

SAPPHIRE CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 198502465W)

BUSINESS UPDATE FOR 1Q2020 – IMPACT OF COVID-19

The Board of Directors (the “**Board**”) of Sapphire Corporation Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to provide a voluntary update on the Group’s business and unaudited financial performance for the three months ended 31 March 2020 (“**1Q2020**”).

REVENUE

In 1Q2020, the Group’s revenue fell by RMB101.4 million or 34.1% to RMB 195.6 million mainly due to the extended Chinese New Year break and temporary cessation of operations as directed by the Chinese government for strict measures to contain the spread of Covid-19 in late January 2020.

The Group’s subsidiary, Ranken Railway Construction Group Co., Ltd (“Ranken”), resumed operations on 9 February 2020 but employees have been encouraged to work from home unless otherwise required. As announced on 11 March 2020, some of the work sites in relation to the Group’s ongoing urban railway projects have progressively started work. As of the date of this announcement, all construction operations and activities of Ranken have resumed.

GROSS PROFIT AND NET PROFIT

For the similar reasons mentioned above, gross profit for 1Q2020 fell by RMB 19.9 million to RMB 6.8 million. While certain cost control measures had been put in place, there were fixed operating costs during the temporary cessation of operations and as a result, the Group recorded a loss attributable to owners of the Company of RMB 14.5 million in 1Q2020 as compared to a profit of RMB 3.4 million in 1Q2019.

FINANCIAL POSITION

As at 31 March 2020:

- Total equity attributable to owners of the Company or Shareholders’ Equity amounted to RMB 565 million or RMB 138.65 cents.
- Net assets of the Group include RMB 1.4 billion of contract assets and trade and other receivables as compared to RMB 1.7 billion as at 31 December 2019. These are mainly from government agencies in the PRC for infrastructure projects.
- Cash and cash equivalents fell by RMB 75.2 million to RMB 94.2 million mainly due to cash flows used in operating activities arising mainly from net working capital changes.

PROSPECT STATEMENT

As disclosed in the FY2019 results announcement on 27 February 2020, *“the 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.”*

The above actual results for 1Q2020 is in line with the prospect statement disclosed on 27 February 2020.

Update

The combat against the Covid-19 across the world continues to unfold with no certainty of when each country will fully resume normal operations and/or normal daily life. There is also no certainty when world travel and economy will recover to pre-Covid-19 levels. It is widely forecasted that the global economy will be adversely affected, the degree of which is uncertain.

China recently announced that it has prepared pool of transport projects worth RMB 800 billion (approximately S\$160.13 billion), as policymakers in China look to kickstart the economy.

The Group wishes to update that all construction operations and activities of the Group have resumed and there are no foreseeable significant risks to the Group’s ability to operate as a going concern.

The prolonged delay in the resumption of normal operations had impacted the Group’s 1Q2020 financial results. However, the Group has resumed full operations in 2Q2020 and barring unforeseen circumstances, the Group is cautiously optimistic that it can return to profitability in 2Q2020.

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 half year ending 30 June 2020 and the full financial year ending on 31 December 2020.

By Order of the Board

SAPPHIRE CORPORATION LIMITED

Wang Heng
Chief Executive Officer and Executive Director
22 May 2020