

SAPPHIRE CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 198502465W)

RESPONSE TO SGX QUERIES

The Board of Directors (the “**Board**”) of Sapphire Corporation Limited (the “**Company**”) together with its subsidiaries (collectively known as the “**Group**”) refers to the announcement made by the Company on 16 July 2023 in relation to the Company’s annual report for the full year ended 31 December 2022 (“**FY22 Annual Report**”) via SGXNET.

The Company sets out below its responses to the queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

SGX query 1:

Please disclose whether the Board and the ARC are satisfied that the appointment of the respective auditors for its subsidiaries and significant associated companies, would not compromise the standard and effectiveness of the audit of the Company for the financial year ended 31 December 2022.

Company’s response:

For FY2022, all of the Company’s subsidiaries and sole associated company (being Ranken Railway) were foreign-incorporated.

In the ARC’s and the Board’s assessment of appointment of respective auditors for the Company’s foreign subsidiaries and associated company, the ARC and the Board noted Listing Rule 715(2) which prescribes that the Company must engage a suitable auditing firm for its foreign-incorporated subsidiaries and associated companies.

At the time of the ARC’s and the Board’s assessment of the suitability of appointment of respective auditors for the Company’s foreign subsidiaries and the Company’s sole foreign associated company Ranken Railway, the ARC and the Board were satisfied of the suitability of such appointments for purpose of Listing Rule 715(2) having regard to the following .

- (a) The credentials, experience and audit engagement proposals furnished by the respective auditors to the ARC and the Board for consideration.
- (b) HLB ThinkBridge Shanghai (“HLB Shanghai”) who was appointed as the auditors for the Company’s PRC subsidiaries for purpose of group reporting to the Company’s auditors Foo Kon Tan LLP (“FKT LLP) being member firms of HLB International and therefore share the same audit methodology and quality control mechanism which should allow for better audit workflow.
- (c) Baker Tilly Jinan who was appointed as the component auditors of Company’s sole foreign associated company Ranken Railway (for purpose of group reporting to FKT LLP given that the results of Ranken Railway will be equity accounted for in the Group’s financial statements) being the statutory auditors of Ranken Railway (which for FY2022 was a subsidiary of Shandong Hi-

Speed Road & Bridge Group Co., Ltd, which is listed on Shenzhen Stock Exchange (Stock Code: 000498)) and are hence already undertaking audit work for Ranken Railway.

- (d) Specifically in respect of the assessment of the suitability of appointment of Baker Tilly Jinan as component auditors for Ranken Railway, :
- (i) The ARC and the Board had also consulted FKT LLP with regards to the adequacy of the resources and experience of Baker Tilly Jinan in particular of audit partner-in-charge assigned by to the audit, the Baker Tilly Jinan's other audit engagements, the size and complexity of Ranken Railway, and the number and experience of supervisory and professional staff assigned by Baker Tilly Jinan to the audit of Ranken Railway, and were satisfied that Baker Tilly Jinan had the competency and resources to be suitable to undertake the audit of Ranken Railway as component auditors.
 - (ii) FKT LLP had held various discussions with Baker Tilly Jinan in the presence of the Company's management and the latter had also shared their firm's profile and relevant experiences.
 - (iii) The ARC and the Board had understood from the management that FKT LLP, as the auditors of the Company, are responsible for the direction, supervision and performance of the group audit engagement in compliance with professional standards and applicable legal and regulation requirements and that in accordance with SSA 600, FKT LLP will determine the work required and the extent of their involvement in the audit performed by Baker Tilly Jinan. Such work included a review of the audit working papers of Baker Tilly Jinan and will request for additional audit procedures to be performed on selected financial statement captions on the financial statements of the associate as FKT LLP deemed necessary which will be set out in the group audit instruction issued. FKT LLP will also determine whether sufficient appropriate audit evidence has been obtained from the work of Baker Tilly Jinan on which to base the Group's audit opinion.

Despite the ARC's and the Board's initial assessment of that FKT LLP, HLB Shanghai and Baker Tilly Jinan to be suitable for appointment (as the case may be) as respective auditors of the Company's foreign subsidiaries and sole foreign associated company Ranken Railway for reasons abovementioned, the ARC and the Board acknowledges that the completion of the Group's audit for FY2022 took three months longer than stipulated timelines for audit completion due to audit workflow difficulties faced by the respective auditors as earlier shared with SGX, the Company is taking measures to ensure completion of the audit for financial year ending 31 December 2023 within stipulated timelines.

In this regard, the Company is considering appointing HLB Shanghai instead of Baker Tilly Jinan as the component auditor for all for its foreign subsidiaries and sole foreign associated company Ranken Railway. Although this will result in a higher cost of audit to the Group (since HLB Shanghai is not the statutory auditor of Ranken Railway) and Ranken Railway will be audited by two different audit firms (Baker Tilly Jinan will continue to audit Ranken Railway in accordance with PRC GAAP for the purpose of group reporting to Shandong Hi-Speed Road & Bridge Group Co., Ltd., while HLB Shanghai will perform an audit on the financial information of Ranken Railway under IFRS and report to FKT LLP), the ARC and the Board are of the view that such audit arrangements should avoid recurrence of many of the audit workflow difficulties encountered on the FY2022 component audit of the Company's foreign subsidiaries and sole foreign associated company Ranken Railway that had delayed completion of the Group's FY2022 audit, with a view to timely completion of the Group's FY2023 audit within Listing Manual and Singapore Companies Act stipulated timelines.

SGX query 2:

It is noted on page 118 of the FY22 Annual Report that the Group recorded RMB 70,158,000 worth of transactions with an Associated company during FY2022. Such transactions included, sale of goods, leasing income and construction contract revenue. It is also indicated on page 61, that there were no interested person transactions (including transactions less than \$100,000), in FY2022. In this regard, please confirm that none of the transactions with an Associated company, which totaled RMB 70,158,000, constituted as interested person transactions.

Company's response:

The Associated Company is Ranken Railway Construction Group Co., Ltd and it is not an associate of any of the CEO, Directors or Controlling Shareholders and accordingly, not an interested person for purposes of Chapter 9 LR.

For completeness of information, although the Group's Executive Chairman, Mr Cheung Wai Suen holds interest in Ranken Railway Construction Group Co., Ltd other than through the Listed Company, such interest is less than 5%. Accordingly, pursuant to LR 915 (3) the transaction is not required to comply with the relevant listing rules in Chapter 9.

The Group confirms that none of the transactions with an Associated company, which totalled RMB 70,158,000, constituted as interested person transactions.

SGX query 3:

It is noted that the Company has disclosed the details of the whistle-blowing policy on page 55 of the FY22 Annual Report, and how the policy is administered. In this regard, please disclose whether the ARC is in charge of maintaining oversight over the whistle-blowing policy.

Company's response:

The Company's whistle-blowing channel is administered by a third-party professional service firm which reports directly to the ARC on complaints received. Accordingly, the ARC is in charge of maintaining oversight over the whistle-blowing policy.

By Order of the Board
SAPPHIRE CORPORATION LIMITED

Wang Heng
Chief Executive Officer and Executive Director
3 October 2023