

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2019

PART 1

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

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

	Group		
	1Q2019 RMB'000	1Q2018 RMB'000	Change %
Revenue	297,028	303,606	(2.2)
Cost of sales	(270,385)	(276,739)	(2.3)
Gross profit	26,643	26,867	(0.8)
Other income	2,025	1,318	53.6
Selling and distribution costs	(1,931)	(1,636)	18.0
Administrative expenses	(12,914)	(13,678)	(5.6)
Other expenses	(2,842)	(2,567)	10.7
Profit from operating activities	10,981	10,304	6.6
Finance costs	(5,750)	(3,765)	52.7
Profit before tax	5,231	6,539	(20.0)
Tax expense	(1,724)	(2,330)	(26.0)
Profit for the period	3,507	4,209	(16.7)
Profit attributable to:			
Owners of the Company	3,390	4,065	(16.6)
Non-controlling interest	117	144	(18.8)
Profit for the period	3,507	4,209	(16.7)

Consolidated Statement of Comprehensive Income

	Group		
	1Q2019 RMB'000	1Q2018 RMB'000	Change %
Profit for the period	3,507	4,209	(16.7)
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences	(454)	(684)	(33.6)
Other comprehensive income for the period, net of tax	(454)	(684)	(33.6)
Total comprehensive income for the period	3,053	3,525	(13.4)
Total comprehensive income attributable to:			
Owners of the Company	2,936	3,381	(13.2)
Non-controlling interest	117	144	(18.8)
Total comprehensive income for the period	3,053	3,525	(13.4)

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

	Group		
	1Q2019 RMB'000	1Q2018 RMB'000	Change %
Other income includes the following:			
Interest income – banks	106	102	3.9
Unwinding of discount for long-term receivable	267	263	1.5
Exchange gain, net	25	–	NM
Rental income	1,009	887	13.8

Other expenses include the following:

Amortisation of intangible assets	(170)	(170)	–
Loss on disposal of property, plant and equipment, net	(31)	(5)	520
Exchange loss, net	–	(249)	NM
Change in fair value of financial asset mandatorily at fair value through profit or loss	(401)	(854)	(53.0)

Finance costs include the following:

Interest expense – banks and financial institution	(4,452)	(1,273)	249.7
Interest expense – corporate bond	(85)	(1,248)	(93.2)
Interest expense – finance lease	(1,213)	(1,244)	(2.5)

Profit before income tax is arrived after deducting:

Depreciation of property, plant and equipment	(11,043)	(14,432)	(23.5)
Depreciation of investment properties	(603)	(603)	–

Note: NM – Not Meaningful.

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2019

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

	Group		Company	
	31.03.2019 RMB'000	31.12.2018 RMB'000	31.03.2019 RMB'000	31.12.2018 RMB'000
Assets				
Property, plant and equipment	181,412	170,634	383	93
Intangible assets and goodwill	70,283	70,453	–	–
Investment properties	54,081	54,684	–	–
Subsidiaries	–	–	381,006	387,151
Associated company	25,000	25,000	–	–
Other investments	4,891	4,970	4,887	4,966
Other receivables	14,146	14,153	14,146	14,153
Deferred tax assets	13,971	13,971	–	–
Total non-current assets	363,784	353,865	400,422	406,363
Other investment	5,321	5,815	5,321	5,815
Inventories	23,810	23,432	–	–
Contract assets	919,255	980,244	–	–
Trade receivables	393,414	379,457	–	–
Other receivables	234,494	229,143	3,717	6,829
Cash and cash equivalents	141,943	203,949	1,293	251
Total current assets	1,718,237	1,822,040	10,331	12,895
Total assets	2,082,021	2,175,905	410,753	419,258
Equity				
Share capital	413,839	413,839	413,839	413,839
Reserves	95,014	92,078	(6,498)	1,822
Equity attributable to owners of the Company	508,853	505,917	407,341	415,661
Non-controlling interests	10,336	10,219	–	–
Total equity	519,189	516,136	407,341	415,661
Liabilities				
Loans and borrowings	20,058	27,829	135	–
Deferred tax liabilities	6,633	6,677	–	–
Total non-current liabilities	26,691	34,506	135	–
Trade payables	832,114	970,570	–	–
Other payables	142,577	175,084	3,116	3,597
Contract liabilities	300,235	215,152	–	–
Loans and borrowings	250,684	253,968	161	–
Current tax liabilities	10,531	10,489	–	–
Total current liabilities	1,536,141	1,625,263	3,277	3,597
Total liabilities	1,562,832	1,659,769	3,412	3,597
Total equity and liabilities	2,082,021	2,175,905	410,753	419,258

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2019

Note 1: Details of trade receivables were as follows:

Turnover days

	As at 31 March 2019	As at 31 December 2018	Change %
Turnover days	121	77	57%

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

	31.03.2019		31.12.2018	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Amount repayable in one year or less, or on demand	250,684	–	253,968	–
Amount repayable after one year	20,058	–	27,829	–
	270,742	–	281,797	–
Short-term bank borrowings	171,519	–	141,201	–
Current portion of finance lease	34,165	–	32,791	–
Non-current portion of finance lease	20,058	–	27,829	–
Short term bond	–	–	34,976	–
Secured borrowings from financial institution	45,000	–	45,000	–
Total	270,742	–	281,797	–

Details of any collateral as at 31 March 2019

Ranken

- (i) The short-term and long-term bank loans for Ranken are secured by personal guarantees by the vendors of Ranken and land and building with total carrying amounts of RMB 64.2 million and deposits pledged of RMB 3.9 million pledged.
- (ii) The carrying value of fixed assets under finance lease as at 31 March 2019 approximates RMB 56.0 million.
- (iii) As at 31 March 2019, the vendors have granted personal guarantees for the purpose of securing total banking facilities of RMB 1.1 billion for Ranken's working capital.
- (iv) The secured borrowings from financial institution is secured by trade receivables and contract assets with total carrying value of RMB 132.7 million.

The Group's overall gearing was approximately 0.5 times as at 31 March 2019.

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2019

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

	Group	
	1Q2019 RMB'000	1Q2018 RMB'000
Operating activities		
Profit before income tax	5,231	6,539
Adjustments for:		
Depreciation of property, plant and equipment	11,043	14,432
Depreciation of investment properties	603	603
Amortisation of intangible assets	170	170
Loss on disposal of property, plant and equipment, net	31	5
Change in fair value of financial assets mandatorily at fair value through profit or loss	401	854
Unwinding of discount for long-term receivable	(267)	(263)
Interest income	(106)	(102)
Interest expense	5,750	3,765
Operating profit before working capital changes	22,856	26,003
Changes in working capital:		
Inventories	(378)	12,070
Contract assets and liabilities, net	146,072	42,419
Trade and other payables	(169,395)	(72,514)
Trade and other receivables	(20,601)	43,357
Cash flows (used in) / generated from operations	(21,446)	51,335
Income tax paid	(1,726)	(2,542)
Net cash (used in) / generated from operating activities	(23,172)	48,793
Investing activities		
Interest received	106	102
Payment for purchase of plant and equipment	(20,186)	(13,093)
Proceeds for disposal of plant and equipment	10	558
Net cash used in investing activities	(20,070)	(12,433)
Financing activities		
Interest paid	(4,194)	(2,168)
Proceeds from bank loans	40,000	–
Payment of bank loans	(10,000)	(10,000)
Payment of finance lease liabilities	(9,292)	(6,322)
Released/(placement) of fixed deposit pledged, net	3,942	(233)
Payment of bonds	(35,000)	–
Net cash used in from financing activities	(14,544)	(18,723)
Net (decrease)/increase in cash and cash equivalents	(57,786)	17,637
Cash and cash equivalents at beginning of the period	196,040	117,729
Effect of exchange rate changes on the balances held in foreign currencies	(220)	(30)
Cash and cash equivalents at end of the period	138,034	135,336
Cash and cash equivalents consist of the following:		
Cash and cash equivalents in the statement of financial position	141,943	143,335
Fixed deposits pledged	(3,909)	(7,999)
Cash and cash equivalents in the statement of cash flows	138,034	135,336

Note: Certain comparative figures have been adjusted based on audited financial statements for the year ended 31 December 2018

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2019

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

Consolidated Statement of Changes in Equity

	Share capital RMB'000	Capital reserve RMB'000	Fair value reserve RMB'000	Other reserves RMB'000	Translation reserve RMB'000	Accumulated profit RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
1Q2018									
Group									
At 1 January 2018	413,839	(7,585)	(1,516)	(6,777)	987	101,055	500,003	9,831	509,834
Adoption of SFRS(I) 9, net of tax	–	–	–	–	–	(3,004)	(3,004)	(71)	(3,075)
Adjusted balance at 1 January 2018	413,839	(7,585)	(1,516)	(6,777)	987	98,051	496,999	9,760	506,759
Profit for the period	–	–	–	–	–	4,065	4,065	144	4,209
Other comprehensive income									
Foreign currency translation differences	–	–	–	–	(684)	–	(684)	–	(684)
Total other comprehensive income	–	–	–	–	(684)	–	(684)	–	(684)
Total comprehensive income	–	–	–	–	(684)	4,065	3,381	144	3,525
At 31 March 2018	413,839	(7,585)	(1,516)	(6,777)	303	102,116	500,380	9,904	510,284

Note: Certain figures have been adjusted based on audited financial statements for the year ended 31 December 2018

Consolidated Statement of Changes in Equity

	Share capital RMB'000	Capital reserve RMB'000	Fair value reserve RMB'000	Other reserves RMB'000	Translation reserve RMB'000	Accumulated profit RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
1Q2019									
Group									
At 1 January 2019	413,839	(7,585)	(9,217)	(6,777)	2,808	112,849	505,917	10,219	516,136
Profit for the period	–	–	–	–	–	3,390	3,390	117	3,507
Other comprehensive income									
Foreign currency translation differences	–	–	–	–	(454)	–	(454)	–	(454)
Total other comprehensive income	–	–	–	–	(454)	–	(454)	–	(454)
Total comprehensive income	–	–	–	–	(454)	3,390	2,936	117	3,053
At 31 March 2019	413,839	(7,585)	(9,217)	(6,777)	2,354	116,239	508,853	10,336	519,189

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2019

	Share Capital RMB'000	Capital reserve RMB'000	Fair value reserve RMB'000	Other reserves RMB'000	Translation reserve RMB'000	Accumulated profit RMB'000	Total equity RMB'000
1Q2018							
Company							
At 1 January 2018	413,839	(8,294)	(1,516)	(6,777)	7,456	11,495	416,203
Loss for the period	-	-	-	-	-	(3,158)	(3,158)
Other comprehensive Income							
Foreign currency translation differences	-	-	-	-	(7,589)	-	(7,589)
Total other comprehensive income	-	-	-	-	(7,589)	-	(7,589)
Total comprehensive income	-	-	-	-	(7,589)	(3,158)	(10,747)
At 31 March 2018	413,839	(8,294)	(1,516)	(6,777)	(133)	8,337	405,456
1Q2019							
Company							
At 1 January 2019	413,839	(8,294)	(9,217)	(6,777)	20,085	6,025	415,661
Loss for the period	-	-	-	-	-	(1,719)	(1,719)
Other comprehensive income							
Foreign currency translation differences	-	-	-	-	(6,601)	-	(6,601)
Total other comprehensive income	-	-	-	-	(6,601)	-	(6,601)
Total comprehensive income	-	-	-	-	(6,601)	(1,719)	(8,320)
At 31 March 2019	413,839	(8,294)	(9,217)	(6,777)	13,484	4,306	407,341

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2019

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

Share Capital

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.

Proposed rights issue

On 30 December 2018, the Company proposed to undertake a non-renounceable non-underwritten rights issue of up to 81,517,978 new ordinary shares in the capital of the Company (the “Rights Shares”) at an issue price of S\$0.128 for each Rights Share (the “Issue Price”), on the basis of one Rights Share for every four existing ordinary shares in the capital of the Company (“Shares”) held by the shareholders of the Company (“Shareholders”) (the “Rights Issue”) as at a books closure date (“Books Closure Date”) to be determined by the Board.

The Rights Issue and the issue of the Rights Shares have been approved by Shareholders at the EGM on 30 April 2019. The Company will make announcement of the Books Closure Date in due course.

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

	31.03.2019	31.12.2018
Total number of issued shares excluding treasury shares	326,071,915	326,071,915

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

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

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

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

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

Not applicable.

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2019

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

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for current reporting period compared with the audited financial statements for the year ended 31 December 2018.

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

The Group has adopted the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from 1 January 2019:

- SFRS(I) 16 Leases
- SFRS(I) INT 23 Uncertainty over Income Tax Treatments
- Long-term interests in Associates and Joint Ventures (Amendments to SFRS(I) 1-28)
- Prepayment Features with Negative Compensation (Amendments to SFRS(I) 9)
- Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Amendments to SFRS(I) 1-12)
- Borrowing Costs Eligible for Capitalisation (Amendments to SFRS(I) 1-23)
- Plan Amendment, Curtailment or Settlement (Amendments to SFRS(I) 1-19)

The adoption of the above standards and interpretations does not have a significant impact on the financial statements, except for SFRS (I) 16 Leases, where the Group and Company recorded an increase in right-of-use (ROU) assets of RMB 1,677,000 and RMB 296,000 with a corresponding increase in lease liabilities, respectively.

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 3 months ended	
	1Q2019	1Q2018
Basic earnings per share (RMB cents)	1.04	1.25
Diluted earnings per share (RMB cents)	1.04	1.25

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 3 months ended	
	1Q2019	1Q2018
Weighted average number of shares	326,071,915	326,071,915

The weighted average number of shares during the period is the number of shares outstanding at the beginning of the year, adjusted by the number of shares issued during the period 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.

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2019

- 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	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
Net asset value per ordinary share (RMB cents)	156.04	155.15	124.92	127.48
Number of shares in issue	326,071,915	326,071,915	326,071,915	326,071,915

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

Review of Financial Performance (1Q2019 vs 1Q2018)

Revenue fell by RMB 6.6 million to RMB 297.0 million in 1Q2019 mainly due to lower sale of railway sleepers during the current period.

In line with lower revenue, gross profit fell by RMB 0.2 million to RMB 26.6 million. Overall gross profit margin in 1Q2019 was 9.0% as compared to 8.8% in 1Q2018.

Other income rose by RMB 0.7 million to RMB 2.0 million mainly due to higher rental income and government grants.

Selling and distribution costs rose by RMB 0.3 million to RMB 1.9 million, mainly due to higher training expenses.

Administrative expenses fell by RMB 0.8 million to RMB 12.9 million mainly due to cost control exercises.

Other expenses rose by RMB 0.3 million to RMB 2.8 million mainly due to higher depreciation, offset by the absence of exchange loss and lower fair value loss of financial assets.

Finance costs rose by RMB 2.0 million to RMB 5.8 million due mainly to higher interest expense incurred for banks and financial institution.

Tax expense fell by RMB 0.6 million to RMB 1.7 million due to lower operating profit.

Given the above, net profit for 1Q2019 fell 0.7 million to RMB 3.4 million from RMB 4.1 million for 1Q2018, net of non-controlling interest.

Review of Financial Position (31 March 2019 vs 31 December 2018)

Total non-current assets rose by RMB 9.9 million to RMB 363.8 million mainly due to increase in plant and equipment.

Total current assets fell by RMB 103.8 million to RMB 1,718.2 million mainly due the following significant changes during the period under review:

- Other investment comprised quoted shares classified as financial assets carried at fair value through profit or loss, whose fair value fell and resulted in a fair value loss of RMB 0.4 million.
- Contract assets fell by RMB 61.0 million to RMB 919.3 million due mainly to higher progress billings made during the period.
- Trade receivables related to Ranken's projects rose by RMB 14.0 million to RMB 393.4 million. Trade debtor's turnaround time rose to 121 days as compared to 77 days as at 31 December 2018. The higher debtor's turnaround time was mainly due to higher progress billings and lower revenue during the period.
- Other receivables, deposits and prepayment, which comprised mainly (i) Ranken's materials procured on behalf of project owners and (ii) security deposits placed with the project owners (refundable on project completion) rose by RMB 5.4 million to RMB 234.5 million.
- Cash and cash equivalents fell by RMB 62.0 million to RMB 141.9 million mainly due to operating cash outflow of RMB 23.2 million, investing cash outflow RMB 20.1 million and financing cash outflow RMB 14.5 million.

Total non-current liabilities fell by RMB 7.8 million to RMB 26.7 million mainly due to reclassification of certain long-term finance lease liabilities to current liabilities during the period.

Total current liabilities fell by RMB 89.1 million to RMB 1,536.1 million mainly due to the following significant changes during the period under review:

- Trade payables related to Ranken's projects fell by RMB 138.5 million to RMB 832.1 million mainly due to payment to suppliers and contractors during the period.
- Other payables and accruals fell by RMB 32.5 million to RMB 142.6 million mainly due to lower payables to third parties.
- Current loans and borrowings fell by RMB 3.3 million to RMB 250.7 million mainly due to net repayment of loans and borrowings when they are due.

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2019

Total equity

Total equity attributable to owners of the Company or Shareholders' Equity rose by RMB 2.9 million to RMB 508.9 million due to current period earnings of RMB 3.4 million, net of movements of foreign currency translation reserve of RMB 0.5 million.

Review of Cash Flows (1Q2019 vs 1Q2018)

Operating cash flow for 1Q2019 fell by RMB 72.0 million to cash outflow of RMB 23.2 million after accounting for (i) operating profit before working capital changes of RMB 22.9 million and (ii) net working capital changes of RMB 44.3 million, net of tax payment of RMB 1.7 million.

Cash flows used in investing activities from for 1Q2019 were RMB 20.1 million, mainly due to Ranken's investment in equipment and site facilities.

Cash flows used in financing activities for 1Q2019 were RMB 14.5 million, mainly due to net repayment of loans and borrowings and costs when they are due and repayment of finance lease liabilities.

Given the above, cash and cash equivalents fell by RMB 57.8 million to RMB 138.0 million (net of fixed deposits pledged of RMB 3.9 million).

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

The Group did not previously disclose any forecast or a prospect statement in the FY2018 results announcement, or other announcements.

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

With external demand growth being hindered, the Chinese government has ordered policies and resources to give a broad-based boost to domestic consumption and infrastructure investments.

Given the rapid urbanisation in China, there is a strong need to revitalise the city developments and further protect the environment to boost sustainable living for the communities. Hence, Sapphire's core revenue driver, Ranken, is in a good position to benefit from this trend. Ranken is an established infrastructure and construction group in China with 20 years of operating track record.

Aligned with China's macro urbanisation trends and environmental policies under the country's 2016-2020 13th Five-Year Plan, the Group has adopted a two-prong strategy in our business model to tap new business opportunities as it works towards becoming an integrated urban infrastructure solutions enterprise:

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

Urban Railway Infrastructure

Sapphire continues to see growth in our railway infrastructure business, with breakthrough in new markets. As more urban cities in China receive approvals for urban railway developments, urban railway construction activities are expected to increase progressively in the near term.

As at end December 2018, China has a total of 35 urban railway transit systems with 185 train routes in operation, extending across 5,761km with ongoing construction for another 6,374km. A total of 63 urban railway enhancement projects are being approved, amounting to a total investment of approximately RMB 4.2 trillion. Government approvals for railway construction investment has also been increasing – railway construction investment in 3Q 2018 amounted to RMB 93 billion, increasing to RMB 621 billion in 4Q 2018.

Ranken will continue to target developed cities such as Beijing, Chengdu, Hangzhou, Ningbo, Suzhou and Wuhan, which have strong municipal resources to enhance their urban railway systems.

Some other cities such as Chongqing, Xi'an, Qingdao and Urumqi prefer to use the Public-Private-Partnership ("PPP") model to develop and enhance their urban railway systems. Companies will require stronger financial resources to venture into these cities, hence the Group will face new challenges within this targeted market segment.

Transit-Oriented Development ("TOD") model is a relatively new market segment in China. However, since October 2018, Ranken's design institute has been involved in the design of three TOD projects and in April 2019, the Group secured a tender bid for a design contract related to a TOD project in a new designated CBD area within Chengdu. The Group intend to closely monitor this emerging market segment and at the same time, continue to explore potential opportunities to expand our urban railway infrastructure business activities.

Water Environmental improvement

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 our 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 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 PPP basis.

With minimal capital commitment, the Group targets to be a strategic shareholder with the first mover advantage to secure large-scale EPC contract and operations management contract related to these environmental conservation and water environmental improvement PPP projects in China.

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Securing our maiden PPP project, together with our well-known consortium partners, in November 2018 for the first phase of Wuhou District, “Liveable River Bank” project in Chengdu, Sichuan Province, China, this strategy culminated to the Group’s largest single EPC contract win of RMB 832 million in recent years.

Apart from the potential of long-term revenue contribution from the PPP project, the Group will be directly involved in the entire spectrum of the PPP project, thereby accumulating new valuable knowledge and operating experience in the PPP industry and it will be very useful in expanding our presence in the PPP industry.

11 Dividend

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

No.

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

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

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

13 Disclosure of Interested Person Transaction Conducted under a Shareholder Mandate for the period ended 31 March 2019

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

14 Confirmations by Directors

The Board of Directors of the Company hereby confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim consolidated financial statements for the period ended 31 March 2019 to be false or misleading in any material aspect.

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2019

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

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

BY ORDER OF THE BOARD

Wang Heng
Chief Executive Officer and Executive Director

6 May 2019