SAPPHIRE
盛世企业

Press Release – for immediate release

Sapphire's Revenue Surge 49.1% to RMB 551.1 million in 3Q2018; Generates Net Cash of RMB 59.9 million from Operations during 3Q2018

- Positive financial performance of 3Q2018 marks another profitable quarterly result since its restructuring on 1 Oct 2015
- Stronger financial foundation with total assets of RMB 2.2 billion as at 30 September 2018
- Order book stood at RMB 2.8 billion as at 30 September 2018
- Capitalising on the rising macro urbanisation trends and green policies under China's 13th Five-Year Plan

Financial Year End - 31 December

(RMB' million)	*3Q2018*	*3Q2017*	*Change (%)*	*9M2018*	*9M2017*	*Change (%)*
Revenue	**551.1**	**369.6**	**+49.1**	**1,193.0**	**854.2**	**+39.7**
Gross Profit	**27.8**	**53.1**	**(47.7)**	**89.5**	**113.2**	**(20.9)**
Net Profit attributable to Shareholders	**10.4**	**13.0**	**(20.4)**	**24.9**	**27.0**	**(7.8)**
Net Asset Per Share (as at 30 September 2018)			**RMB 160.23 cents**			

Singapore, 12 November 2018 – 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 financial results for the third quarter ("3Q2019") and nine months ("9M2018") 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.

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Review of Financial Performance in 3Q2018

Testament to the Group's strong execution capabilities for multi-disciplinary infrastructure projects under its order book, the Group's revenue for 3Q2018 surged 49.1% to approximately RMB 551.1 million.

While revenue increased during 3Q2018, the Group's gross profit dipped to approximately RMB 27.8 million with a lower gross profit margin of 5.0% in 3Q2018. The Group's gross profit margin was mainly affected by 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 for the upcoming winter season, the tail-end phase of some projects (where operating margins are lower) as well as the sale of railway sleepers (which commanded lower margins).

The Group's other income increased significantly by RMB 5.1 million to RMB 5.6 million due mainly to gain on the fair value change of financial assets, unwinding of discount for long-term receivables, higher government grants as well as the absence of exchange loss in 3Q2018.

Adhering to more prudent cost measures, the Group's distribution costs declined by RMB 0.8 million to RMB RMB 1.8 million, while administrative expenses reduced by RMB 4.7 million to RMB 14.6 million.

The Group's finance costs reduced by 44.6% to RMB 4.7 million as the Group recorded lower financial liabilities in 3Q2018.

Overall, the Group registered a net profit attributable to shareholders of RMB 10.4 million in 3Q2018. And for 9M2018, the Group posted a net profit attributable to shareholders of RMB 24.9 million.

Commenting on the Group's 3Q2018 results, Ms Wang Heng (王恒), Chief Executive Officer of Sapphire, said, *"We delivered a very strong revenue performance as we focused on the project execution of our urban infrastructure projects on a safe and timely basis.*

However, environmental concerns for the upcoming winter season have resulted in limited supply of construction materials, driving up raw material costs and creating short-term margin pressure on our financial performance.

Nevertheless, as we aggressively pursue our core business strategy targeting vital infrastructure projects related to urbanisation and green policies within China, we will prudently evaluate new tenders, ensure positive cash flows, and harness long-term profitable growth opportunities."

Ms Wang added, *"It is heartening that the Chinese government has recently introduced or proposed to introduce a series of policies to enhance domestic infrastructure construction investment, as well as support the growth of Chinese private enterprises that includes the reduction of the tax, enabling a level playing field and improving policy execution.*

Specifically, the Chinese government has prioritised the financing needs and lowering financing costs of private enterprises as one of its objectives to enable the growth of the private sector economy.

We believe that such government initiatives will provide a strong boost to our core business strategy to target larger value projects such as Public-Private Partnership (PPP) projects that can create long-term value for the Group with a small equity investment."

Core Business Strategy

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 green policies under the country's 2016-2020 13th Five-Year Plan.

Under this 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 infrastructure.

In August 2018, it was reported that China's state planner has approved a total RMB 78.7 billion of urban railway projects, that includes eight new rail lines with a total length of 135.4 kilometres, in the capital of the northern Jilin province, marking the country's first urban rail project to be approved in a year.

And it was reported that the coastal cities around Jiangsu province and Zhejiang province have plans to invest the equivalent of billions of renminbi to boost their underground subway systems.

Engineering, procurement and construction ("EPC") is a key component of Ranken's business model in this area. With its previous track records in major railway infrastructure projects within the Jiangzhe (江浙) region, the Group intend to further expand our presence in this segment by proactively identify and bid for new contracts while improving operational capabilities and efficiencies in its efforts to sustain margins.

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.

Previously, the Group has been involved in more than 10 water management projects in China and it is looking to deepen its business presence in this area. In May 2017, the Group signed a cooperation agreement with Hong Kong mainboard-listed Beijing Enterprises Water Group Co., Ltd. and it also evaluating industry consortiums through which to participate, construct and operate large-scale infrastructure projects on a public-private partnership (“PPP”) basis.

Stronger Financial Foundation

Guided by a conservative financial management policy, the Group’s total assets increased to approximately RMB 2.2 billion as at 30 September 2018, of which current assets accounted for the majority component at approximately RMB 1.9 billion that includes contract assets (RMB 1.1 billion), trade receivables (RMB 325.5 million), other receivables (RMB 256.7 million), cash and cash equivalents (RMB 128.3 million), inventories (RMB 26.7 million) and other investment (RMB 7.1 million).

As at 30 September 2018, the Group’s shareholders’ equity increased to approximately RMB 522.5 million, while net asset value per share stood at RMB 160.23 cents.

As at end September 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.

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This press release is to be read in conjunction with Sapphire’s exchange filings on 12 November 2018, 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).

Sapphire also owns a 19% stake in the capital of Mancala Holdings Pty Ltd ("Mancala Australia"), a specialist mining services company based in Australia that provides raise-bore, shaft excavation, engineering services and other mining services.

Issued on behalf of Sapphire Corporation Limited by:

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