SAPPHIRE
盛世企业

*Press Release – for immediate release*

# Sapphire's Revenue Surge 37.3% to RMB 1.8 billion in FY2018; Enhanced Business Model to Drive New Growth Catalysts

- Positive financial performance in FY2018 marks another profitable financial year since its restructuring on 1 Oct 2015
- Generates net cash of RMB 203.0 million during FY2018 from operations
- Stronger balance sheet with total assets of RMB 2.2 billion as at 31 December 2018
- Order book stood at RMB 2.6 billion
- Two-prong business strategy to enhance business model to expand scope to tab new business opportunities from China's macro urbanisation trends and environmental policies

Financial Year End - 31 December

| *(RMB' million)* | *FY2018* | *FY2017* | *Change (%)* |
|---|---|---|---|
| **Revenue** | **1,797.0** | **1,308.7** | **+37.3** |
| **Gross Profit** | **134.0** | **153.6** | **(12.7)** |
| **Net Profit attributable to Shareholders** | **16.4** | **31.8** | **(48.5)** |
| **Net Asset Value Per Share (as at 31 December 2018)** | | | **RMB 155.2 cents** |

**Singapore, 1 March 2019** – SGX Mainboard-listed **Sapphire Corporation Limited ("Sapphire" or "盛世企业" and together with its subsidiaries, the "Group")**, an established integrated infrastructure design and construction group in China, announced today its full year financial results ("FY2018") for the financial year ending 31 December 2018.

Sapphire owns a 100% stake in China-based Ranken Infrastructure Limited ("Ranken") and its subsidiaries, which has built up a growing track record in undertaking large-scale urban infrastructure projects (that includes urban rail transport system, expressways, roads, bridges and among others) across China, Bangladesh, India and Saudi Arabia.

With specialised industry knowledge and integrated capabilities, Ranken is also one of the few private operators in China that holds the prestigious full Triple-A qualifications and licences for design, civil engineering, construction and project consultation in the rail sector.

Ranken's blue-chip customer clientele includes government agencies, consortiums and Fortune 500 companies.

## Review of Financial Performance in FY2018

With a relentless focus on project management and execution, the Group's revenue for FY2018 surged 37.3% to approximately RMB 1.80 billion.

While revenue increased significantly during FY2018, the Group's gross profit dipped to approximately RMB 134.0 million with a gross profit margin of 7.5% in FY2018. During FY2018, the Group's gross profit margin was mainly affected by a reversal of revenue due to modification of a build-and-transfer contract, the rising costs of construction materials such as cement, construction sand and gravel due to government directives issued to limit production in order to reduce pollution and environmental impact as well as the sale of railway sleepers (which commanded lower margins).

The Group's other income increased 59.0% to approximately RMB 9.4 million from RMB 5.9 million due mainly to gain on the fair value change of financial assets, unwinding of discount for long-term receivables, higher rental income and government in FY2018.

The Group's selling and distribution costs rose by RMB 1.8 million to RMB 10.5 million due to higher travelling expenses and administrative expenses rose by RMB 1.4 million to RMB 58.1 million in FY2018 as staff expenses increased more than the decline in corporate expenses registered during the year.

The Group's finance costs in FY2018 decline by 20.5% to RMB 20.4 million due to lower interest expense incurred for banks and financing company and corporate bond, offset by higher interest expense for finance leases..

Overall, the Group registered a net profit attributable to shareholders of approximately RMB 16.4 million in FY2018.

Notably, the Group generated net cash of RMB 203.0 million during FY2018 from its operations. Taking into account the cash used in investing and financing activities during FY2018, the Group's cash and cash equivalents increased by RMB 78.2 million to RMB 203.9 million.

With a conservative financial management policy, the Group's total assets increased to approximately RMB 2.2 billion as at 31 December 2018, of which current assets accounted for the majority component at approximately RMB 1.8 billion that includes contract assets (RMB 980.2 million), trade receivables (RMB 379.5 million), other receivables (RMB 229.1 million), cash and cash equivalents (RMB 203.9 million), inventories (RMB 23.4 million) and other investment (RMB 5.8 million).

As at 31 December 2018, the Group's shareholders' equity increased to approximately RMB 505.9 million, while net asset value per share stood at RMB 155.2 cents.

As at end December 2018, the Group's total liabilities increased to approximately RMB 1.7 billion, which was mainly due to the increase in trade payables, other payables and financial liabilities.

**Commenting on the Group's FY2018 results, Ms Wang Heng (王恒), Chief Executive Officer of Sapphire, said,** *"While marco-economic uncertainties are notably influencing market activities, we have ended off the new business year with solid revenue growth that demonstrates our substantial operational strength capabilities.*

*However, our financial performance was mainly affected by three factors: (i) the fluctuations in raw material costs including cement, construction sand, steel, etc.; (ii) the increase in labour cost due to the higher pension requirements imposed by the government as well as inflationary pressures; (iii) delays during construction due to higher frequency of environmental supervision as a result of higher environmental standards imposed by the regulatory bodies.*

*We remain focused on further enhancing our business performance with margins expansion initiatives and cost discipline, which includes further mechanization by ultilizing large scale construction equipment such as shield tunneling machines, mechanized hoisting and transportation to reduce the need for labour and improve production efficiency, thus to drive sustainable, profitable growth for our shareholders."*

**Ms Wang added,** *"Our financial position remains very healthy, reflected by our strengthened balance sheet and strong cash generation during FY2018.*

*The state is increasing the investment in the interconnectivity of the railway network, via higher linkage between the various classes of rail, from intra-country high speed railways to urban railways. This brings potentially many more railway projects available for tender.*

*We will continue to adhere to the two-prong business strategy. On the basis of the traditional EPC construction, we actively seek for other business opportunities in railway related projects such as Transit-Oriented-Development projects, which has been a successful urban planning model for many global cities. There has been an emphasis to replicate such models in Chengdu, and with our expertise in urban-railway infrastructure, long term cooperation with local railway companies and other strategic partners such as investors and real estate developers, we have an competitive advantage in the pursuit of TOD related projects.*

*Chinese governments has placed greater emphasis on water environmental improvement under 13$^{th}$ Five-Year Plan, and we have many remarkable track records in this area. We have also successfully tendered for the Liveable River Bank project recently, which further strengthen our advantage in this area. We shall seize the trend and expand our business in this area. As the leading company in water environmental improvement field, Beijing*

*Enterprises Water Group Limited and us have great synergies and we plan to deepen our cooperation with each other for other potential projects in Chengdu and other cities in China"*

**Two-Prong Business Strategy in its Enhanced Business Model**

Sapphire's core revenue driver - Ranken - is an established infrastructure and construction group in China with 20 years of operating track record.

Aligned with its capabilities and working experience, Ranken's business strategy is positioned towards China's macro urbanisation trends and environmental policies under the country's 2016-2020 13th Five-Year Plan.

To strengthen our business foundation and create new revenue streams, the Group is adopting a two-prong business approach in its enhanced our business model in following industries:

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

*Large-scale subway infrastructure construction projects*

EPC for large-scale subway infrastructure projects has been a key component of Ranken's business model and in recent years, the Chinese government has been increasing transportation fixed asset investments in a targeted manner to boost the economy and have better project control as highlighted in previous announcements.

Railways and subways are the two primarily segments to drive transportation fixed asset investments and with a strong track record in this segment, the Group intends to further expand its business presence by proactively identifying and bidding for new contracts while improving operational capabilities and costs efficiencies in its efforts for margin expansion.

*TOD projects*

In recent years, road congestion, air pollution and traffic safety have become major problems in urban China due to rapid urbanization and motorisation. To mitigate this situation and to promote sustainable urban traffic, the concept of Transit-Oriented Development – a strategy that promotes dense, mixed-use, and walkable development near transit stations – is gaining momentum. Shenzhen, Guangzhou, Beijing and Shanghai, among others, are spearheading TOD around transit stops.

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

Many cities in China with urban rail transit projects intend to develop TOD along with their urban rail transit development, especially Chengdu. Chengdu Railway Group plans to initiate 13 demonstration TOD projects within 2 years, with estimated investment amount of hundreds of billions RMB.

Ranken's design institute has been involved in the design of multiple TOD projects. As such, Ranken plans to explore more opportunities in TOD construction, investment and operations on the original EPC basis in near future.

*Environmental conservation and water environmental improvement projects*

On the back of increasingly stringent environmental protection regulations in China, investments in environmental conservation and water environmental improvement projects in China is expected to reach RMB 3.3 trillion under China's 13th Five-Year Plan.

In addition to its strengths in urban railway infrastructure construction, the Group has built up a growing track record by successfully completing many iconic city water environmental projects in China. The Group had secured an EPC Contract of RMB 832 million related to its Public-Private-Partnership ("PPP") Project for for the first phase of Wuhou District, "Liveable River Bank" project in Chengdu, Sichuan Province, China..

The Group intends to continue pursuing strategic collaborations such as the cooperation agreement signed with Hong Kong mainboard-listed Beijing Enterprises Water Group Co., Ltd. in May 2017, and may also evaluate industry consortiums through which to participate, construct and operate large-scale infrastructure projects on a Public–Private Partnership ("PPP") basis.

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

While China is currently the largest PPP market in the world, the Chinese government has tightened approval rules for new ones, given the increased concerns about the quality of projects and potential abuses of the programme.

Nevertheless, the PPP market in China presents huge potential as the Chinese government continue to adopt PPP as an important approach to provide infrastructure and public services for economic and social development.

The Group targets to be a strategic shareholder with the first mover advantage to secure the large-scale EPC contract and operations management contract related to the environmental conservation and water environmental improvement projects in China.

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This press release is to be read in conjunction with Sapphire's exchange filings on 1 March 2019, which can be downloaded via www.sgx.com.

**About Sapphire Corporation Limited**
(Bloomberg Code: SAPP:SP / Reuters Code: SAPP.SI / SGX Code: BRD.SI)

Listed on the Mainboard of the Singapore Exchange since 1999, Sapphire Corporation Limited ("Sapphire" or the "Group") owns a 100% stake in China-based Ranken Infrastructure Limited ("Ranken") and its subsidiaries, which was founded in 1998, which has grown into an established integrated infrastructure design and construction group.

Notably, Ranken is one of the few private operators in China that holds full Triple-A qualifications and licences for design, civil engineering, construction and project consultation in the rail sector.

With a track record in major infrastructure projects across China, Bangladesh, India and Saudi Arabia, the Group has built up integrated capabilities and specialised industry knowledge to undertake an extensive scope of work associated with vital urban infrastructure projects (that includes urban rail transport system, expressways, roads, bridges and among others).

Issued on behalf of Sapphire Corporation Limited by:

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