SAPPHIRE CORPORATION LIMITED

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

ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 - RESPONSES TO QUERIES RAISED BY THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

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 5 June 2020 in relation to the Company's annual report for the financial year ended 31 December 2019 ("**FY2019 Annual Report**").

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

Query 1:

We note that there are material discrepancies in the values for "cash flows generated from operations", "net cash generated from operating activities", and "net cash used in investing activities" found on page 69 of the Annual Report and page 6 of the Company's full year unaudited financial statements issued on 27 February 2020.

Please explain: (i) the material discrepancies; and (b) why the Company did not disclose and explain the material discrepancies via an SGXNet announcement pursuant to Listing Rule 704(6).

Company's Response:

The Company has disclosed on page 11 paragraph 2 that the figures were based on management's records and have not been audited or reviewed by our auditors and may be subjected to adjustment. The discrepancies arose mainly due to the adoption of SFRS(I) 16 and movement in property, plant and equipment. Whilst there are differences noted, the "cash flows generated from operations" and "net cash generated from operating activities" remains positive and "net cash used in investing activities" remains negative in both the Annual Report and the full year unaudited financial statements. The differences are as set out below:

	Amounts disclosed		
	Page 69 of the Annual Report RMB'000	**Page 6 of the full year unaudited financial statements RMB'000**	**Difference RMB'000**
Depreciation of property plant and equipment	70,097	62,178	7,919
Cash flows generated from operations	**44,271**	**36,352**	**7,919**

	Amounts disclosed		
	Page 69 of the Annual Report RMB'000	**Page 6 of the full year unaudited financial statements RMB'000**	**Difference RMB'000**
Net cash generated from operating activities	**32,640**	**24,721**	**7,919**
Acquisition of property, plant and equipment	(71,942)	(47,101)	(24,841)
Proceeds from sale of property, plant and equipment	29,827	12,906	16,921
Net cash used in investing activities	**(62,947)**	**(55,027)**	**(7,920)**

Query 2:

Listing Rule 710 requires issues to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle.

We note that the Company had not complied with Provisions 8.1 of the Code with regards to the disclosure of the aggregate remuneration paid to key management personnel. Please explain the reason for the deviation and clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

Company's Response:

In respect of the disclosures on the remuneration of the key management personnel, the Company has disclosed the following details on page 41 of its FY2019 Annual Report:

(a) The remuneration of key management personnel in bands of $200,000 (which is narrower than $250,000 as stated in Provision 8.1 of the Code); and

(b) The breakdown of the remuneration of each key management personnel into 3 components comprising (i) salary, (ii) bonus and (iii) other benefits.

The Company has also provided an explanation for its variation from Provision 8.1 of the Code on page 41 of the FY2019 Annual Report. The extract of the relevant portion of the Company's Corporate Governance Report for FY2019 is as follows:

"The Company has disclosed the remuneration of its Executive Directors and key management personnel in bands of $200,000, and the remuneration of its Non-Executive Directors in bands of $10,000. The Company has not disclosed the remuneration of each Director to the nearest dollar and is of the view that given the sensitive and confidential nature of employees' remuneration, detailed disclosure is not in the best interests of the Company and the Group. Such disclosure would disadvantage the Group in relation to its competitors and may affect adversely the cohesion and spirit of team work prevailing among Management and employees of the Group. The Company believes that the disclosure of its Executive Directors and key management personnel in bands of $200,000, and the remuneration of its Non-Executive Directors in bands of $10,000 with a percentage breakdown, sufficiently allows shareholders to have an understanding of the remuneration packages of its Directors and key executives while preserving the business interests of the Group."

In respect of the disclosures on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation, the Company has already disclosed the details in Provision 7.1, 7.3 and 8.3 (page 40 and 42 of the FY2019 Annual Report). In addition, the Company has further disclosed in Provision 8.3 (Page 42 of the FY2019 AR) its "**Sapphire Shares Award Scheme**" which the Company has adopted in April 2018 as long-term incentive schemes to provide an opportunity for among other people, the key executives who are full-time employees of the Group who have met their performance targets, to be remunerated not just through cash bonuses but also by an equity stake in the Company.

In view of the aforementioned reasons, the Board is of the view that the current disclosure of remuneration of the key management personnel is not prejudicial to the interests of shareholders and believes that the disclosure in the Company's Corporate Governance Report for FY2019 is consistent with the intent of Principle 8 of the Code as the level of remuneration has been disclosed in bands and the mix of remuneration has been disclosed in percentage terms with explanatory notes to deviation. In addition, the relevant disclosure is consistent with the intent of Principle 7 of the Code as well.

Query 3:

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle.

We note that the Company had not complied with Provisions 8.2 of the Code with regards to the disclosure of remuneration (and in particular, whether the disclosures pertaining to employees who are substantial shareholders or immediate family members of substantial shareholders), and there were no explanations provided for in your FY2019 annual report on how it is consistent with the intent of Principle 8 of the Code.

Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

Company's Response

As disclosed at page 41 of the Annual Report, there were no employees of the Group who were immediate family members of any Director or Chief Executive Officer in during the financial year ended 31 December 2019.

The Company wishes to clarify that in addition to the disclosure at page 41 of the Annual Report, there are no employees of the Group who are substantial shareholders or immediate family members of substantial shareholders.

By Order of the Board
SAPPHIRE CORPORATION LIMITED

Wang Heng
Chief Executive Officer and Executive Director
18 June 2020