a premium of 14.55% to the net asset value ("**NAV**") of Ranken Railway less the Carved-out Assets, in the accounts of the Group as at 31 December 2019.

The Consideration shall be satisfied by the Investor as follows:

(a) Sale Consideration

(i) 20% of the Sale Consideration amounting to RMB 56 million is payable by the Investor to Chengdu KQR within 10 business days of the effective date of the Agreement;

(ii) 60% of the Sale Consideration amounting to RMB 168 million is payable by the Investor to Chengdu KQR within 10 business days of the transfer of the Sale Shares to the name of the Investor; and

(iii) the remaining 20% of the Sale Consideration amounting to RMB 56 million is payable by the Investor to Chengdu KQR within 10 business days after the Audit Period. The "Audit Period" is prescribed in the Agreement to refer to a period of time within which an Investor-appointed auditor completes an audit of the financial affairs of Ranken Railway for the period from 1 September 2019 (being the date after the Transaction Valuation date) up to the Completion Date (as defined below).

The Sale Consideration is payable in cash to Chengdu KQR's designated bank account. Chengdu KQR has undertaken that, should the transfer of the Sale Shares to the Investor after payment of the first tranche of the Sale Consideration set out in paragraph (a)(i) above not be completed within 20 business days from Chengdu KQR's receipt of such tranche, the Investor is entitled to terminate the Agreement. Chengdu KQR is obliged to refund the Sale Consideration received within 10 business days of receipt of the notice of termination, failing which interest accrues at a rate of 0.1% per day thereafter.

The effective date of the Agreement as set out in paragraph (a)(i) above falls on the date when all of the following conditions have been satisfied:

(1) the legal representatives or authorised representatives of each of the Investor, Chengdu KQR and Ranken Railway affixing the respective company seals to the Agreement;

(2) the acceptance of the Zhonglian Assets' valuation report by the Investor's state-owned assets management unit;

(3) antitrust clearance by PRC authorities;

(4) approval by the shareholders of each of Ranken Railway, Chengdu KQR and the Company, and Chengdu KQR's board of directors, for the Proposed Transaction; and

(5) approval by the Investor's shareholders for the Proposed Transaction.

Note:

(1) The final valuation of Ranken Railway excluding the Carved-out Assets as at 31 August 2019, pursuant to Zhonglian Assets' valuation report, is RMB 643,414,400, with the Carved-out Assets being valued at RMB 21,335,400.

(b) Subscription Price

The Investor is obliged to pay the Subscription Price of RMB 75,654,172 to Ranken Railway in cash to Ranken Railway's designated bank account, within 20 business days of the completion of the registration and issuance of the Subscription Shares in the name of the Investor, of which RMB 52,121,729 is recognised by Ranken Railway as paid-up capital and the remainder as equity premium.

(c) Unpaid equity capital of the Sale Shares and Subscription Shares

The Sale Shares and Subscription Shares include unpaid equity capital of RMB 70,332,264 and RMB 19,003,318 respectively. Such unpaid equity capital does not form part of the Sale Consideration and the Subscription Price, and is due to be paid up by the Investor by 25 August 2030, in tandem with the other shareholders of Ranken Railway as described in Paragraph 3.3 "Salient terms of the Proposed Transaction – Profit distribution" below.

3.2. Conditions Precedent

Completion of the Proposed Transaction ("**Completion**") is conditional on the fulfilment and/or waiver of the following conditions ("**Conditions Precedent**") within 180 days from the date of signing of the Agreement:

(a) the Agreement and all other documents required for the Proposed Transaction becoming effective;

(b) the waiver of all pre-emption rights by the original shareholders of Ranken Railway (that is, Chengdu KQR and Mr. Cheung) to the Sale Shares and the Subscription Shares;

(c) the approval in writing by the pledgeholders[(1)] of Ranken Railway's shares for the Proposed Transaction, and their cooperation with the relevant procedures to be carried out to effect the Proposed Transaction;

(d) all approvals required by the Investor, Chengdu KQR and Ranken Railway being obtained, including but not limited to the approval by the Shareholders of the Company at general meeting and SGX-ST; and

(e) all representations and warranties of Chengdu KQR being legal, true and not misleading from the date of the signing of the Agreement up to the Completion Date, and all obligations to be fulfilled by Chengdu KQR prior to the Completion Date being fulfilled in all material respects.

The "**Completion Date**" shall be such date that the Sale Shares and the Subscription Shares are registered in the name of the Investor.

Note:

(1) 200 million of the existing 600 million shares of Ranken Railway held by Chengdu KQR are pledged to two (2) guarantee companies in the PRC as security for (a) a bank loan; and (b) project guarantees provided by Ranken Railway. Further information on the pledges are set out in Appendix B of this Announcement

3.3. Salient terms of the Proposed Transaction

The salient terms of the Agreement and the Proposed Transaction are set out as follows:

Reimbursement of losses during Audit Period

Pursuant to the Agreement, Chengdu KQR agrees to reimburse Ranken Railway for any losses incurred by Ranken Railway during the Audit Period, save for any losses arising out of force majeure events or due to the Carved-out Assets. Such reimbursement will be made in cash or at the Investor's election, deducted from the third and final tranche of the Sale Consideration payable in accordance with paragraph 3.1(a)(iii) above.

Guarantee of accounts receivables

As at 31 August 2019, Ranken Railway has uncollected receivables amounting to approximately RMB 968,032,647. Should Ranken Railway fail to collect such receivables within five (5) years from the date on which such receivables are due to Ranken Railway, Ranken Railway shall be entitled to offset such amount 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.

Governance and management

Post-Completion, the composition of the governance and management functions of Ranken Railway shall be as follows:

(a) the board shall comprise five (5) directors, of whom Chengdu KQR is entitled to nominate two (2) and the Investor, three (3). The directors shall be appointed onto the board by the shareholders of Ranken Railway;

(b) the supervisory committee shall comprise three (3) supervisors, of whom Chengdu KQR and the Investor are each entitled to nominate one (1), and the supervisors shall be appointed onto the committee by the shareholders of Ranken Railway. The remaining supervisor shall be a representative appointed by the workers' union;

(c) the initial term of the directors shall be three (3) years. In such initial term, the chairman of the board of directors shall be a director nominated by Chengdu KQR, while the general manager ("**GM**") shall be a director nominated by the Investor. After the initial term, should the chairman of the board be a director nominated by the Investor, the GM shall be nominated by Chengdu KQR, and *vice versa*;

(d) the legal representative (who is also the GM for the initial term) and Chief Accountant shall be nominated by the Investor and appointed by the board of Ranken Railway. After the initial term, should the chairman of the board be a director nominated by the Investor, the chairman will be the legal representative of Ranken Railway. The chief executive officer ("**CEO**") (who is the vice-GM) and other members of the senior management team shall be nominated by Chengdu KQR. The GM is responsible for the strategic planning, supervision, management and guidance while the CEO is responsible for management of the staff, market operations and corporate management; and

(e) one of the nominee directors of the Investor will also hold the position of one of the Deputy General Managers.

Profit distribution

Ranken Railway undertakes that for the first three (3) years post-Completion, the cash dividends payable shall be no less than 50% of the distributable profits. Subsequent to the first three (3) years, Ranken Railway undertakes that the cash dividends payable shall be no less than 30% of the distributable profits. Chengdu KQR and the Investor shall pay up the outstanding equity capital in tandem and in the same proportions out of the remaining distributable profits of Ranken Railway after paying out the cash dividends as aforementioned, to ensure that the paid-up equity capital held by each party remains equal at all times. Regardless, the parties are to pay up any outstanding share capital obligations by 25 August 2030.

Right of first refusal

The Investor shall have a right of first refusal over Chengdu KQR to purchase any shares intended to be sold by the other shareholders (currently, the only other shareholder is Mr. Cheung) of Ranken Railway to a third party under equal terms, unless otherwise agreed among the Investor, Chengdu KQR and Mr. Cheung.

Tag-along right

For so long as long as the accounts of Ranken Railway remain consolidated under the Investor, should the Investor wish to sell any part of its shares in Ranken Railway to a third party ("**Tagged Shares**"), Chengdu KQR is entitled to transfer the same proportion of its shares to such third party on the same terms. The Investor shall not sell the Tagged Shares if the third party does not agree to purchase Chengdu KQR's shares as well.

Notwithstanding the above, in the event that the Investor is deemed to not have actual control over Ranken Railway due to changes in, among others, accounting policies, the Investor is entitled to request for Chengdu KQR to transfer all or part of its shareholdings to the Investor at fair value in order for the Investor to obtain control. Should the parties be unable to reach an agreement on the transfer terms within 60 working days from the date that the Investor ceases to have actual control over Ranken Railway, the Investor is entitled to transfer its shares in Ranken Railway to a third party without Chengdu KQR being able to tag-along the transfer.

Reserved matters

Ranken Railway will also adopt a new set of Articles of Association following the Completion of the Proposed Transaction. These include provisions relating to certain reserved matters requiring either approval by shareholders holding at least two-thirds of the voting rights at a meeting of the shareholders of Ranken Railway, or approval by a majority of the board of directors of Ranken Railway. In the event of interested person transactions, the nominees of the Investor or Chengdu KQR (as the case may be) are required to abstain from the relevant resolution.

3.4. Delegation of voting rights

The Company has also been informed by the Investor and Mr. Cheung that in connection with the Proposed Transaction, the Investor and Mr. Cheung have entered into an agreement dated 28 May 2020 ("**Delegation Agreement**") pursuant to which, *inter alia*:

(a) Mr. Cheung has authorised the Investor to exercise the voting rights in the equity interest held by Mr. Cheung, in accordance with the Investor's interests, which authorisation shall commence from the effective date of the Delegation Agreement and shall be terminated upon the mutual agreement of the parties or automatically terminated upon the occurrence of any of the following:

(i) either the Investor or Mr. Cheung ceases to be a shareholder of Ranken Railway;

(ii) the aggregate shareholdings of the Investor and its related companies exceeds 50% of Ranken Railway; or

(iii) the aggregate shareholdings of the Investor and Mr Cheung is less than the shareholding of any other shareholder of Ranken Railway (other than the Investor and Mr. Cheung), and the Investor is unable to consolidate the accounts of Ranken Railway notwithstanding the delegation of voting rights by any other shareholder to the Investor; and

(b) in the event of revocation by Mr. Cheung of such delegation of voting rights, breach by Mr. Cheung of the terms of the Delegation Agreement or the transfer by Mr, Cheung of his shares in Ranken Railway, Mr. Cheung shall sell all of his shares in Ranken Railway to the Investor.

4. RATIONALE FOR THE PROPOSED TRANSACTION AND INTENDED USE OF PROCEEDS

4.1. The Company considers that the Proposed Transaction is in the interests of the Group for the following reasons:

(a) the Consideration is attractive as it is based on the Transaction Valuation of RMB638,207,000, which represents a premium of 14.55% to the NAV of Ranken Railway (less the Carved-out Assets) as at 31 December 2019. The Consideration is also 314% of Company's market capitalisation based on the closing price of the shares of the trading day prior to the date of this Announcement ("**Closing Price**"), notwithstanding the Company's effective interest in Ranken Railway being reduced from 97.6% to 48.82%. The Proposed Transaction thus presents a good opportunity for the Company to unlock the value of its shareholding in Ranken Railway, and correspondingly for Shareholders as well;

(b) the Proposed Transaction has positive financial effects on the Group as described in the *pro* forma financial effects set out in Paragraph 7 "Financial Effects of the Proposed Transaction" below, in particular, (i) the increase in net tangible assets ("**NTA**") per share is approximately 18% from RMB cents 131.82 to RMB cents 155.51 (where retained interest in Ranken Railway is measured at fair value), and which the NTA of RMB cents 155.51 represents more than 5.6 times the Closing Price; and (ii) a gain of approximately RMB 58 million (where retained interest in Ranken Railway is measured at fair value);

(c) the Investor has been looking to expand its business operations into urban railway infrastructure and water environmental management projects which it currently does not undertake, and which are core businesses of the Group's. The Company has considered that with the Investor's expressed interest in this business, there are synergies that the Investor can bring to the table as a strategic business partner;

(d) Ranken Railway would be placed in a more favourable position to secure project contracts in the PRC, and may be able to enjoy lower interest rates on external borrowings from financial institutions, given its status as an indirect SOE following the Proposed Transaction;

(e) as an indirect and partial SOE following the Proposed Transaction, Ranken Railway will be able to additionally tender for key infrastructure projects in the PRC which require contractors or vendors to be state-owned which it was previously ineligible to participate, in addition to projects which it could previously access as a privately-owned enterprise. Currently, Ranken Railway faces strong competitive pressure in tendering for projects in the PRC, with most of the projects it has tendered for awarded to SOEs; and

(f) the issuance of equity in Ranken Railway to the Investor will lower Ranken Railway's debt-to-equity ratio and allow it to raise more funds for working capital in order to take up more projects. This would also strengthen Ranken's balance sheet, and coupled with its track record of projects, the long-term goal is to bolster Ranken's ability to upgrade its various professional qualifications and certifications business licences which will allow it to take on more significant and higher value projects.

4.2. The net proceeds from the Proposed Transaction, after deducting all costs and expenses, is estimated to be approximately RMB 257,048,000. The net proceeds are intended to be used by the Group for any or all of the following purposes as determined by the Directors:

(a) investments into infrastructure and water and environmental conservation (WEM) projects and transit-oriented development (TOD) projects, as and when opportunities arise;

(b) purchase of construction equipment by SYE for its leasing business;

(c) expansion of the building estate management ("**BEM**") business of CJPS, including investments into other companies undertaking the BEM business or by increasing the headcount of CJPS;

(d) contributions to Ranken Railway's capital (whether by way of equity or debt) as required by Ranken Railway;

(e) contingency for reimbursement of any losses during the Audit Period as described in paragraph 3.3 "Salient terms of the Proposed Transaction – Reimbursement of losses during the Audit Period" above and reimbursement of outstanding accounts receivables of Ranken Railway as described in paragraph 3.3 "Salient terms of the Proposed Transaction – Guarantee of accounts receivables" above; and

(f) general corporate purposes including general working capital, financing of new business ventures through acquisitions and/or strategic investments as and when opportunities arise, and share buy-back exercises and dividend distributions to Shareholders.

Pending the deployment of the proceeds for the uses mentioned above, the proceeds may be placed as deposits with financial institutions or invested in short-term money market or debt instruments, or for any other purposes on a short-term basis as the Directors may deem fit in the interests of the Group.

5. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

For the purposes of Chapter 10 of the Listing Manual, the relative figures computed on the relevant bases set out in Rule 1006 of the Listing Manual in respect of the Proposed Transaction based on the unaudited consolidated financial statements of the Group for FY2019 are as follows:

Rule 1006	Bases	Relative figures (%)
(a)	The NAV of the equity interest to be disposed of, compared with the Group's NAV	94.33[(1)]
(b)	The net profits[(2)] attributable to the equity interest to be disposed of, compared with the Group's net profits	84.73[(3)]
(b)	The aggregate value of the Consideration received, compared with the Company's market capitalisation[(4)] based on the total number of issued shares of the Company ("**Shares**") excluding treasury shares	296[(4)(5)]
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable as no securities will be issued by the Company in connection with the Proposed Transaction
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. If the reserves are not directly comparable, the Exchange may permit valuations to be used instead of volume or amount	Not applicable as the Proposed Transaction is not a disposal of mineral, oil or gas assets by a mineral, oil and gas company

Notes:

(1) Based on the unaudited management accounts of Ranken Railway (less the Carved-out Assets) for FY2019 with NAV of approximately RMB 557,139,000 (including goodwill of RMB 42,417,000). As a result of the Sale and the Subscription, the Proposed Transaction will result in the deconsolidation of Ranken Railway and thus a deemed full disposal of subsidiary for accounting purposes. The Group will subsequently account for Ranken Railway as an entity equity accounted for by Chengdu KQR.

(2) "**net profits**" means profit or loss before income tax, minority interests and extraordinary items.

(3) Based on the unaudited management accounts of Ranken Railway for FY2019, Ranken Railway (less the Carved-out Assets) accounted for approximately 84.73% of the Group's unaudited consolidated pre-tax profits for FY2019. The above has been computed to include Chengdu KQR's 49.82% share of Ranken Railway's profit on an equity accounting basis assuming dilution had taken place on 1 January 2019.

(4) Based on 407,589,893 Shares in issue as at 31 December 2019 and the closing price of S$0.057 (and at an exchange rate of S$1 : RMB 5.178) of the Shares transacted on the same date.

(5) Based on the Consideration of RMB 355,654,172, being the aggregate of the Sale Consideration of RMB 280,000,000 payable by the Investor to Chengdu KQR for the Sale Shares and the Subscription Price of RMB 75,654,172 and at an exchange rate of RMB 5.178.

As the relative figures under Rules 1006(a), (b) and (c) exceed 20%, the Proposed Transaction is regarded as a major transaction as defined under Rule 1014 of the Listing Manual and is subject to the approval of the Shareholders.

6. FINANCIAL INFORMATION

6.1. Value attributable to Ranken Railway

(a) Book value

Based on the unaudited consolidated financial statements of the Group for FY2019, the book value attributable to Ranken Railway (less the Carved-out Assets) as at 31 December 2019 is approximately RMB 557,139,000 (including goodwill of RMB 42,417,000).

(b) NTA

Based on the unaudited consolidated financial statements of the Group for FY2019, the NTA attributable to Ranken Railway (less the Carved-out Assets) as at 31 December 2019 is approximately RMB 514,722,000.

(c) Latest available open market value

The open market value of Ranken Railway is not publicly available as the shares of Ranken Railway are not publicly traded. Please refer to paragraph 3.1 of this Announcement for the Transaction Valuation and the Valuation.

6.2. Excess of proceeds over book value and gain on disposal

In accordance with the Singapore Financial Reporting Standards ("**SFRS**"), the retained interest of 49.82% of Ranken Railway held by Chengdu KQR is to be measured at fair value and subsequently accounted for in accordance with SFRS 28 – Investments in Associates and Joint Ventures.

(a) Retained interest in Ranken Railway measured at NAV

Based on the unaudited consolidated financial statements of the Group for FY2019 where:

(i) the book value attributable to Ranken Railway (less the Carved-out Assets) as at 31 December 2019 is approximately RMB 557,139,000;

(ii) the recognition of 49.82% retained interest in Ranken Railway held by Chengdu KQR after the capital injection of the Subscription Price measured at net asset value is approximately RMB 293,666,000; and

(iii) estimated expenses incurred in connection with the Proposed Transaction is approximately RMB 22,952,000, with net proceeds of RMB 257,048,000 to be received by the Group,

the Proposed Transaction represents a loss of approximately RMB 6,425,000. An additional currency translation gain to be transferred to the profit and loss account of the Group of RMB 2,271,000 is also expected to result in a net impact on earnings of a loss of RMB 4,154,000.

(b) Retained interest in Ranken Railway measured at fair value

Based on the unaudited consolidated financial statements of the Group for FY2019 where:

(i) the book value attributable to Ranken Railway (less the Carved-out Assets) as at 31 December 2019 is approximately RMB 557,139,000;

(ii) the Proposed Transaction values Ranken Railway (less the Carved-out Assets) before capital injection at RMB 638,207,000 (based on the Transaction Valuation) and the fair value of Ranken Railway (less the Carved-out Assets) after capital injection of the Subscription Price at approximately RMB 713,861,000. The recognition of 49.82% share of Ranken Railway held by Chengdu KQR at fair value is accordingly RMB 355,653,000, assuming no change to the fair value(1); and

(iii) estimated expenses incurred in connection with the Proposed Transaction is approximately RMB 22,952,000, with net proceeds of RMB 257,048,000 to be received by the Group,

the Proposed Transaction represents a gain of approximately RMB 55,562,000. An additional currency translation gain to be transferred to the profit and loss account of the Group of RMB 2,271,000 is also expected to result in a net impact on earnings of a gain of RMB 57,833,000.

Note:

(1) This fair value is subject to change and might affect the gain from the Proposed Transaction, as the fair value of Ranken Railway on the Completion Date will be finalised for accounting purposes.

6.3. Net profit attributable to Ranken Railway

Based on the unaudited consolidated financial statements of the Group for FY2019, the profit attributable to Ranken Railway (less the Carved-out Assets) is approximately RMB 39,744,000. The share of profit of 49.82% of Ranken Railway (less the Carved-out Assets) held by Chengdu KQR less non-controlling interest is approximately RMB 19,405,000. Accordingly, the net decrease in impact on earnings is approximately RMB 20,339,000.

7. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

7.1. The *pro forma* financial effects of the Proposed Transaction on the Group set out below are purely for illustrative purposes only and are therefore not indicative of the actual future financial position of the Group after Completion.

The *pro forma* financial effects of the Proposed Transaction have been prepared based on the unaudited consolidated financial statements of the Group for FY2019, and assumes that the expenses to be incurred in connection with the Proposed Transaction is approximately RMB 22,952,000, comprising professional fees of approximately RMB 1,000,000 and provision for capital gains tax of approximately RMB 21,952,000.

7.2. Share capital

As the Proposed Transaction does not involve the allotment and issue of any new Shares in the Company, the Proposed Transaction will not have any impact on the share capital of the Company.

7.3. NTA

Assuming that the Proposed Transaction had been completed on 31 December 2019, being the end of the most recently completed financial year of the Company, the effect of the Proposed Transaction on the NTA per Share based on (i) retained interest in Ranken Railway measured at NAV; and (ii) retained interest in Ranken Railway measured at fair value (based on the Transaction Valuation), is as follows:

	Before the Proposed Transaction	**After the Proposed Transaction (retained interest in Ranken Railway measured at NAV)**	**After the Proposed Transaction (retained interest in Ranken Railway measured at fair value)**
NTA (RMB'000)	537,303	573,078	633,825
Number of Shares	407,589,893	407,589,893	407,589,893
NTA per Share (RMB cents)	131.82	140.60	155.51

The increase in NTA includes an increase in non-controlling interest arising from the Proposed Transaction of RMB 217,000 for retained interest in Ranken Railway measured in NAV, and RMB 1,457,000 for retained interest in Ranken Railway measured at fair value.

7.4. Earnings per Share ("**EPS**")

Assuming that the Proposed Transaction had been completed on 1 January 2019, being the beginning of the most recently completed financial year of the Company, the effect of the Proposed Transaction on the EPS based on (i) retained interest in Ranken Railway measured at NAV; and (ii) retained interest in Ranken Railway measured at fair value (based on the Transaction Valuation), is as follows:

	Before the Proposed Transaction	**After the Proposed Transaction (retained interest in Ranken Railway measured at NAV)**	**After the Proposed Transaction (retained interest in Ranken Railway measured at fair value)**
Earnings after tax and minority interest (RMB'000)[(1)]	26,370	1,877	63,864
Weighted average number of Shares	372,972,669	372,972,669	372,972,669
EPS (RMB cents)	7.07	0.50	17.12

Note:

(1) The *pro forma* effects of the Proposed Transaction on the earnings after tax and minority interest have been computed considering (a) the disposal of Ranken Railway (less the Carved-out Assets) and accounting for 49.82% of it as an entity equity accounted for by Chengdu KQR, resulting in a reduction in earning of RMB 20,339,000 (please refer to paragraph 6.3 above); and (b) assuming the net impact on earnings set out in paragraph 6.2 above.

8. IRREVOCABLE UNDERTAKING

8.1. As at the date of this Announcement, Best Feast Limited ("**BFL**"), a controlling Shareholder of the Company, directly holds 171,495,264 Shares representing 42.08% of the total number of issued Shares of the Company.

8.2. As an indication of its support and commitment to the Company and the Proposed Transaction, BFL will be providing an irrevocable undertaking in favour of the Company ("**Irrevocable Undertaking**"), pursuant to which BFL will irrevocably undertake to the Company that:

(a) it will vote in favour of the Proposed Transaction at the EGM (including any adjournment thereof; and

(b) as at the date of the EGM, the number of Shares held by BFL will not be less than the number of Shares held by it as at the date of the Irrevocable Undertaking and it will not sell, transfer or otherwise dispose of such Shares from the date of the Irrevocable Undertaking until the conclusion of the EGM.

9. SERVICE CONTRACTS

No person is proposed to be appointed as a Director of the Company in connection with the Proposed Transaction. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

10. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Mr. Cheung, the Executive Chairman of the Company, is a shareholder of Ranken Railway and Chengdu KQR and a party to the Delegation Agreement. Save as disclosed herein, none of the Directors nor, to the best of the Directors' knowledge, any of the controlling Shareholders, has any interest, whether direct or indirect, in the Proposed Transaction other than through their respective shareholdings in the Company (if any).

11. EGM AND CIRCULAR TO SHAREHOLDERS

The Company will be convening an EGM to seek Shareholders' approval for the Proposed Transaction. A circular containing, *inter alia*, the notice of EGM and the details of the Proposed Transaction will be despatched to Shareholders in due course.

12. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Agreement and the RSM Valuation Report will be made available for inspection during normal business hours at the registered office of the Company at 1 Robinson Road, #17-00 AIA Tower, Singapore 048542, for a period of three (3) months from the date of this Announcement.

In light of the prevailing regulations due to the Covid-19 situation, shareholders should provide their names, contact number, proposed date and time of inspection to the Investor Relationship consultant, Mr Alex Tan at kai@waterbrooks.com.sg at least 3 working days' in advance to make a prior appointment to attend at the registered office of the Company to inspect the documents.

13. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution when dealing or trading in the Shares. The completion of the Proposed Transaction is subject to certain conditions. As at the date of this Announcement, there is no certainty or assurance that the Proposed Transaction will be completed or that no changes will be made to the terms thereof.

Subject to the results of the consultation with the SGX-ST, the Company may also deemed a cash company pursuant to Rule 1018 of the Listing Manual and become obliged to meet the requirements imposed thereunder. Shareholders are to note that under Rule 1018, in addition to the compliance requirements stated therein, if the assets of an issuer consist wholly or substantially of cash or short-dated securities, its securities will normally be suspended. The suspension will remain in force until the issuer has a business which is able to satisfy the SGX-ST's requirements for a new listing, and all relevant information has been announced. The SGX-ST will proceed to remove an issuer from the Official List if it is unable to meet the requirements for a new listing within 12 months from the time it becomes a cash company, subject to any extension as may be approved by the SGX-ST.

The Company will make the necessary announcements when there are further developments. Shareholders and potential investors are advised to read this Announcement and any further announcements by the Company carefully. Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors, accountants, tax advisers or other professional advisers if they have any doubt about the actions they should take.

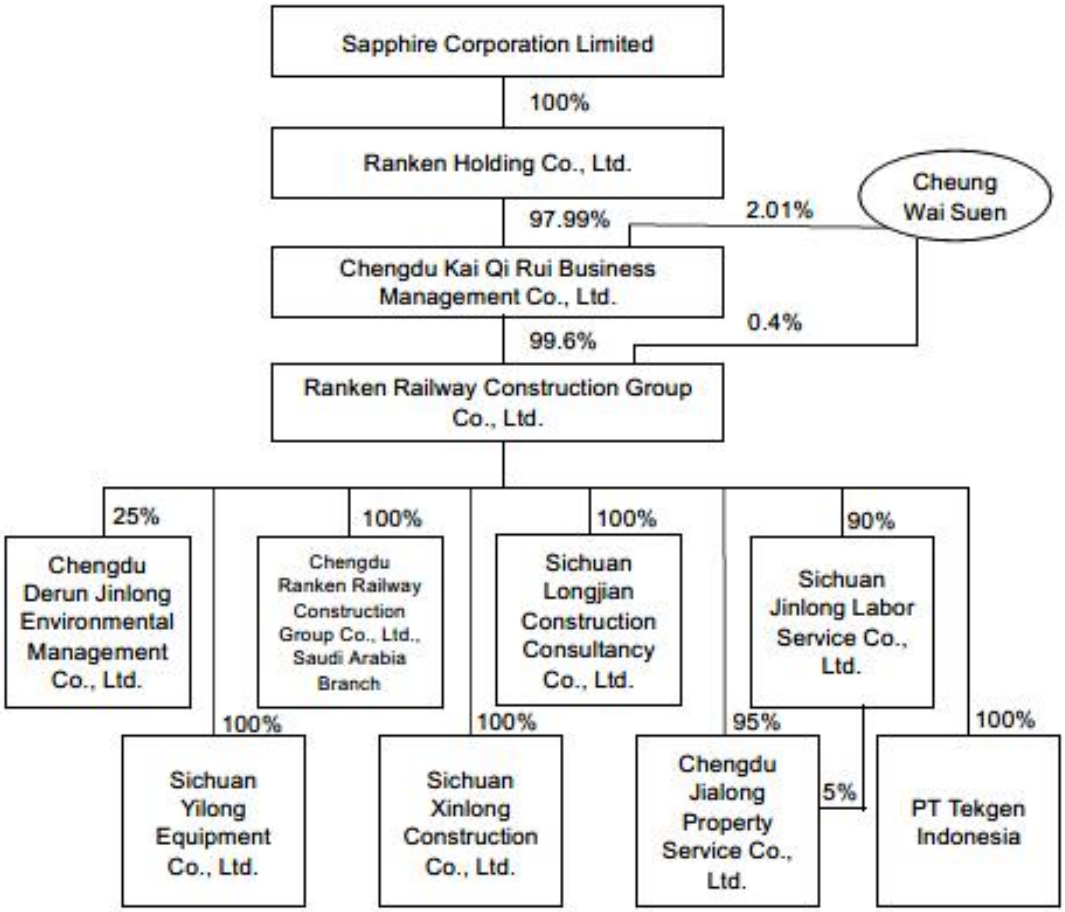
By Order of the Board

WANG HENG
Executive Director and Chief Executive Officer
2 June 2020

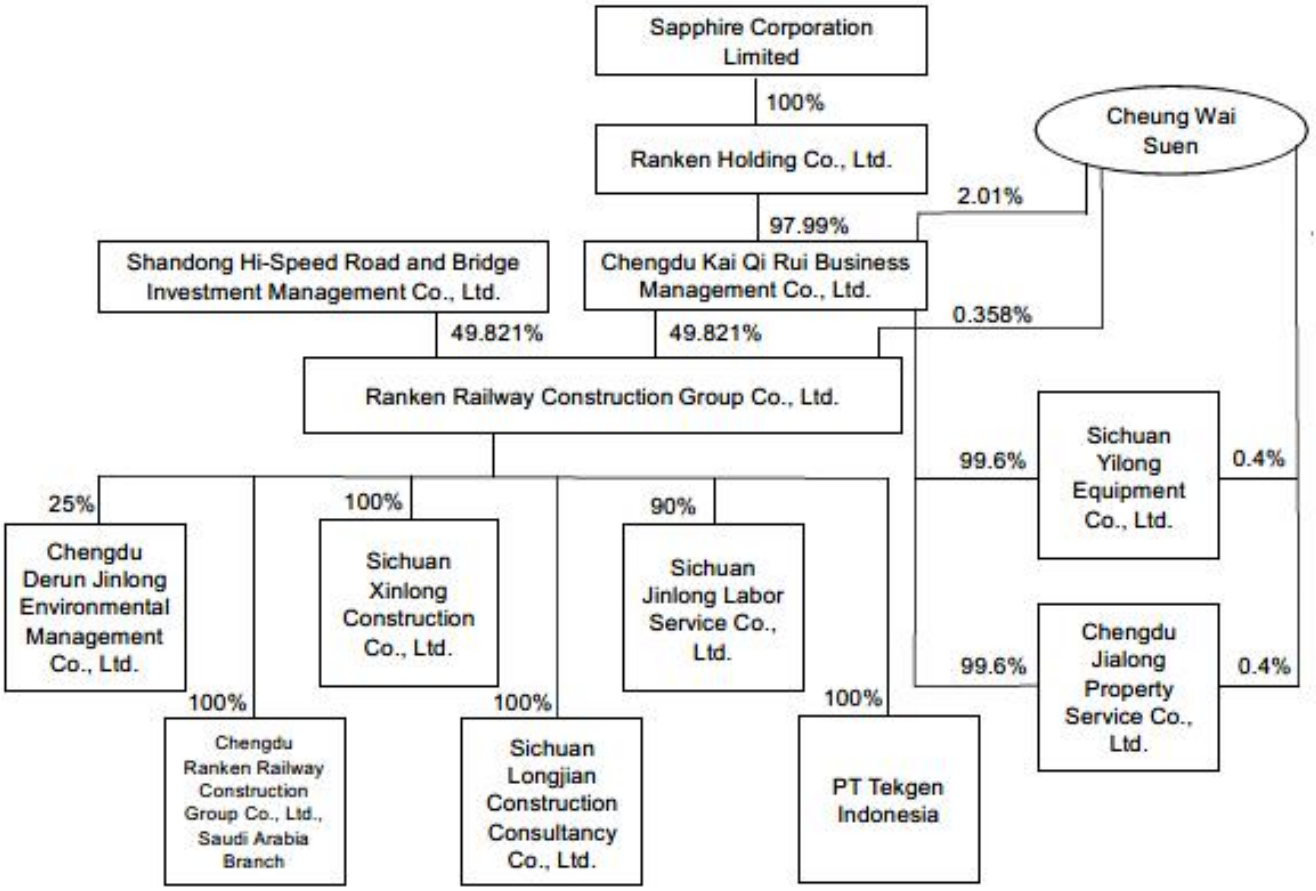
APPENDIX A

Diagrammatic representation of the Group and Ranken Railway

As at the date of this Announcement



Upon completion of the Proposed Transaction



APPENDIX B

Financial performance and position of Ranken Railway

	As at 30 April 2020[1] (RMB '000)	As at 31 December 2019 (RMB '000)
Total assets	1,831,743.9	2,163,389.2
Total liabilities	1,304,139.3	1,636,255.6
Total receivables	660,818.9	852,221.8
Net assets	527,604.6	527,133.6
	Period commencing from 1 January 2020 to 30 April 2020[2] (RMB '000)	**FY2019 (RMB '000)**
Revenue	345,198.2	1,714,792.9
Operating Profit	786.2	45,498.4
Net profit	34.1	30,819.2
Net cash flow from operating activities	(80,914.1)	5,074.7

Notes:

(1) As at 30 April 2020, there are no ongoing transactions between Chengdu KQR and Ranken Railway. Ranken Railway does not provide any financial assistance to any of its shareholders or other entities. As at 30 April 2020, there is an owing of RMB 50,670,000 from Chengdu KQR to Ranken Railway, and an owing of RMB 51,610,000 from Ranken Railway to Ranken Holding Co., Limited. These inter-company owings will be settled by 3 months Post-Completion.

(2) Notwithstanding that Ranken Railway was profitable for the period from 1 January 2020 to 30 April 2020, as announced by the Company in its business update on 22 May 2020 ("**Business Update Announcement**") on the financial performance of the Group for the three months ended 31 March 2020 ("**1Q2020**"), the Group recorded a loss attributable to owners of the Company of RMB 14.5 million in 1Q2020 as compared to a profit of RMB 3.4 million in the three months ended 31 March 2019. The return to profitability of Ranken Railway in April 2020 was mainly due to the resumption of all construction operations and activities of the Group. Notwithstanding, as announced in the Business Update Announcement, while the Group is cautiously optimistic that it can return to profitability in the second quarter of 2020 barring unforeseen circumstances, at this juncture it is difficult to ascertain the full financial impact of COVID-19 on the financial performance of the Group for the half year ending 30 June 2020 and the full financial year ending on 31 December 2020.

Further information on the guarantees provided by Ranken Railway to Chengdu Wuhou Small and Medium Enterprises Financial Guarantee Co, Ltd. (成都武侯中小企业融资担保有限责任公司) for its projects are as follows:

Guarantor	Guaranteed sum	Period of guarantee	Security
Minsheng Bank, Chengdu Branch	RMB 20 million	In respect of RMB 15 million, 29 September 2019 to 28 September 2020 In respect of RMB 5 million, 29 November 2019 to 28 November 2020	Mortgage on basement levels 1 and 2, and first and second levels of Ranken Building and charge on receivables from Urumqi underground line 1 project No. 4
Fubon Bank, Chengdu Branch	RMB 10 million	11 November 2019 to 10 November 2020	Mortgage on basement levels 1 and 2, and first and second levels of Ranken Building
China Construction Bank, Minjiang sub-branch	RMB 48 million	In respect of RMB 30 million, 15 August 2019 to 14 August 2020 In respect of RMB 18 million, 7 August 2019 to 6 August 2021	Mortgage on 3rd to 6th floors of Ranken Building
Chengdu Rural Commercial Bank, Commercial City sub-branch	RMB 19 million	18 September 2019 to 17 September 2020	Mortgage on 7th and 9th floors of Ranken Building,
Chengdu Rural Commercial Bank, Huaxing sub-branch	RMB 9 million	5 March 2020 to 26 February 2021	Mortgage on 7th and 9th floors of Ranken Building

Further information on the two (2) pledges of Chengdu KQR's shares of Ranken Railway are as follows:

Pledgeholder	Guaranteed sum	Shares pledged by Chengdu KQR	Period of guarantee
Sichuan Development Finance Guarantee Co., Ltd. (四川发展融资担保股份有限公司)	RMB 200 million	100 million shares in Ranken Railway representing RMB 100 million of the capital of Ranken Railway	25 September 2018 to 31 December 2020
Chengdu Wuhou Small and Medium Enterprises Financial Guarantee Co, Ltd. (成都武侯中小企业融资担保有限责任公司)	RMB 10 million	100 million shares in Ranken Railway representing RMB 100 million of the capital of Ranken Railway	14 November 2018 to 31 October 2020