

The comparatives have been restated following the adoption of the new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)"). Please refer to paragraph 5 on page 12 of this announcement for the details of the impact on application of SFRS(I).

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		Change %
	1Q2018 RMB'000	1Q2017 RMB'000 Restated	
Continuing Operations			
Revenue	303,606	188,106	61.4
Cost of sales	(276,739)	(161,089)	71.8
Gross profit	26,867	27,017	(0.6)
Other income	1,318	2,978	(55.7)
Selling and distribution costs	(1,636)	(1,570)	4.2
Administrative expenses	(13,678)	(14,452)	(5.4)
Other expenses	(2,567)	(3,201)	(19.8)
Profit from operating activities	10,304	10,772	(4.3)
Finance costs	(3,765)	(3,056)	23.2
Profit before tax	6,539	7,716	(15.3)
Tax expense	(2,330)	(3,504)	(33.5)
Profit from continuing operations	4,209	4,212	(0.1)
Discontinued Operations ^{#1}			
Operating loss of discontinued operations	–	(3,232)	NM
Net gain on disposal of subsidiaries	–	4,075	NM
Profit from discontinued operations, net of tax	–	843	NM
Profit for the period	4,209	5,055	(16.7)
Profit attributable to:			
Owners of the Company ^{#2}	4,065	4,833	(15.9)
Non-controlling interest	144	222	(35.1)
Profit for the period	4,209	5,055	(16.7)
^{#2} Profit attributable to owners of company:			
Continuing Operations	4,065	3,990	1.9
Discontinued Operations	–	843	NM
Profit for the period	4,065	4,833	(15.9)

^{#1} The disposal of Mining Services Business (Discontinued Operations) was completed on 28 February 2017. The Group has ceased to recognise the financial results of the Mining Services Business from the date of completion onwards.

Note: NM – Not Meaningful.

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2018

	Group		Change %
	1Q2018 RMB'000	1Q2017 RMB'000 Restated	
Results of discontinued operations			
Revenue	–	8,675	NM
Cost of sales	–	(7,139)	NM
Gross profit	–	1,536	NM
Other income	–	607	NM
Administrative expenses	–	(4,609)	NM
Other expenses	–	(12)	NM
Loss from discontinued operations	–	(2,478)	NM
Finance costs	–	(754)	NM
Loss before tax	–	(3,232)	NM
Tax expense	–	–	NM
Operating loss of discontinued operations	–	(3,232)	NM
Gain on disposal of subsidiaries of the Group	–	4,075	NM
Profit from discontinued operations	–	843	NM

Consolidated Statement of Comprehensive Income

	Group		Change %
	1Q2018 RMB'000	1Q2017 RMB'000 Restated	
Profit for the period	4,209	5,055	(16.7)
Other comprehensive income			
Foreign currency translation differences	(684)	(334)	104.8
Realisation of translation reserve upon disposal of subsidiaries	–	1,757	NM
Other comprehensive income for the period, net of tax	(684)	1,423	NM
Total comprehensive income for the period	3,525	6,478	(45.6)
Total comprehensive income attributable to:			
Owners of the Company	3,381	6,256	(46.0)
Non-controlling interest	144	222	(35.1)
Total comprehensive income for the period	3,525	6,478	(45.6)

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2018

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

Notes to Income Statement

	Group Discontinued operations			Group Continuing operations		
	1Q2018 RMB'000	1Q2017 RMB'000 Restated	Change %	1Q2018 RMB'000	1Q2017 RMB'000 Restated	Change %

Revenue includes the following:

Mining services	–	8,675	NM	–	–	–
Infrastructure	–	–	–	303,606	188,106	61.4

Other income includes the following:

Interest income – banks	–	2	NM	102	130	(21.5)
Unwinding of discount for long-term receivable	–	–	–	263	–	NM
Gain on disposal of subsidiaries, net	–	4,075	NM	–	–	–
Gain on disposal of property, plant and equipment	–	17	NM	–	–	–
Exchange gain, net	–	588	NM	–	975	NM
Rental income	–	–	–	887	871	1.8

Other expenses include the following:

Amortisation of intangible assets	–	–	–	(170)	(170)	–
Loss on disposal of property, plant and equipment, net	–	–	–	(5)	(14)	(64.3)
Exchange loss, net	–	–	–	(249)	–	NM
Fair value loss on financial assets	–	–	–	(854)	(1,646)	(48.1)

Finance costs include the following:

Interest expense – banks	–	(544)	NM	(1,273)	(1,798)	(29.2)
Interest expense – corporate bond	–	–	–	(1,248)	(1,130)	10.4
Interest expense – finance lease	–	(210)	NM	(1,244)	(128)	871.9

Profit before income tax is arrived after deducting:

Depreciation of property, plant and equipment	–	(3,334)	NM	(14,432)	(7,593)	90.1
Depreciation of investment properties	–	–	–	(603)	(577)	4.5

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2018

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	
	31.03.2018 RMB'000	31.12.2017 RMB'000 Restated	31.03.2018 RMB'000	31.12.2017 RMB'000 Restated
Assets				
Property, plant and equipment	136,335	138,328	129	138
Intangible assets and goodwill	70,964	71,134	–	–
Investment properties	56,491	57,094	–	–
Subsidiaries	–	–	368,574	375,420
Other investments	12,403	12,630	12,249	12,476
Other receivables	13,387	21,310	13,387	21,310
Deferred tax assets	14,069	13,794	–	–
Total non-current assets	303,649	314,290	394,339	409,344
Other investment	3,592	4,529	3,592	4,529
Inventories	20,533	32,603	–	–
Contract assets	905,322	949,703	–	–
Trade receivables	234,918	340,224	–	–
Other receivables	274,469	203,234	13,474	16,892
Cash and cash equivalents	143,335	125,748	480	2,076
Total current assets	1,582,169	1,656,041	17,546	23,497
Total assets	1,885,818	1,970,331	411,885	432,841
Equity				
Share capital	413,839	413,839	413,839	413,839
Reserves	88,739	86,164	(8,383)	2,364
Equity attributable to owners of the Company	502,578	500,003	405,456	416,203
Non-controlling interests	9,956	9,831	–	–
Total equity	512,534	509,834	405,456	416,203
Liabilities				
Financial liabilities	80,770	120,145	–	–
Deferred tax liabilities	6,808	6,852	–	–
Total non-current liabilities	87,578	126,997	–	–
Trade payables	506,994	650,445	–	–
Other payables	537,057	466,120	6,429	16,638
Contract liabilities	52,754	52,516	–	–
Financial liabilities	168,851	144,201	–	–
Current tax liabilities	20,050	20,218	–	–
Total current liabilities	1,285,706	1,333,500	6,429	16,638
Total liabilities	1,373,284	1,460,497	6,429	16,638
Total equity and liabilities	1,885,818	1,970,331	411,885	432,841

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2018

Note 1: Details of trade receivables were as follows:

Turnover days

	As at 31 March 2018	As at 31 December 2017	Change %
		Restated	
Turnover days	71	95	(25.3)

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

	31.03.2018		31.12.2017	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Amount repayable in one year or less, or on demand	168,851	–	144,201	–
Amount repayable after one year	80,770	–	120,145	–
	249,621	–	264,346	–
Ranken				
- Short-term bank borrowings	96,000	–	106,000	–
- Long-term bank borrowings	47,277	–	46,927	–
- Current portion of finance lease	23,694	–	23,387	–
- Non-current portion of finance lease	33,493	–	39,210	–
- Short term bond	49,157	–	14,814	–
- Long term bond	–	–	34,008	–
Total	249,621	–	264,346	–

Details of any collateral as at 31 March 2018

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 66.9 million and deposits pledged of RMB 8.0 million pledged.
- (ii) The carrying value of fixed assets under finance lease as at 31 March 2018 approximates RMB 33.1 million.
- (iii) As at 31 March 2018, the vendors have granted personal guarantees for the purpose of securing total banking facilities of RMB 1.0 billion for Ranken's working capital.

The Group's overall gearing was approximately 0.5 times as at 31 March 2018.

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2018

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	
	1Q2018 RMB'000	1Q2017 RMB'000 Restated
Operating activities		
Profit before income tax	6,539	7,716
Adjustments for:		
Depreciation of property, plant and equipment	14,432	7,593
Depreciation of investment properties	603	577
Amortisation of intangible assets	170	170
Loss on disposal of property, plant and equipment, net	5	14
Fair value loss on financial assets	854	1,646
Unwinding of discount for long-term receivable	(263)	–
Interest income	(102)	(130)
Interest expense	3,765	3,056
Operating profit before working capital changes	26,003	20,642
Changes in working capital:		
Inventories	12,070	(432)
Contract assets and liabilities, net	42,419	(91,857)
Trade and other payables	(72,514)	(54,511)
Trade and other receivables	43,357	71,834
(Placement)/released of fixed deposit pledged, net	(233)	10,000
Cash flows generated from / (used in) operations	51,102	(44,324)
Income tax paid	(2,542)	(300)
Net cash generated from / (used in) operating activities	48,560	(44,624)
Net cash used in operating activities from discontinued operations	–	(5,057)
	48,560	(49,681)
Investing activities		
Interest received	102	130
Payment for purchase of plant and equipment	(13,093)	(8,582)
Proceeds for disposal of plant and equipment	558	–
Payment for purchase of financial assets	–	(1,377)
Refund of deposit to a potential acquirer of the Disposal Group	–	(6,076)
Net cash used in investing activities	(12,433)	(15,905)
Net cash generated from investing activities from discontinued operations	–	13,101
	(12,433)	(2,804)
Financing activities		
Repayment to previous shareholder of Ranken's subsidiary	–	(2,850)
Interest paid	(2,168)	(3,056)
Proceeds from bank loans	–	–
Payment of bank loans	(10,000)	(10,000)
Payment of finance lease liabilities	(6,322)	(6,874)
Proceeds from bond	–	33,151
Net cash (used in) / generated from financing activities	(18,490)	10,371
Net cash used in financing activities from discontinued operations	–	(2,250)
	(18,490)	8,121

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2018

	Group	
	1Q2018 RMB'000	1Q2017 RMB'000 Restated
Net increase/(decrease) in cash and cash equivalents	17,637	(44,364)
Cash and cash equivalents at beginning of the period	117,729	134,517
Cash and cash equivalents classified as held for sale at beginning of the period	–	17,435
Effect of exchange rate changes on the balances held in foreign currencies	(30)	(2,937)
Cash and cash equivalents at end of the period	135,336	104,651
Cash and cash equivalents consist of the following:		
Cash and cash equivalents in the statement of financial position	143,335	105,301
Fixed deposits pledged	(7,999)	(650)
Cash and cash equivalents in the statement of cash flows	135,336	104,651

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2018

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	Merger reserve RMB'000	Other reserves RMB'000	Currency translation reserve RMB'000	Accumulated profit RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
1Q2017									
Group									
At 1 January 2017 (Restated)	413,393	(7,585)	2,075	(6,777)	–	67,205	468,311	8,588	476,899
Profit for the period	–	–	–	–	–	4,833	4,833	222	5,055
Other comprehensive income									
Foreign currency translation differences	–	–	–	–	(334)	–	(334)	–	(334)
Realisation of reserve upon disposal of subsidiaries	–	–	–	–	1,757	–	1,757	–	1,757
Total other comprehensive income	–	–	–	–	1,423	–	1,423	–	1,423
Total comprehensive income	–	–	–	–	1,423	4,833	6,256	222	6,478
At 31 March 2017 (Restated)	413,393	(7,585)	2,075	(6,777)	1,423	72,038	474,567	8,810	483,377

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2018

Consolidated Statement of Changes in Equity

	Share capital RMB'000	Capital reserve RMB'000	Fair value reserve RMB'000	Other reserves RMB'000	Currency translation reserve RMB'000	Accumulated profit / (losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
1Q2018									
Group									
At 31 December 2017 (Restated)	413,839	(7,585)	(1,516)	(6,777)	987	101,055	500,003	9,831	509,834
Adoption of SFRS(I) 9	–	–	–	–	–	(806)	(806)	(19)	(825)
At 1 January 2018	413,839	(7,585)	(1,516)	(6,777)	987	100,249	499,197	9,812	509,009
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	104,314	502,578	9,956	512,534

Statement of Changes in Equity

	Share Capital	Capital reserve	Other reserves	Fair value reserve	Currency translation reserve	Accumulat ed profit / (losses)	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
1Q2017							
Company							
At 1 January 2017 (Restated)	413,393	(8,294)	(6,777)	–	–	23,177	421,499
Profit for the period	–	–	–	–	–	1,061	1,061
Other comprehensive Income							
Foreign currency translation differences	–	–	–	–	11,242	–	11,242
Total other comprehensive income	–	–	–	–	11,242	–	11,242
Total comprehensive income	–	–	–	–	11,242	1,061	12,303
At 31 March 2017 (Restated)	413,393	(8,294)	(6,777)	–	11,242	24,238	433,802
1Q2018							
Company							
At 1 January 2018 (Restated)	413,839	(8,294)	(6,777)	(1,516)	7,456	11,495	416,203
Profit 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)	(6,777)	(1,516)	(133)	8,337	405,456

- 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.

- 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**

	31.03.2018	31.12.2017
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 2018

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 2017.

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 a new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)") on 1 January 2018.

In adopting the new framework, the Group has applied specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*.

In addition to the adoption of the new framework, the Group has also concurrently applied the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 Revenue from Contracts with Customers which includes clarifications to IFRS 15 Revenue from Contracts with Customers issued by the IASB in April 2016;
- SFRS(I) 9 Financial Instruments which includes amendments arising from IFRS 4 Insurance Contracts issued by the IASB in September 2016;
- requirements in SFRS(I) 2 Share-based Payment arising from the amendments to IFRS 2 – Classification and measurement of share-based payment transactions issued by the IASB in June 2016;
- requirements in SFRS(I) 1-40 Investment Property arising from the amendments to IAS 40 – Transfers of investment property issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – Deletion of short-term exemptions for first-time adopters issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 Investments in Associates and Joint Ventures arising from the amendments to IAS 28 – Measuring an associate or joint venture at fair value issued by the IASB in December 2016; and
- SFRS(I) INT 22 Foreign Currency Transactions and Advance Consideration.

Except for SFRS(I) 1, SFRS(I) 9 and SFRS(I) 15, the adoption of the above standards and interpretations does not have a significant impact on the financial statements.

SFRS(I) 1

The Group has elected to reset the cumulative foreign currency translation reserve ("FCTR") arising from the translation of the financial statements in currencies other than the Group's presentation currency to nil at the date of transition and reclassified the cumulative negative FCTR of RMB 4,631,000 as at 1 January 2017 determined in accordance with FRS at that date to retained earnings. Similarly, the Company reclassified FCTR of RMB 9,097,000 as at 1 January 2017 at that date to retained earnings.

After the date of transition, any gain or loss on disposal of any foreign operations excludes translation differences that arose before the date of transition.

The impact on the adoption of SFRS(I) 1 is described below.

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2018

Consolidated statement of financial position as at 31 December 2017

	Group Adjustments RMB'000
Decrease in negative currency translation reserve	17,542
Decrease in retained earnings	(17,542)

Consolidated statement of profit or loss for the quarter ended 31 March 2017

	Group Adjustments RMB'000
Decrease in other income	(4,487)
Decrease in profit from discontinued operations, net of tax	(48)
Decrease in profit after tax for the year	(4,535)

SFRS(I) 9

The Group has elected to adopt the exemption in SFRS(I) allowing it not to restate comparative information in the financial statements. Differences in the carrying amounts of financial asset and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserve as at 1 January 2018.

Except for the impairment of financial assets, where the Group applied the simplified approach and recorded a forward-looking expected credit loss ("ECL") on all trade receivable, the adoption of SFRS(I) 9, has no significant impact on the financial statements.

Arising from the adoption of SFRS(I) 9, an increase in impairment for trade receivables of RMB 1,100,000 and an increase in deferred tax asset of RMB 275,000 as at 1 January 2018 had been adjusted. The non-controlling interests share of these adjustments of RMB 19,000 had also been adjusted as at 1 January 2018, with net effect of reducing equity attributable to owners of the Company of RMB 806,000.

SFRS(I) 15

The Group has adopted SFRS(I) 15 in its financial statements for the year ending 31 December 2018, using the retrospective approach. Arising from the adoption of SFRS(I) 15, the retention monies are no longer considered to have a significant financing component as these amounts are deemed to provide the customers with protection from the Group failing to adequately complete some or all of its obligations under the contract.

The impact on the adoption of SFRS(I) 15 is described below.

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2018

Consolidated statement of financial position as at 31 December 2017

	Group Adjustments RMB'000
Increase in trade and other receivables	7,022
Decrease in deferred tax assets	(1,756)
Increase in retained earnings	(5,143)
Increase in non-controlling interests	(123)

Consolidated statement of profit or loss for the quarter ended 31 March 2017

	Group Adjustments RMB'000
Increase in revenue	265
Decrease in other income	(821)
Decrease in profit after tax for the year	(556)

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					
	Continuing operations		Discontinued operations		Total	
	1Q2018	1Q2017 Restated	1Q2018	1Q2017 Restated	1Q2018	1Q2017 Restated
Basic earnings per share (RMB cents)	1.25	1.22	–	0.26	1.25	1.48
Diluted earnings per share (RMB cents)	1.25	1.22	–	0.26	1.25	1.48

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2018

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	
	1Q2018	1Q2017
Weighted average number of shares	326,071,915	325,797,342

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.

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	
	31.03.2018	31.12.2017 Restated	31.03.2018	31.12.2017 Restated
Net asset value per ordinary share (RMB cents)	154.13	153.34	124.35	127.64
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 (1Q2018 vs 1Q2017)

Revenue rose by RMB 115.5 million to RMB 303.6 million in 1Q2018 mainly due to a higher number of ongoing projects in China as well as the sale of railway sleepers of RMB 34.7 million during the current period.

However, gross profit fell by RMB 0.2 million to RMB 26.9 million. Overall gross profit margin in 1Q2018 was 8.8% as compared to 14.4% in 1Q2017 due mainly to (a) higher costs of materials (Ranken generally has to bear approximately 5% of material price fluctuation both ways, with project owners bearing any additional cost of fluctuation outside the agreed percentage); (b) lower margins from the sale of railway sleepers; and (c) higher margin in 1Q2017 arising from clients' acceptance of variation orders.

Other income fell by RMB 1.7 million to RMB 1.3 million due mainly to the absence of exchange gain of RMB 1.0 million recorded in 1Q2017 and lower project related compensation income during 1Q2018.

Selling and distribution costs rose by RMB 0.1 million to RMB 1.6 million, related mainly to Ranken's travelling expenses as well as project assessment and tendering costs.

Administrative expenses fell by RMB 0.8 million to RMB 13.7 million due mainly to cost control exercises.

Other expenses fell by RMB 0.6 million to RMB 2.6 million due mainly lower fair value loss on financial assets by RMB 0.8 million, offset by exchange loss of RMB 0.2 million during the current period.

Finance costs rose by RMB 0.7 million to RMB 3.8 million due mainly to higher interest on finance leases, specifically on the RMB 70.0 million for the hire purchase refinancing of machineries obtained in late 2Q2017.

Income tax expense was RMB 2.3 million, attributable to provision for income tax on taxable profits for Ranken's operations.

Given the above, net profit for Continuing Operations for 1Q2018 rose by 1.9% to RMB 4.1 million from RMB 4.0 million for 1Q2017, net of non-controlling interest.

In 1Q2017, the mining services business made a net loss of RMB 3.2 million for the 2 months period ended 28 February 2017. On completion of the disposal of Mancala Group, the Group recognised a gain on disposal of RMB 4.1 million, net of the loss incurred on partial settlement of amounts payable to the vendors of Mancala, resulting in a net profit from Discontinued operations of RMB 0.8 million.

Overall, net profit for 1Q2018 fell by 15.9% to RMB 4.1 million from RMB 4.8 million for 1Q2017, net of non-controlling interest.

Review of Financial Position (31 March 2018 vs 31 December 2017)

Total non-current assets fell by RMB 10.6 million due mainly to repayment by a former subsidiary company (“Mancala”) resulting in lower other receivables by RMB 7.9 million and depreciation and amortisation of property, plant and equipment, intangible assets and investment properties during the period.

Total current assets fell by RMB 73.9 million due mainly 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 0.9 million.
- Inventories fell by RMB 12.1 million due to sale of railway sleeper stock for the Meng Hua project.
- Contract Assets (previously known as construction work in progress and reclassification of retention monies, Built and Transfer contract receivable and other guarantee sums from trade receivable arising from the adoption of SFRS(I) 15) fell by RMB 44.4 million to RMB 905.3 million due mainly to higher progress billings made during the period.
- Trade receivables related to Ranken’s projects fell by RMB 105.3 million to RMB 234.9 million. Trade debtor’s turnaround time fell to 71 days as compared to 95 days as at 31 December 2017.
- 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 71.2 million to RMB 274.5 million.
- Cash and cash equivalents for the Group rose by RMB 17.6 million to RMB 143.3 million due mainly to operating cash inflow of RMB 48.6 million, offset by payment for purchase of plant and equipment and repayment of bank loans and finance lease liabilities.

Total non-current liabilities fell by RMB 39.4 million due mainly to reclassification of long term bond and certain long term finance lease liabilities to current liabilities during the period.

Total current liabilities fell by RMB 47.8 million due mainly to the following significant changes during the period under review:

- Trade payables related to Ranken’s projects fell by RMB 143.5 million to RMB 507.0 million due mainly to payment to suppliers and contractors during the period.
- Other payables and accruals rose by RMB 70.9 million to RMB 537.1 million mainly due to higher cash advances from clients.
- Current financial liabilities rose by RMB 24.7 million to RMB 168.9 million as long term bond and certain long term financial lease liabilities are now due within the next 12 months.

Total equity

Total equity attributable to owners of the Company or Shareholders' Equity rose by RMB 2.6 million to RMB 502.6 million due to (i) current period earnings of RMB 4.1 million, net of movements of foreign currency translation reserve of RMB 0.7 million and the effects of the adoption of SFRS(I) 9 of RMB 0.8 million (for details of the effects, see page 13).

Review of Cash Flows (1Q2018 vs 1Q2017)

Operating cash flow from continuing operations for 1Q2018 improved by RMB 93.2 million to cash inflow of RMB 48.6 million after accounting for (i) operating profit before working capital changes of RMB 26.0 million and (ii) net working capital changes of RMB 25.1 million, net of tax payment of RMB 2.5 million.

Cash flows used in investing activities from continuing operations for 1Q2018 were RMB 12.4 million, due mainly to Ranken's investment in equipment and site facilities.

Cash flows used in financing activities of continuing operations for 1Q2018 were RMB 18.5 million, due to payment of interest, repayment of bank loans and finance lease liabilities.

Given the above, cash and cash equivalents rose by RMB 17.6 million to RMB 135.3 million (net of fixed deposits pledged of RMB 8.0 million).

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

In the Group's FY2017 results announcement, the Board stated that the Group expects to be profitable in the financial year ending 31 December 2018 ("FY2018"), barring unforeseen circumstances.

In 1Q2018, the Group reported net profit of RMB 4.1 million.

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

Under its 2016-2020 13th Five-Year Plan, China plans to spend approximately RMB 15 trillion (S\$3.1 trillion) on infrastructure, including RMB3.5 trillion (S\$729.2 billion) for railways.

Accordingly to a recent report issued on April 2018 by China Urban Railway Association ("中国城市轨道交通协会"), there are a total of 34 cities in China with urban railway system in operation and in 2017, there were 880 km of new urban railway lines constructed and in operation, marking an increase of 21.2% as compared to 2016.

As at the end of 2017, there are a total of 165 urban railway routes with a combined distance of 5,032 km, ferrying more than 18 billion passengers, which surpasses previous records.

China's top economic body, the National Development Reform Commission, also announced plans to relax the requirements needed for local governments to pursue urban railway projects. That includes lowering the minimum population from 3 million to 1.5 million, which would mean that more fast-growing third-

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2018

and even fourth-tier cities can expect to put in their own urban rail transit system proposals, boosting more investments and activities in this industry segment.

Industry projections indicate that urban rail transit networks will be extended to reach 50 Chinese cities by 2020 and civil engineering works will be required for additional of more than 8,000 km of underground utility tunnels.

As one of China's top private urban railway engineering and construction enterprises, with 20 years of operating track record across 18 first- and second-tier cities, Ranken – which is Sapphire's core revenue driver – is well positioned to benefit from the long-term developments.

In addition, with its strong engineering capabilities, the Group is looking to venture into the business opportunities related to environmental conservation and water environmental improvement projects in China, which is boosted by expected investments of RMB 3.3 trillion under China's 13th Five-Year Plan. 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 basis.

Ranken's order book remains healthy at RMB 2.9 billion (S\$600 million), and it will continue to proactively identify and bid for new contracts while improving operational capabilities and efficiencies in its efforts to sustain margins.

Barring unforeseen circumstances, the Group expects to be profitable in the current financial year ending 31 December 2018.

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.

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2018

13 Disclosure of Interested Person Transaction Conducted under a Shareholder Mandate for the period ended 31 March 2018

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 2018 to be false or misleading in any material aspect.

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

10 May 2018