

SAPPHIRE CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 198502465W)

RESPONSES TO QUESTIONS RECEIVED FROM SHAREHOLDERS ON THE PROPOSED SALE OF EQUITY INTERESTS IN, AND MATERIAL DILUTION OF EFFECTIVE EQUITY INTERESTS IN, RANKEN RAILWAY CONSTRUCTION GROUP CO., LTD. (“RANKEN RAILWAY”)

The Board of Directors (the “**Board**”) of Sapphire Corporation Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to:

- (a) the announcement made by the Company on 2 June 2020 in relation to, *inter alia*, that Chengdu Kai Qi Rui Business Management Co., Ltd. (“**Chengdu KQR**”), the Company’s 98%-owned subsidiary, and Ranken Railway, Chengdu KQR’s 99.6%-owned subsidiary, had entered into a share transfer and capital increase agreement dated 28 May 2020 (“**Agreement**”) with Shandong HiSpeed Road & Bridge Investment Management Co., Ltd. (“**Shandong Hi-Speed**”)(“**Investor**”), for the (a) sale of a certain percentage of the equity interests in Ranken Railway held by Chengdu KQR to the Investor (“**Sale**”); and (b) subscription by the Investor for additional equity interests in Ranken Railway (“**Subscription**”. and collectively with the Sale, the “**Proposed Transaction**”);
- (b) the press release made by the Company on 2 June 2020 in relation to the Proposed Transaction; and
- (c) the questions from shareholders in relation to the Proposed Transaction.

The Company had consolidated the questions submitted by shareholders and the Company’s corresponding responses are set out at Annex A of this announcement.

Shareholders should note that the Company will be convening an extraordinary general meeting (“**EGM**”) to seek shareholders’ approval for the Proposed Transaction. A circular containing, *inter alia*, the notice of EGM and the details of the Proposed Transaction will be despatched to shareholders in due course.

The Company will make further announcements to update its shareholders when there are material updates in relation to the Proposed Transaction as may be necessary or appropriate.

By Order of the Board

SAPPHIRE CORPORATION LIMITED

Wang Heng

Chief Executive Officer and Executive Director

3 July 2020

ANNEX A
REPONSES TO QUESTIONS FROM SHAREHOLDERS

No.	Question	Response
1	When will the EGM in relation to the divestment of Ranken to Shandong Hi-Speed be expected to be held?	We have submitted the circular for the EGM to the Singapore Stock Exchange (SGX-ST) for review. The EGM can only be convened after SGX-ST's review of the circular and satisfactory answers to the SGX-ST's questions, if any. The Company is also required to give 14 days' notice for the EGM and will keep shareholders on the progress of the matter accordingly.
2	When is the divestment of Ranken to Shandong Hi-Speed anticipated to be completed?	<p>Completion of the Proposed Transaction is conditional upon the satisfaction of the conditions precedent (to the extent not waived in accordance with the Agreement) as detailed in paragraph 3.2 of the Announcement within 180 days from the date of the Agreement ("Deadline").</p> <p>One of the conditions precedent is the approval by the shareholders of the Company at general meeting and SGX-ST.</p> <p>As the date of the Agreement was 28 May 2020, the Deadline would be 24 November 2020 unless the Company and the Investor agree to extend the Deadline.</p> <p>Accordingly, the divestment is anticipated to complete after the satisfaction of the conditions precedent (to the extent not waived in accordance with the Agreement) by the Deadline, unless the Deadline is extended as aforesaid.</p>
3	Please provide an update on the consultation with SGX-ST on the applicability of Rule 1018(1) of the Listing Manual as to whether the Company would be considered a "cash company" subsequent to the completion of the Proposed Transaction.	The Company has been and continues to be in consultation with the SGX-ST on the applicability of Rule 1018(1) of the Listing Manual as to whether the Company would be considered a "cash company" (being a company in which the assets consist wholly or substantially of cash or short-dated securities) subsequent to the completion of the Proposed Transaction and will keep shareholders updated on the results of the consultation upon receipt of the formal reply from the SGX-ST.
4	Please provide an explanation on the businesses of the two subsidiaries, Sichuan Yilong Equipment Co., Ltd. (SYE) and Chengdu Jialong Property Service Co., Ltd (CJPS). What is the rationale for the carved-out assets? What are their revenue and assets contributions?	<p>The Investor has no interest in acquiring SYE and CJPS as part of the Proposed Transaction as the businesses of SYE and CJPS are not core to the Investor's strategic intention of acquiring Ranken Railway.</p> <p>Apart from the Investor's lack of interest in and request to exclude SYE and CJPS from the Proposed Transaction, the Group would have been keen to retain SYE and CJPS for reasons set out below:</p> <p><u>CJPS: Urban infrastructure management services</u></p> <p>Chengdu KQR is capitalising the synergies from partnerships and industry capabilities derived from Ranken Railway's core business activities of urban infrastructure development, to further develop its own urban infrastructure management services including but not limited to urban property operations and management, urban infrastructure (public and non-public) operations, etc.</p> <p>Further, CJPS will also potentially undertake certain works for the Wuhou District "Liveable River Bank" project, which is currently</p>

		<p>being built and will be operated by Chengdu Derun Jinlong Environmental Management Co., Ltd., an associated company of Ranken Railway. CJPS will undertake the following works:</p> <ul style="list-style-type: none">- maintenance and preparation works, personnel entry and exit, maintenance of sprinkler systems; and- deployment and management of technical personnel in relation to maintenance of foliage. <p>CJPS has also identified and initiated discussions with certain Integrated Property Developers, to jointly undertake BEM works of TOD projects (in consideration of the potential pipeline of TOD projects that Chengdu KQR will be co-investing in). The Group will be allocating 15% to 30% of the net proceeds from the Proposed Transaction towards expansion of the BEM business of CJPS.</p> <p><u>SYE: Maintenance of construction equipment</u></p> <p>With SYE's track record in equipment maintenance and the development of the TOD business segment, SYE intends to carve out a niche in providing maintenance of urban public infrastructure facilities construction equipment and accessories, leasing of equipment, equipment product development and providing specialised services.</p> <p>The Group will be allocating 5% to 10% of the net proceeds from the Proposed Transaction towards the purchase of construction equipment by SYE for its leasing business.</p> <p>Revenue generated by the two entities (both absolute and as a proportion of the Group) for the financial year ended 31 December 2019 are as follows:</p> <table><tr><td></td><td>CJPS</td><td>SYE</td><td>Total</td></tr><tr><td>Revenue (RMB'000)</td><td>2,575</td><td>7,580</td><td>10,155</td></tr><tr><td>Revenue (as a percentage of the Group)</td><td>0.15%</td><td>0.44%</td><td>0.59%</td></tr></table> <p>Net Assets Value (NAV) of both entities (both absolute and as a proportion of the Group) as at 31 December 2019 are as follows:</p> <table><tr><td></td><td>CJPS</td><td>SYE</td><td>Total</td></tr><tr><td>Revenue (RMB'000)</td><td>1,793</td><td>20,292</td><td>22,085</td></tr><tr><td>Revenue (as a percentage of the Group)</td><td>0.30%</td><td>3.44%</td><td>3.74%</td></tr></table>		CJPS	SYE	Total	Revenue (RMB'000)	2,575	7,580	10,155	Revenue (as a percentage of the Group)	0.15%	0.44%	0.59%		CJPS	SYE	Total	Revenue (RMB'000)	1,793	20,292	22,085	Revenue (as a percentage of the Group)	0.30%	3.44%	3.74%
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5	Please provide more explanation on the intention to invest in infrastructure and water and environmental conservation projects and transit-oriented development projects. Does the Company have any prospective projects in the pipeline?	<p>As highlighted in our 2019 Annual Report under the CEO's review section, the Company strategy includes "Expanding Our Track Record in Urban Railway Transit Related Projects" and "Strong Prospects in the PPP Projects related to Environmental Conservation and Water Environmental Improvement Projects in China". After the Proposed Transaction, whilst Ranken will continue to be principally engaged in the engineering, procurement and construction ("EPC") business related to the land transport infrastructure and water conservancy and environmental projects in China, the Company seeks to leverage on its experience and expertise in these areas and intends to invest into infrastructure and</p>																								

		<p>water and environmental conservation (WEM) projects and transit-oriented development (TOD) projects. The Group has been actively monitoring and getting involved in WEM and TOD projects and has identified several potential investments, details of which can only be announced upon finalisation of negotiations and contract signing.</p> <p>Chengdu KQR is focusing on investments in companies involved in TOD, railway corridors and railway-related works, and provide consulting and other related services to these companies as well as investments into companies similar to Chengdu Derun Jinlong Environmental Management Co., Ltd. (the “Associated Company”), a company incorporated for water and environmental management (“WEM”) in Chengdu, where the Group’s recorded a profit of RMB2.5 million from its share of results from the Associated Company (as disclosed in the overview of the Operational and Financial Review section of the 2019 Annual Report). The Group will be allocating 50% to 70% of the net proceeds from the Proposed Transaction towards investments into WEM and TOD projects.</p> <p>Further details as highlighted in our 2019 Annual Report under the CEO’s review section, includes:</p> <p><u>Transit-oriented development (“TOD”) projects</u></p> <p>With more urban cities in China receiving approvals for urban railway developments, urban railway construction activities are expected to increase progressively. New urban railway stations generally lead to the development of new urban clusters comprising retail, hotels, office towers and residential developments.</p> <p>According to the Ministry of Transport of the People’s Republic of China, RMB800 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.</p> <p>The first part of our 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.</p> <p>Combining the progressive integration of China’s railway transportation system with the growing needs of urbanisation, it is projected that there will be higher levels of utilisation rates, thereby increasing user dependency on this transportation system. As a result, there will be more investments in railway infrastructure construction, which lead to new opportunities in the market in which we operate.</p> <p>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.</p> <p>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.</p>
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		<p><u>Water and Environmental Conservation (“WEM”) projects</u></p> <p>China is heading into the seventh year of its “war on pollution” and on the back of increasingly stringent environmental protection regulations in China, investments in environmental conservation and water environmental improvement projects in China is expected to reach RMB3.3 trillion under China’s 13th Five-Year Plan.</p> <p>About 3 years ago, the Group outlined the environmental conservation and water environmental improvement market in China as another key component of our business model.</p> <p>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.</p> <p>A PPP project is generally defined as a long-term contract between a government agency and private organisation(s) for the construction and operation of economic and social infrastructure (such as water treatment facilities, utilities and public transport systems). The PPP model has been utilised for many public infrastructure projects and it has been used in many countries.</p> <p>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 RMB832 million in recent years.</p> <p>The revenue from this PPP project will be derived from government subsidies and operational/management rights of the building infrastructures along the river bank for a 13-year period, whereby the consortium partners are looking to develop new recreational amenities, F&B retail and lifestyle concepts (such as gymnasium) to generate long-term recurring revenue for the Group and consortium partners.</p> <p>With the completion of 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.</p> <p>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 as we scale up our ambitions in the PPP industry.</p> <p>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.</p> <p>Partnering with local and international partners, the Group is well-positioned to harness new promising business opportunities as China’s progress towards green economic growth.</p>
6	Does the Company intend to recommend any special dividend following the completion of the Proposed Transaction?	Further to the announcement on the Proposed Transaction on 2 June 2020, the Company wishes to update on the Use of Proceeds in the table below.

		<p>The Company has allocated up to 30% for the uses set out in paragraphs (d), (e) and (f) in the below table which includes dividend distributions to shareholders. The Company needs to take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors (in particular during this Covid-19 outbreak where there is no certainty of when each country will fully resume normal operations and/or normal daily life) in deciding if any dividend should be recommended.</p> <p>INTENDED USE OF PROCEEDS FROM THE PROPOSED TRANSACTION</p> <p>The net proceeds from the Proposed Transaction, after deducting all costs and expenses, is estimated to be approximately RMB 257,048,000 ("Net Proceeds"). The Net Proceeds are intended to be used by the Group as follows:</p> <table><tr><th>Use of Net Proceeds</th><th>Percentage Allocation</th></tr><tr><td>(a) investments into infrastructure and water and environmental conservation (WEM) projects and transit-oriented development (TOD) projects, as and when opportunities arise</td><td>50% to 70%</td></tr><tr><td>(b) purchase of construction equipment by SYE for its leasing business</td><td>5% to 10%</td></tr><tr><td>(c) expansion of the building estate management ("BEM") business of CJPS, including investments into other companies undertaking the BEM business or by increasing the headcount of CJPS</td><td>15% to 30%</td></tr><tr><td>(d) contributions to Ranken Railway's capital (whether by way of equity or debt) as required by Ranken Railway</td><td>Up to 30% for the uses set out in paragraphs (d), (e) and (f)</td></tr><tr><td>(e) contingency for reimbursement of any losses during the Audit Period as described in Section 3.3 "Salient terms of the Proposed Transaction – Reimbursement of losses during the Audit Period" above and reimbursement of outstanding accounts receivables of Ranken</td><td></td></tr></table>	Use of Net Proceeds	Percentage Allocation	(a) investments into infrastructure and water and environmental conservation (WEM) projects and transit-oriented development (TOD) projects, as and when opportunities arise	50% to 70%	(b) purchase of construction equipment by SYE for its leasing business	5% to 10%	(c) expansion of the building estate management ("BEM") business of CJPS, including investments into other companies undertaking the BEM business or by increasing the headcount of CJPS	15% to 30%	(d) contributions to Ranken Railway's capital (whether by way of equity or debt) as required by Ranken Railway	Up to 30% for the uses set out in paragraphs (d), (e) and (f)	(e) contingency for reimbursement of any losses during the Audit Period as described in Section 3.3 "Salient terms of the Proposed Transaction – Reimbursement of losses during the Audit Period" above and reimbursement of outstanding accounts receivables of Ranken	
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		<p>Railway as described in Section 3.3 “Salient terms of the Proposed Transaction – Guarantee of accounts receivables” above</p> <p>(f) general corporate purposes including general working capital, financing of new business ventures through acquisitions and/or strategic investments as and when opportunities arise, and share buy-back exercises and dividend distributions to shareholders</p>
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