

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 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			Group		
	3Q2019	3Q2018	Change	9M2019	9M2018	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	385,927	551,087	(30.0)	1,083,231	1,192,971	(9.2)
Cost of sales	(349,717)	(523,291)	(33.2)	(988,400)	(1,103,434)	(10.4)
Gross profit	36,210	27,796	30.3	94,831	89,537	5.9
Other income	2,513	5,624	(55.3)	7,680	8,744	(12.2)
Distribution cost	(609)	(1,794)	(66.1)	(4,360)	(5,267)	(17.2)
Administrative expenses	(13,095)	(14,561)	(10.1)	(39,141)	(39,780)	(1.6)
Other expenses	(4,200)	377	NM	(10,216)	(5,880)	73.7
Profit from operating activities	20,819	17,442	19.4	48,794	47,354	3.0
Finance costs	(4,828)	(4,747)	1.7	(15,993)	(12,913)	23.9
Profit before tax	15,991	12,695	26.0	32,801	34,441	(4.8)
Tax expenses	(5,859)	(2,199)	166.4	(10,558)	(8,937)	18.1
Profit for the period	10,132	10,496	(3.5)	22,243	25,504	(12.8)
Profit attributable to:						
Owners of the Company	10,239	10,350	(1.1)	22,010	24,868	(11.5)
Minority interest	(107)	146	NM	233	636	(63.4)
Profit for the period	10,132	10,496	(3.5)	22,243	25,504	(12.8)

Consolidated Statement of Comprehensive Income

	Group			Group		
	3Q2019	3Q2018	Change	9M2019	9M2018	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Profit for the period	10,132	10,496	(3.5)	22,243	25,504	(12.8)
Other comprehensive income						
<i>Items that are or may be reclassified subsequently to profit or loss:</i>						
Foreign currency translation differences	128	1,976	(93.5)	39	1,400	(97.2)
Net change in fair value of equity investments at FVOCI	—	(1,437)	NM	—	(1,437)	NM
Other comprehensive income for the period, net of tax	128	539	(76.3)	39	(37)	NM
Total comprehensive income for the period	10,260	11,035	(7.0)	22,282	25,467	(12.5)
Total comprehensive income attributable to:						
Owners of the Company	10,367	10,889	(4.8)	22,049	24,831	(11.2)
Non-controlling interest	(107)	146	NM	233	636	(63.4)
Total comprehensive income for the period	10,260	11,035	(7.0)	22,282	25,467	(12.5)

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

Notes to Income Statement

	Group			Group		
	3Q2019	3Q2018	Change	9M2019	9M2018	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Other income includes the following:						
Interest income – banks	119	55	116.4	298	237	25.7
Unwinding of discount for long-term receivable	253	271	(6.6)	788	797	(1.1)
Gain/ (Loss) on disposal of property, plant and equipment, net	366	(6)	NM	1,505	24	6,170.8
Change in fair value of financial asset designated as fair value through profit or loss	–	2,332	NM	–	2,332	NM
Rental income	1,008	903	11.6	3,053	2,695	13.3

Other expenses include the following:

Amortisation of intangible assets	(169)	(170)	(0.6)	(511)	(511)	–
Change in fair value of financial asset designated as fair value through profit or loss	(1,960)	1,537	NM	(1,994)	–	NM
Exchange gain/(loss), net	317	(777)	NM	(15)	(969)	(98.5)
Reversal of /(impairment) loss on long-term other investments	–	1,287	NM	–	(150)	NM

Finance costs include the following:

Interest expense – banks and financial institution	(3,947)	(2,312)	70.7	(12,751)	(5,539)	130.2
Interest expense – corporate bond	–	(882)	NM	(85)	(3,341)	(97.4)
Interest expense – finance lease	(881)	(1,553)	(43.3)	(3,157)	(4,033)	(21.7)

Profit before income tax is arrived after deducting:

Depreciation of property, plant and equipment	(18,834)	(14,679)	28.3	(41,703)	(44,851)	(7.0)
Depreciation of investment properties	(603)	(603)	–	(1,808)	(1,808)	–

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(1) 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	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Property, plant and equipment	163,723	170,634	80	93
Intangible assets and goodwill	70,437	70,453	–	–
Investment properties	52,876	54,684	–	–
Subsidiaries	–	–	449,343	387,151
Associated company	37,500	25,000	–	–
Other investments	5,085	4,970	5,081	4,966
Other receivables	14,815	14,153	14,815	14,153
Deferred tax assets	13,971	13,971	–	–
Total non-current assets	358,407	353,865	469,319	406,363
Other investment	3,905	5,815	3,905	5,815
Inventories	34,168	23,432	–	–
Contract assets	932,534	980,244	–	–
Trade receivables	480,315	379,457	–	–
Other receivables	241,941	229,143	2,246	6,829
Cash and cash equivalents	116,916	203,949	386	251
Total current assets	1,809,779	1,822,040	6,537	12,895
Total assets	2,168,186	2,175,905	475,856	419,258
Equity				
Share capital	466,700	413,839	466,700	413,839
Reserves	111,936	92,078	5,887	1,822
Equity attributable to owners of the Company	578,636	505,917	472,587	415,661
Non-controlling interests	10,452	10,219	–	–
Total equity	589,088	516,136	472,587	415,661
Liabilities				
Loans and borrowings	55,998	27,829	–	–
Deferred tax liabilities	6,545	6,677	–	–
Total non-current liabilities	62,543	34,506	–	–
Trade payables	937,868	970,570	–	–
Other payables	174,834	175,084	3,269	3,597
Contract liabilities	273,465	215,152	–	–
Loans and borrowings	119,259	253,968	–	–
Current tax liabilities	11,129	10,489	–	–
Total current liabilities	1,516,555	1,625,263	3,269	3,597
Total liabilities	1,579,098	1,659,769	3,269	3,597
Total equity and liabilities	2,168,186	2,175,905	475,856	419,258

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2019

Note 1: Details of trade receivables were as follows:

Turnover days

	As at 30 September 2019	As at 31 December 2018	Change %
Turnover days	121	77	40.3

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

	30.09.2019		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	119,259	—	253,968	—
Amount repayable after one year	55,998	—	27,829	—
	175,257	—	281,797	—
Ranken				
Short-term bank borrowings	89,000	—	141,201	—
Long-term bank borrowings	48,000	—	—	—
Current portion of finance lease	30,259	—	32,791	—
Non-current portion of finance lease	7,998	—	27,829	—
Short term bond	—	—	34,976	—
Secured borrowings from financial institution	—	—	45,000	—
Total	175,257	—	281,797	—

Details of any collateral as at 30 September 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 62.9 million and deposits pledged of RMB 3.9 million pledged.
- (ii) The carrying value of fixed assets under finance lease as at 30 September 2019 approximates RMB 44.0 million.
- (iii) As at 30 September 2019, 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 0.3 times as at 30 September 2019.

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 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		Group	
	3Q2019	3Q2018	9M2019	9M2018
	RMB'000	RMB'000	RMB'000	RMB'000
Operating activities				
Profit before income tax	15,991	12,695	32,801	34,441
Adjustments for:				
Depreciation of property, plant and equipment	18,834	14,679	41,073	44,851
Depreciation of investment properties	603	603	1,808	1,808
Amortisation of intangible assets	169	170	511	511
(Gain)/loss on disposal of property, plant and equipment, net	(366)	6	(1,505)	(24)
Change in fair value of financial asset designated as fair value through profit or loss	1,960	(3,869)	1,994	(2,332)
(Reversal of)/impairment loss on long-term other investments	–	(1,287)	–	150
Unwinding of discount for long-term receivable	(253)	(271)	(788)	(797)
Interest income	(119)	(55)	(298)	(237)
Interest expense	4,828	4,747	15,993	12,913
Operating profit before working capital changes	41,647	27,418	91,589	91,284
Changes in working capital:				
Inventories	2,018	(4,533)	(10,736)	5,939
Contract assets and liabilities, net	(7,333)	(224,494)	106,023	(186,266)
Trade and other payables	24,989	192,244	(31,385)	246,245
Trade and other receivables	(57,860)	71,692	(115,097)	(41,855)
Cash flows generated from operations	3,461	62,327	40,394	115,347
Income tax paid	(1,624)	(1,556)	(10,050)	(20,032)
Net cash generated from operating activities	1,837	60,771	30,344	95,315
Investing activities				
Interest received	119	55	298	237
Payment for purchase of plant and equipment	(11,867)	(5,672)	(36,597)	(41,575)
Proceeds from disposal of plant and equipment	444	18	5,048	209
Investment in associated company	(12,500)	–	(12,500)	–
Net cash used in investing activities	(23,804)	(5,599)	(43,751)	(41,129)

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2019

	Group		Group	
	3Q2019	3Q2018	9M2019	9M2018
	RMB'000	RMB'000	RMB'000	RMB'000
Financing activities				
Repayment to previous shareholder of Ranken's subsidiary	–	(3,920)	–	(6,920)
Interest paid	(3,784)	(6,499)	(12,059)	(11,178)
Proceeds from bank loans	67,000	67,000	107,000	113,000
Payment of bank loans	(137,000)	(45,000)	(157,000)	(106,000)
Payment of finance lease liabilities	(9,179)	(13,566)	(27,153)	(26,470)
Repayment of bond issued	–	–	(35,000)	(15,000)
Proceeds from right issue	–	–	52,861	–
Expenses for rights issue paid	–	–	(2,191)	–
Release/(placement) of fixed deposit pledged, net	15	(853)	3,957	3,747
Net cash used in financing activities	(82,948)	(2,838)	(69,585)	(48,821)
Net (decrease)/increase in cash and cash equivalents	(104,915)	52,334	(82,992)	5,365
Cash and cash equivalents at beginning of the period	217,808	70,486	196,040	117,729
Effect of exchange rate changes on the balances held in foreign currencies	84	1,455	(71)	1,181
Cash and cash equivalents at end of the period	112,977	124,275	112,977	124,275
Cash and cash equivalents consist of the following:				
Cash and cash equivalents in the statement of financial position	116,916	128,329	116,916	128,329
Fixed deposits pledged	(3,939)	(4,054)	(3,939)	(4,054)
Cash and cash equivalents in the statement of cash flows	112,977	124,275	112,977	124,275

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 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

Group	Share capital RMB'000	Capital reserve RMB'000	Fair value reserve RMB'000	Other reserve RMB'000	Translation reserve RMB'000	Accumulated profit RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
6M2019									
As 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	–	–	–	–	–	11,771	11,771	340	12,111
Other comprehensive income									
Foreign currency translation Differences	–	–	–	–	(89)	–	(89)	–	(89)
Total other comprehensive income	–	–	–	–	(89)	–	(89)	–	(89)
Total comprehensive income	–	–	–	–	(89)	11,771	11,682	340	12,022
Transactions with owners, recognised directly in equity									
Rights issue, net of expenses	52,861	–	–	(2,191)	–	–	50,670	–	50,670
Total contributions by and distributions to owner	52,861	–	–	(2,191)	–	–	50,670	–	50,670
As at 30 June 2019	466,700	(7,585)	(9,217)	(8,968)	2,719	124,620	568,269	10,559	578,828
3Q2019									
Profit for the period	–	–	–	–	–	10,239	10,239	(107)	10,132
Other comprehensive income									
Foreign currency translation differences	–	–	–	–	128	–	128	–	128
Total comprehensive income	–	–	–	–	128	10,239	10,367	(107)	10,260
As at 30 September 2019	466,700	(7,585)	(9,217)	(8,968)	2,847	134,859	578,636	10,452	589,088

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2019

Consolidated Statement of Changes in Equity

Group	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
6M2018									
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	–	–	–	–	–	14,518	14,518	490	15,008
Other comprehensive income									
Foreign currency translation differences	–	–	–	–	(576)	–	(576)	–	(576)
Total other comprehensive income	–	–	–	–	(576)	–	(576)	–	(576)
Total comprehensive income	–	–	–	–	(576)	14,518	13,942	490	14,432
Transactions with owners, recognised directly in equity									
Dividend declared	–	–	–	–	–	(1,566)	(1,566)	–	(1,566)
Total contributions by and distributions to owner	–	–	–	–	–	(1,566)	(1,566)	–	(1,566)
At 30 June 2018	413,839	(7,585)	(1,516)	(6,777)	411	111,003	509,375	10,250	51,9625
Profit for the period	–	–	–	–	–	10,350	10,350	146	10,496
Other comprehensive income									
Foreign currency translation differences	–	–	–	–	1,976	–	1,976	–	1,976
Net change in fair value of equity investments at FVOCI	–	–	(1,437)	–	–	–	(1,437)	–	(1,437)
Total other comprehensive income	–	–	(1,437)	–	1,976	–	539	–	539
Total comprehensive income	–	–	(1,437)	–	1,976	10,350	10,889	146	11,035
At 30 September 2018	413,839	(7,585)	(2,953)	(6,777)	2,387	121,353	520,264	10,396	530,660

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 equity RMB'000
Company							
6M2019							
At 1 January 2019	413,839	(8,294)	(9,217)	(6,777)	20,085	6,025	415,661
Loss for the period	–	–	–	–	–	(1,703)	(1,703)
Other comprehensive income							
Foreign currency translation differences	–	–	–	–	3,287	–	3,287
Total other comprehensive income	–	–	–	–	3,287	–	3,287
Total comprehensive income	–	–	–	–	3,287	(1,703)	1,584
Transactions with owners, recognised directly in equity							
Rights issue, net of expenses	52,861	–	–	(2,191)	–	–	50,670
Total contributions by and distributions to owner	52,861	–	–	(2,191)	–	–	50,670
At 30 June 2019	466,700	(8,294)	(9,217)	(8,968)	23,372	4,322	467,915
3Q2019							
Loss for the period	–	–	–	–	–	(2,493)	(2,493)
Other comprehensive income							
Foreign currency translation differences	–	–	–	–	7,165	–	7,165
Total other comprehensive income	–	–	–	–	7,165	–	7,165
Total comprehensive income	–	–	–	–	7,165	(2,493)	4,672
At 30 September 2019	466,700	(8,294)	(9,217)	(8,968)	30,537	1,829	472,587

Statement of Changes in Equity

	Share Capital RMB'000	Capital reserve RMB'000	Fair value reserve RMB'000	Other reserve RMB'000	Translation reserve RMB'000	Accumulated profit / (losses) RMB'000	Total equity RMB'000
Company							
6M2018							
At 1 January 2018	413,839	(8,294)	(1,516)	(6,777)	7,456	11,495	416,203
Loss for the period	–	–	–	–	–	(7,261)	(7,261)
Other comprehensive income							
Foreign currency translation differences	–	–	–	–	(7,154)	–	(7,154)
Total other comprehensive income	–	–	–	–	(7,154)	–	(7,154)
Total comprehensive income	–	–	–	–	(7,154)	(7,261)	(14,415)
Transactions with owners, recognised directly in equity							
Dividend declared	–	–	–	–	–	(1,566)	(1,566)
Total contributions by and distributions to owner	–	–	–	–	–	(1,566)	(1,566)
At 30 June 2018	413,839	(8,294)	(1,516)	(6,777)	302	2,668	400,222
3Q2018							
Profit for the period	–	–	–	–	–	4,086	4,086
Other comprehensive income							
Foreign currency translation differences	–	–	–	–	19,471	–	19,471
Net change in fair value of equity investments at FVOCI	–	–	(1,437)	–	–	–	(1,437)
Total other comprehensive income	–	–	(1,437)	–	19,471	–	18,034
Total comprehensive income	–	–	(1,437)	–	19,471	4,086	22,120
At 30 September 2018	413,839	(8,294)	(2,953)	(6,777)	19,773	6,754	422,342

QUARTERLY FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 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

	No. of shares	Share capital RMB'000
As at 1 January 2019	326,071,915	413,839
4 June 2019: Rights issue	81,517,978	52,861
As at 30 September 2019	407,589,893	466,700

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.

- 1d(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**

	30.09.2019	31.12.2018
Total number of issued shares excluding treasury shares	407,589,893	326,071,915

- 1d(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 30 SEPTEMBER 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

	3Q2019	3Q2018	9M2019	9M2018
Basic earnings per share (RMB cents)	2.51	3.17	6.28	7.63
Diluted earnings per share (RMB cents)	2.51	3.17	6.28	7.63

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:

	3Q2019	3Q2018	9M2019	9M2018
Weighted average number of shares	407,589,893	326,071,915	350,673,249	326,071,915

The weighted average number of shares during the period is the number of shares outstanding at the beginning of the period, 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 30 SEPTEMBER 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	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
Net asset value per ordinary share (RMB cents)	141.97	155.16	115.95	127.48
Number of shares in issue	407,589,893	326,071,915	407,589,893	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 (3Q2019 vs 3Q2018)

Revenue fell by RMB 165.2 million to RMB 385.9 million in 3Q2019 due mainly to lower number of on-going projects and no sale of railway sleepers.

However, gross profit rose by RMB 8.4 million to RMB 36.2 million with gross profit margin of 9.4% in 3Q2019 as compared to 5.0% in 3Q2018. 3Q2018 gross profit margin was adversely affected by 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 improvement in gross profit margin in 3Q2019 was also due to revenue recognized arising from final certification of completed projects, revenue from leasing of tunnel-boring machines and effective control of project costs.

Other income fell by RMB 3.1 million to RMB 2.5 million due mainly to absence of fair value gain of financial asset and lower government grants.

Distribution costs fell by RMB 1.2 million to RMB 0.6 million, due mainly to effective costs control.

Administrative expenses fell by RMB 1.5 million to RMB 13.1 million, due mainly to costs control measures.

Other expenses rose by RMB 4.6 million to RMB 4.2 million in 3Q2019, due mainly to absence of a reversal of impairment loss on long-term other investments and fair value loss of financial asset in 3Q2019 whereas a reversal of loss was recorded in 3Q2018.

Finance costs rose by RMB 0.1 million to RMB 4.8 million in 3Q2019, which is fairly comparable to 3Q2018.

Income tax expense of RMB 5.9 million was incurred in 3Q2019, attributable to provision for income tax on taxable profits for Ranken's operations.

Given the above, net profit for 3Q2019 fell RMB 0.1 million to RMB 10.2 million from RMB 10.3 million for 3Q2018, net of non-controlling interest.

Review of Financial Position (30 September 2019 vs 31 December 2018)

Total non-current assets rose by RMB 4.5 million to RMB 358.4 million, mainly due to (a) increase in investment in associate for injection of additional RMB 12.5 million in cash into the share capital of Chengdu Derun Jinlong Environmental Management Co., Ltd. (as announced on 15 August), partially offset by (b) depreciation of property, plant and equipment and investment properties and amortisation of intangible assets during the period.

Total current assets fell by RMB 12.3 million to RMB 1,809.8 million, mainly due to the following significant changes during the period under review:

- Inventories rose by RMB 10.7 million to RMB 34.2 million for on-going construction projects.
- Contract assets fell by RMB 47.7 million to RMB 932.5 million mainly due to billings made during the period.
- Trade receivables related to Ranken's projects rose by RMB 100.9 million to RMB 480.3 million. Trade debtor's turnaround time rose to 121 days as compared to 77 days as at 31 December 2018.
- 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 12.8 million to RMB 241.9 million.
- Cash and cash equivalents for the Group fell by RMB 87.0 million to RMB 116.9 million, mainly due to net financing cash outflow of RMB 69.6 million (including the proceeds from rights issue), and investing cash outflow of RMB 43.8 million, offset by operating cash inflow of RMB 30.3 million.

Total non-current liabilities rose by RMB 28.0 million to RMB 62.5 million, mainly due to acquisition of new long term bank loans during the period.

Total current liabilities fell by RMB 108.7 million to RMB 1516.6 million, mainly due to the following significant changes during the period under review:

- Trade payables related to Ranken's projects fell by RMB 32.7 million to RMB 937.9 million, mainly due to payment to suppliers and contractors during the period.
- Other payables and accruals fell by RMB 0.3 million to RMB 174.8 million, mainly due to lower payables to third parties.
- Contract liabilities rose by RMB 58.3 million to RMB 273.5 million mainly due to higher advanced consideration received from customers.
- Current loans and borrowings fell by RMB 134.7 million to RMB 119.3 million mainly due to net repayment of loans and borrowings when they are due.

Total equity

Total equity attributable to owners of the Company or Shareholders' Equity rose by RMB 72.7 million to RMB 578.6 million due to current year earnings of RMB 22.0 million and the net of proceeds from the rights issue of RMB 52.9 million, net of expenses of RMB 2.2 million.

Review of Cash Flows (3Q2019 vs 3Q2018)

Operating cash flow for 3Q2019 fell by RMB 58.9 million to cash inflow of RMB 1.8 million after accounting for (i) operating profit before working capital changes of RMB 41.6 million and (ii) net working capital changes of RMB 38.2 million, net of tax payment of RMB 1.6 million.

Cash flows used in investing activities for 3Q2019 were RMB 23.8 million, mainly due to payment for purchase of plant and equipment and investment in an associated company.

Cash flows used in financing activities 3Q2019 were RMB 82.9 million, mainly due to repayment of Ranken's loans, financial liabilities and costs when they were due, offset by proceeds from bank loans.

Given the above, cash and cash equivalents fell by RMB 104.9 million to RMB 113.0 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 1H2019 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

Aligned with the various urbanisation trends and environmental policies under China's 2016-2020 13th Five-Year Plan, Sapphire has adopted a two-prong strategy in its business model to tap new business opportunities as the Group transforms into an integrated urban infrastructure solutions enterprise.

According to National Development and Reform Commission (NDRC), railway fixed-asset investment in China reached RMB 449.6 billion yuan in the first eight months of 2019 and it is on schedule to achieve its whole-year target of RMB 800 billion yuan to expand infrastructure investment on railways.

In addition, a total of 41 Chinese cities will have urban rail transit systems in operation by the end of 2019, according to the China Association of Metros. China will add another 1,070 km to its national urban rail lines in 2019, and the total length is expected to reach 6,800 km by the end of 2019.

With more urban cities in China receive approvals for urban railway developments, urban railway construction activities are expected to increase progressively.

The first part of its two-prong strategy is focused on 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.

The Group's order book stands at RMB 1.9 billion as at 30 September 2019.

In addition, Sapphire has been monitoring the emerging market segment of Transit-Oriented Development (“TOD”) model – a strategy that promotes dense, mixed-use, and walkable development near transit stations – that has gained momentum in urban cities in China due to road congestion, air pollution and traffic safety issues.

To explore more opportunities in the TOD industry, the Group has recently signed a strategic partnership with LWK + PARTNERS, a leading design architecture practice headquartered in Hong Kong with a network of 11 offices around the globe, to develop new design solutions and cross-share industry experience and knowledge in the TOP industry.

For the second part of its two-prong strategy, the Group is looking to expand its business presence in water environmental improvement projects associated with the environmental policies and trends under China’s 2016-2020 13th Five-Year Plan.

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 Public-Private Partnership (“PPP”) projects in China.

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 has led to the Group’s largest single EPC contract win of RMB 832 million in recent years.

Having completed the demonstration phase related to first phase of this project in June 2019, the Group is working towards the completion of this project by end of 2020.

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.

The Group will continue to pursue 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.

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/recommended, a statement to that effect

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

13 Disclosure of Interested Person Transaction Conducted under a Shareholder Mandate for the period ended 30 September 2018

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

14 Use of Proceeds from Rights Issue

The following table sets out the breakdown of the use of proceeds from the rights issue as at the date announcement:

Use of Net Proceeds	Allocation of Net Proceeds (S\$ million)	Net Proceeds Utilised (S\$ million)	Unutilised Net Proceeds (S\$ million)
Making strategic investments into and the development of water and environmental management projects	4.99	4.99	NIL
General corporate purposes including general corporate and/or working capital requirements of the Group	4.99	4.99	NIL
Total Net Proceeds	9.98	9.98	NIL

The Company has commission an independent verification of any material disbursement (being a disbursement in excess of RMB500k) from the escrow account (the "Transaction Audit").

The Audit Committee has reviewed the findings of the Transaction Audit and the Audit Committee confirms that it is satisfied with the results of the Transaction Audit.

15 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 30 September 2019 to be false or misleading in any material aspect.

16 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
Group Chief Executive Officer
12 November 2019