

FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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		
	FY2019 RMB'000	FY2018 RMB'000	Change %
Revenue	1,731,548	1,796,982	(3.6)
Cost of sales	(1,577,502)	(1,662,993)	(5.1)
Gross profit	154,046	133,989	15.0
Other income	13,500	9,359	44.2
Selling and distribution costs	(6,470)	(10,545)	(38.6)
Administrative expenses	(68,458)	(58,149)	17.7
Impairment losses on trade and other receivables and contract assets	(14,282)	(15,447)	(7.5)
Other expenses	(13,294)	(8,634)	54.0
Profit from operating activities	65,042	50,573	28.6
Finance costs	(22,183)	(20,421)	8.6
Share of profit of equity-accounted investees (net of tax)	2,476	—	NM
Profit before tax	45,335	30,152	50.4
Tax expenses	(18,434)	(13,329)	38.3
Profit for the year	26,901	16,823	59.9
Profit attributable to:			
Owners of the Company	26,370	16,364	61.1
Non-controlling interests	531	459	15.7
Profit for the year	26,901	16,823	59.9

Consolidated Statement of Comprehensive Income

	Group		
	FY2019 RMB'000	FY2018 RMB'000	Change %
Profit for the year	26,901	16,823	59.9
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Net change in fair value of equity investments at FVOCI	(4,988)	(7,701)	(35.2)
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences	1,751	1,821	(3.8)
Other comprehensive income for the year, net of tax	(3,237)	(5,880)	(44.9)
Total comprehensive income for the year	23,664	10,943	116.2
Total comprehensive income attributable to:			
Owners of the Company	23,133	10,484	120.7
Non-controlling interest	531	459	15.7
Total comprehensive income for the year	23,664	10,943	116.2

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

Notes to Income Statement

	Group		
	FY2019 RMB'000	FY2018 RMB'000	Change %
Other income includes the following:			
Interest income – banks	418	363	15.2
Rental income	4,074	4,131	(1.4)
Unwinding of discount for long-term receivable	1,053	1,062	(0.8)
Change in fair value of financial asset designated as fair value through profit or loss	–	1,115	NM
Gain on disposal of property, plant and equipment, net	2,543	–	NM
Other expenses include the following:			
Amortisation of intangible assets	–	(681)	NM
Exchange loss, net	(390)	(1,400)	(72.1)
Change in fair value of financial asset designated as fair value through profit or loss	(2,753)	–	NM
Loss on disposal of property, plant and equipment, net	–	(36)	NM
Impairment loss on long-term other investments	–	(150)	NM
Inventories written off	(965)	–	NM
Bad debt written off	(317)	–	NM
Finance costs include the following:			
Interest expense – banks and financing institution	(17,435)	(10,780)	61.7
Interest expense – corporate bond	(85)	(4,222)	(98.0)
Interest expense – finance leases	(4,663)	(5,419)	(14.0)
Profit before income tax is arrived after deducting:			
Depreciation of property, plant and Equipment	(62,178)	(59,315)	4.8
Depreciation of investment properties	(2,410)	(2,410)	NM

FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Property, plant and equipment	184,623	170,634	221	93
Intangible assets and goodwill	42,417	70,453	—	—
Investment properties	52,274	54,684	—	—
Subsidiaries	—	—	451,205	387,151
Associated company	48,726	25,000	—	—
Other investments	4	4,970	—	4,966
Other receivables	—	14,153	—	14,153
Deferred tax assets	13,586	13,971	—	—
Total non-current assets	341,630	353,865	451,426	406,363
Other investment	3,158	5,815	3,158	5,815
Inventories	34,945	23,432	—	—
Contract assets	911,679	980,244	—	—
Trade receivables	564,917	379,457	—	—
Other receivables	186,423	229,143	11,526	6,829
Cash and cash equivalents	169,345	203,949	134	251
Total current assets	1,870,467	1,822,040	14,818	12,895
Total assets	2,212,097	2,175,905	466,244	419,258
Equity				
Share capital	466,700	413,839	466,700	413,839
Reserves	113,020	92,078	(4,044)	1,822
Equity attributable to owners of the Company	579,720	505,917	462,656	415,661
Non-controlling interests	10,906	10,219	—	—
Total equity	590,626	516,136	462,656	415,661
Liabilities				
Loans and borrowings	103,840	27,829	—	—
Deferred tax liabilities	6,501	6,677	—	—
Total non-current liabilities	110,341	34,506	—	—
Trade payables	1,009,859	970,570	—	—
Other payables	169,061	175,084	3,435	3,597
Contract liabilities	160,351	215,152	—	—
Loans and borrowings	154,776	253,968	153	—
Current tax liabilities	17,083	10,489	—	—
Total current liabilities	1,511,130	1,625,263	3,588	3,597
Total liabilities	1,621,471	1,659,769	3,588	3,597
Total equity and liabilities	2,212,097	2,175,905	466,244	419,258

FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

Note 1: Details of trade receivables were as follows:

Turnover days

	As at 31 December 2019	As at 31 December 2018	Change %
Turnover days	119	77	54.5

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

	31.12.2019		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	154,776	—	253,968	—
Amount repayable after one year	103,840	—	27,829	—
	258,616	—	281,797	—
Ranken				
Short-term bank borrowings	129,000	—	141,201	—
Long-term bank borrowings	98,000	—	—	—
Current portion of finance lease	25,776	—	32,791	—
Non-current portion of finance lease	5,840	—	27,829	—
Short term bond	—	—	34,976	—
Secured borrowings from financial institution	—	—	45,000	—
Total	258,616	—	281,797	—

Details of any collateral as at 31 December 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 62.2 million.
- (ii) The carrying value of fixed assets under finance lease as at 31 December 2019 approximates RMB 43.3 million.
- (iii) As at 31 December 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.

The Group's overall gearing was approximately 0.4 times as at 31 December 2019.

FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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	
	FY2019 RMB'000	FY2018 RMB'000
Operating activities		
Profit before tax	45,335	30,152
Adjustments for:		
Allowance for impairment losses on doubtful receivables and contract assets	14,282	15,447
Depreciation of property, plant and equipment	62,178	59,343
Depreciation of investment properties	2,410	2,410
Amortisation of intangible assets	–	681
(Gain)/loss on disposal of property, plant and equipment, net	(2,543)	36
Change in fair value of financial asset designated as fair value through profit or loss	2,753	(1,115)
Inventories written off	965	–
Unwinding of discount for long term receivable	(1,053)	(1,062)
Interest income	(418)	(363)
Interest expense	22,183	20,421
Loss on disposal of long-term other investments	–	150
Share of profit of equity-accounted investees, net of tax	(2,476)	–
Bad debt written off	317	–
Operating profit before working capital changes	143,933	126,100
Changes in working capital:		
Inventories	(12,478)	9,171
Contract assets	60,552	(39,470)
Contract liabilities	(54,801)	(133,285)
Trade and other payables	34,832	331,930
Trade and other receivables	(135,686)	(65,364)
Cash flows generated from operations	36,352	229,082
Tax paid	(11,631)	(22,385)
Net cash generated from operating activities	24,721	206,697
Investing activities		
Interest received	418	363
Payment for purchase of plant and equipment	(47,101)	(60,178)
Investment in associated company	(21,250)	(25,000)
Proceeds from disposal of plant and equipment	12,906	1,199
Net cash used in investing activities	(55,027)	(83,616)

FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

	Group	
	FY2019	FY2018
	RMB'000	RMB'000
Financing activities		
Repayment to previous shareholder of Ranken's subsidiary	—	(6,920)
Interest paid	(16,743)	(16,835)
Proceeds from bank loans	227,000	129,000
Proceeds from secured borrowing from financial institution	—	45,000
Payment of bank loans	(187,000)	(142,000)
Payment of finance lease liabilities	(45,007)	(35,837)
Repayment of bond issued	(35,000)	(15,000)
Proceeds from rights issue	52,861	—
Payment of transaction cost relating to rights issue	(2,191)	—
Release of fixed deposit pledged, net	7,905	35
Contribution by non-controlling interests	156	—
Dividends paid to owners of the Company	—	(1,566)
Net cash generated from/(used in) financing activities	1,981	(44,123)
Net (decrease)/increase in cash and cash equivalents	(28,325)	78,958
Cash and cash equivalents at beginning of the year	196,040	117,729
Effect of exchange rate changes on the balances held in foreign currencies	1,626	(647)
Cash and cash equivalents at end of the year	169,341	196,040
Cash and cash equivalents consist of the following:		
Cash and cash equivalents in the statement of financial position	169,345	203,949
Fixed deposits pledged	(4)	(7,909)
Cash and cash equivalents in the statement of cash flows	169,341	196,040

Significant non-cash transactions

For the year ended 31 December 2019, on adoption of SFRS (I) 16 Leases, the Group recorded an increase in right-of-use (ROU) assets of RMB 11,390,000 and a corresponding increase in lease liabilities.

For the year ended 31 December 2018, the Group acquired plant and equipment with costs of RMB 32.7 million by way of finance lease.

FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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 reserves RMB'000	Translation reserve RMB'000	Accumulated profit RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
2018									
At 31 December 2017	413,839	(7,585)	(1,516)	(6,777)	987	101,055	500,003	9,831	509,834
Adjustment on initial application of SFRS(I) 9, net of tax	–	–	–	–	–	(3,004)	(3,004)	(71)	(3,075)
At 1 January 2018	413,839	(7,585)	(1,516)	(6,777)	987	98,051	496,999	9,760	506,759
Profit for the year	–	–	–	–	–	16,364	16,364	459	16,823
Other comprehensive income									
Net change in fair value of equity investments at FVOCI	–	–	(7,701)	–	–	–	(7,701)	–	(7,701)
Foreign currency translation differences	–	–	–	–	1,821	–	1,821	–	1,821
Total other comprehensive income	–	–	(7,701)	–	1,821	–	(5,880)	–	(5,880)
Total comprehensive income	–	–	(7,701)	–	1,821	16,364	10,484	459	10,943
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)
As at 31 December 2018	413,839	(7,585)	(9,217)	(6,777)	2,808	112,849	505,917	10,219	516,136

Group	Share capital	Capital reserve	Fair value reserve	Other reserve	Translation reserve	Accumulated profit	Total	Non-controlling interests	Total equity
2019	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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 year	–	–	–	–	–	26,370	26,370	531	26,901
Other comprehensive income									
Net change in fair value of equity investments at FVOCI	–	–	(4,988)	–	–	–	(4,988)	–	(4,988)
Foreign currency translation Differences	–	–	–	–	1,751	–	1,751	–	1,751
Total other comprehensive income	–	–	(4,988)	–	1,751	–	(3,237)	–	(3,237)
Total comprehensive income	–	–	(4,988)	–	1,751	26,370	23,133	531	23,664
Transactions with owners, recognised directly in equity									
Contribution by non-controlling Interests	–	–	–	–	–	–	–	156	156
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	156	50,826
As at 31 December 2019	466,700	(7,585)	(14,205)	(8,968)	4,559	139,219	579,720	10,906	590,626

Statement of Changes in Equity

	Share Capital RMB'000	Capital reserve RMB'000	Fair value reserves RMB'000	Other reserve RMB'000	Translation reserve RMB'000	Accumulated profit / (losses) RMB'000	Total equity RMB'000
2018							
Company							
At 1 January 2018	413,839	(8,294)	(1,516)	(6,777)	7,456	11,495	416,203
Loss for the year	–	–	–	–	–	(3,904)	(3,904)
Other comprehensive income							
Net change in fair value of equity investments at FVOCI	–	–	(7,701)	–	–	–	(7,701)
Foreign currency translation differences	–	–	–	–	12,629	–	12,629
Total other comprehensive income	–	–	(7,701)	–	12,629	–	4,928
Total comprehensive income	–	–	(7,701)	–	12,629	(3,904)	1,024
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 31 December 2018	413,839	(8,294)	(9,217)	(6,777)	20,085	6,025	415,661

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 / (losses) RMB'000	Total equity RMB'000
Company							
2019							
At 1 January 2019	413,839	(8,294)	(9,217)	(6,777)	20,085	6,025	415,661
Loss for the year	–	–	–	–	–	(10,856)	(10,856)
Other comprehensive income							
Net change in fair value of equity investments at FVOCI	–	–	(4,988)	–	–	–	(4,988)
Foreign currency translation differences	–	–	–	–	12,169	–	12,169
Total other comprehensive income	–	–	(4,988)	–	12,169	–	7,181
Total comprehensive income	–	–	(4,988)	–	12,169	(10,856)	(3,675)
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 31 December 2019	466,700	(8,294)	(14,205)	(8,968)	32,254	(4,831)	462,656

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- 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 31 December 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**

	31.12.2019	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 year.

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

The figures are based on management's records and have not been audited or reviewed by our auditors and may be subject of adjustment. In particular, figures pertaining to accounts receivables and payables as well as figures derived therefrom are subject to verification with counterparties (such as the Group's customers) which verification has been delayed due to COVID-19 outbreak in China.

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

Not applicable.

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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 year 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.

The Group and the Company have adopted SFRS(I) 16 with a date of initial application on 1 January 2019, using the modified retrospective approach. The impact from the adoption of SFRS(I) 16 is as follows:

- (a) the Group and Company recorded an increase in right-of-use (ROU) assets of RMB 8,407,000 and RMB 304,000 with a corresponding increase in lease liabilities as part of loans and borrowings, respectively as at 1 January 2019; and
- (b) The Group has reclassified land use rights within intangible assets on the balance sheet of RMB 28,036,000 as at 1 January 2019 to property, plant and equipment as right-of-use assets.

There is no impact on the opening balance of equity.

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 12 months ended	
	2019	2018
Basic earnings per share (RMB cents)	7.07	5.02
Diluted earnings per share (RMB cents)	7.07	5.02

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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 12 months ended	
	2019	2018
Weighted average number of shares	372,972,669	326,071,915

The weighted average number of shares during the year is the number of shares outstanding at the beginning of the year, adjusted by the number of shares issued during the year 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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Net asset value per ordinary share (RMB cents)	142.23	155.16	113.51	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 (FY2019 vs FY2018)

Revenue fell by RMB 65.4 million to RMB 1,731.5 million mainly due to lower number of on-going projects and no sale of railway sleepers.

However, gross profit rose by RMB 20.1 million to RMB 154.0 million. Overall gross profit margin in FY2019 was 8.9% as compared to 7.5% in FY2018. The improvement in gross profit margin in FY2019 was mainly due to higher margin achieved for the "Livable River Bank" project in Chengdu and revenue from leasing of tunnel-boring machines.

Other income rose by RMB 4.1 million to RMB 13.5 million due mainly to higher government grants and gain on disposal of property, plant and equipment, offset by absence of fair value gain of financial asset.

Selling and distribution costs fell by RMB 4.1 million to RMB 6.5 million, due mainly due to lower travelling expenses and effective costs control.

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Administrative expenses rose by RMB 10.3 million to RMB 68.5 million, due mainly to higher staff costs incurred by Ranken.

Impairment losses on trade and other receivables and contract assets fell by RMB 1.2 million to RMB 14.3 million mainly due to higher impairment loss made by Ranken in FY2018 for projects termination in Sri Lanka. The decrease is offset by impairment losses for other receivable arising from uncertainty of collection due to under-performance and unfavorable market conditions of the debtor recorded by Sapphire.

Other expenses rose by RMB 4.7 million to RMB 13.3 million, mainly due to fair value loss on financial assets and inventories and bad debts written off.

Finance costs rose by RMB 1.8 million to RMB 22.2 million mainly due to higher interest expense incurred for banks and financial institution offset by lower interest expense for corporate bonds and finance leases.

The share of profit of equity-accounted investees (net of tax) of RMB 2.5 million relates to the Group's share of profits generated by its associated company, Chengdu Derun Jinlong Environmental Management Co., Ltd.

Tax expenses rose by RMB 5.1 million to RMB 18.4 million, due to higher taxable profits for Ranken's operations.

Given the above, net profit for FY2019 rose by RMB 10.0 million to RMB 26.4 million, net of non-controlling interest.

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

Total non-current assets fell by RMB 12.2 million to RMB 341.6 million, mainly due to (a) reclassification of long term other receivables to current assets (b) depreciation of investment properties (c) decrease in fair value of other investment, offset by (d) increase in investment in associated company. The increase in property, plant and equipment and decrease in intangible assets is mainly due to the reclassification of land use rights within intangible assets to property, plant and equipment as right-of-use assets as disclosed in paragraph 5 of this announcement.

Total current assets rose by RMB 48.4 million to RMB 1,870.5 million, mainly due to the following significant changes during the year 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 2.8 million.
- Inventories rose by RMB 11.5 million to RMB 34.9 million for on-going construction projects.
- Contract assets fell by RMB 68.6 million to RMB 911.7 million mainly due to billings made during the year.
- Trade receivables related to Ranken's projects rose by RMB 185.5 million to RMB 564.9 million. Trade debtor's turnaround time rose to 119 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) fell by RMB 42.7 million to RMB 186.4 million.
- Cash and cash equivalents for the Group fell by RMB 34.6 million to RMB 169.3 million, mainly due to cash outflow arising from investing activities: (a) purchase of plant and equipment for its on-going projects and (b) capital injection into the associated company.

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Total non-current liabilities rose by RMB 75.8 million to RMB 110.3 million, mainly due to new long term borrowings secured from the banks during the year.

Total current liabilities fell by RMB 114.1 million to RMB1,511.1 million, mainly due to the following significant changes during the year under review:

- Trade payables related to Ranken's projects rose by RMB 39.3 million to RMB 1,009.9 million.
- Other payables and accruals fell by RMB 6.0 million to RMB 169.1 million, mainly due to lower payables to third parties.
- Contract liabilities fell by RMB 54.8 million to RMB 160.4 million, mainly due to lower advanced payments from customers.
- Current loans and borrowings fell by RMB 99.2 million to RMB 154.8 million mainly due to net repayment of loans and borrowings when they are due.
- Current tax liabilities rose by RMB 6.6 million to RMB 17.1 million mainly due to higher taxable profit.

Total equity

Total equity attributable to owners of the Company or Shareholders' Equity rose by RMB 73.8 million to RMB 579.7 million, due to current year earnings of RMB 26.4 million, the proceeds from the rights issue of RMB 52.9 million, net of expenses of RMB 2.2 million and foreign currency translation gain of RMB 1.7 million, offset by loss in fair value of equity investment at FVOCI of RMB 5.0 million.

Review of Cash Flows (FY2019 vs FY2018)

Operating cash flow fell by RMB 182.0 million to cash inflow of RMB 24.7 million after accounting for (i) operating profit before working capital changes of RMB 143.9 million and (ii) net working capital changes of RMB 107.6 million, net of tax payment of RMB 11.6 million.

Cash flows used in investing activities fell by RMB 28.6 million to RMB 55.0 million, mainly due to lower investment in equipment and site facilities and lower investment in associated company.

Cash flows generated from financing activities was RMB 2.0 million, proceeds from bank loans and rights issue were offset by repayment of bank loans, bond issued, finance lease liabilities and interest paid.

Given the above, cash and cash equivalents fell by RMB 26.7 million to RMB 169.3 million (net of fixed deposits pledged).

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 3Q2019 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

Business Strategy

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 in China as the Group transforms into an integrated urban infrastructure solutions enterprise.

According to the Ministry of Transport of the People's Republic of China, RMB 800 billion has been earmarked for railway investment in 2020, roughly in line with the previous three years. The total investment in all of China's railway network will top 4 trillion yuan (US\$583 billion) between 2016 and 2020, higher than 3.5 trillion yuan outlined in the five-year development plan.

China's top economic planning body, the National Development and Reform Commission, approved three high-speed rail projects, with a combined investment of RMB 126.9 billion yuan, in December 2019 alone.

In 2019, there were 8,500 km of new railway track that became operational. This has expanded the total length of China's rail network to 139,000 km by the end of 2019, of which 35,000 km was high-speed.

In 2019, China's railways are estimated to record 3.6 billion passenger trips, up 92 percent from 2012.

According to the China Association of Metros, a record 968 km of urban railway tracks was built in 2019 with 40 cities in China having urban rail transit systems in operation, stretching to a total length of 6,730 km. As of December 31 2019, Shanghai, Beijing, Guangzhou, Chengdu and Nanjing were the top five cities in terms of the length of urban rail transit, according to the report.

In 2019, the National Development and Reform Commission, the country's top economic planner, approved new subway projects in Zhengzhou, Xi'an and Chengdu with a total investment of RMB 342 billion. According to China's 2016-2020 13th Five-Year Plan, China will increase its urban rail network by 3,000 km and will have 13 cities with over 200 km of operational track by 2020.

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 in the urban railway transit related projects stands at RMB 1.4 billion as at 31 December 2019.

New urban railway stations have created urban clusters, supporting hotels, office towers and residential blocks.

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 signed a strategic partnership with LWK + PARTNERS in 2019, 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.

According to the Ministry of Ecology and Environment, China will maintain its environmental protection goals in 2020 despite slowing economic growth. In addition, China will officially launch its national green development fund in 2020, amid efforts to improve the economic policy system for ecological and environmental protection.

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.

Coronavirus disease 2019 (“COVID-19”)

Due to the COVID-19 outbreak in China, the Group’s subsidiary, Ranken, resumed operations on 9 February 2020 but employees have been encouraged to work from home unless otherwise required. Furthermore, several employees of the Group returning from other cities have been placed on house quarantine. Some of the work sites in relation to the Group’s ongoing urban railway projects have progressively started work, however there are other work sites that are currently pending local authorities’ approval to resume construction activities. Nevertheless, the Group is preparing to resume normal operations of its business activities across China as soon as it is appropriate to do so.

Whilst the Group has implemented precautionary measures for all employees in the office and at work sites, prolonged delay in resumption of normal operations will result in project delays and increase in project costs, with consequential erosion of profit margins and stress the Group’s cash flows. With the Group already two months into the current calendar year, the Group expects COVID-19 outbreak to impact on the Group financial results for 1H2020 despite the Group’s management taking all measures to minimise impact. At this juncture, it is difficult to ascertain the full financial impact of the COVID-19 on the financial performance of the Group for the financial year ending on 31 December 2020.

Amendments to Rule 705(2) of the listing manual of SGX-ST

With the amendments to Rule 705(2) of SGX-ST listing manual, which took effect on 7 February 2020, the Company will no longer be required to release its financial statements on a quarterly basis. The board has after due deliberation, decided to cease to release the quarterly result announcements. Going forward the Company will release the half year and full year results announcements for the financial year ending 30 June and 31 December respectively. The Company next result announcement will be for the half year ending 30 June 2020 and it is expected to be released on or before 14 August 2020.

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 year.

13 Segmented revenue and results for business or geographical segments (of the Group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

(a) By business segment

All revenue, capital expenditure, assets and liabilities were derived from one single business segment in the Infrastructure business.

(b) By geographical segment

	Revenue		Non-current assets	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Continuing Operations				
Singapore	–	–	221	19,212
China	1,717,359	1,762,958	327,823	320,472
Bangladesh	3,285	1,499	–	–
India	–	78	–	–
Sri Lanka	10,904	32,447	–	210
Total	1,731,548	1,796,982	328,044	339,894

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14 A breakdown of sales

	2019	2018	Change
	RMB'000	RMB'000	%
(a) Sales reported for first half year	697,304	641,884	8.6
(b) Operating profit after tax before deducting non-controlling interests reported for first half year	12,111	15,008	(19.3)
(c) Sales reported for second half year	1,034,244	1,155,098	(10.5)
(d) Operating profit after tax before deducting non-controlling interests reported for second half year	14,790	1,815	714.9

15 Disclosure of Interested Person Transaction Conducted under a Shareholder Mandate for the year ended 31 December 2019

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

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).

17 Report of persons occupying managerial positions who are related to a director, CEO or substantial shareholder

Pursuant to Rule 704(13) of the SGX-ST Listing Manual, the Company wishes to inform that none of the persons occupying a managerial position in the Company or any of its principal subsidiaries is related to a Director or Chief Executive Officer or Substantial Shareholder of the Company as at 31 December 2019.

BY ORDER OF THE BOARD

Wang Heng
Group Chief Executive Officer
27 February 2020