SAPPHIRE CORPORATION LIMITED

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

UNAUDITED FINANCIAL STATEMENTS 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 27 February 2020 in relation to the Company's unaudited financial statements for the financial year ended 31 December 2019 ("**Financial Statements**").

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 the Company stated on page 14 of the Financial Statements that impairment losses on trade and other receivables and contract assets fell by RMB 1.2 million to RMB 14.3 million.

In this regard, please let us have the Board's assessment of the adequacy of the impairments.

Company's Response:

The Board reviewed the identification of trade receivables and contract assets that are credit-impaired and appropriateness of the Expected Credit Loss ("ECL") model and the underlying assumptions through discussion with management.

The Board also obtained an understanding on the work performed to-date by the external auditors. As a result of the above procedures, the Board was satisfied that loss allowance for trade receivables and contract assets is reasonable.

However, as disclosed in paragraph 2 of the results announcement, the Board notes and have disclosed as follows:

"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."

Query 2:

We note that the Company also stated on page 14 of the Financial Statements that the "trade receivables related to Ranken's projects rose by RMB 185.5 million to RMB 564.9 million " and "trade debtor's turnaround time rose to 119 days as compared to 77 days as at 31 December 2018".

Please set out the aging of these trade receivables and the Company's credit terms / policy.

In addition, please also let us have the Board's assessment as to the recoverability of these trade receivables.

Company's Response:

The following table provides information about the exposure to credit risk and ECL for trade and other receivable (excluding prepayments) and contract assets as at 31 December 2019:

Age band	Weighted average loss rate %	Gross RMB'000	Impairment loss allowance RMB'000	Specific loss allowance RMB'000
Not past due	1.17%	1,642,849	8,157	11,048
< 90 days	11.82%	406	48	-
90 – 180 days	12.00%	75	9	-
180 – 270 days	-	-	-	-
270 – 360 days	14.30%	993	142	-
> 1 year	87.20%	20,398	644	17,143
Total	2.23%	1,664,721	9,000	28,191

The credit term cycle is approximately 60 to 120 days on average from the date of works certified and they are mainly from government agencies in the PRC for infrastructure projects. In addition, the Board has performed procedures as described in the answer to Query 1 above and was satisfied with the recoverability of these trade receivables where no specific loss was made and the ECL model has adequately provided for allowance for trade receivables and contract assets.

Query 3:

Listing Rule 704(24) provides, inter alia, that if the directors decide not to declare or recommend a dividend, this decision / recommendation must be announced together with the reason(s) for such decision.

Please explain how the Company has Listing Rule 704(24) and if not, please do so accordingly.

Company's Response

The Group does not have a concrete dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate.

The Board does not recommend the payment of dividends for FY2019, as Ranken Railway Construction Group Co., Ltd ("Ranken") needs to further contribute RMB 22,000,000 into the share capital of Chengdu Derun Jinlong Environmental Management Co., Ltd. ("CDJ Environmental Management Co.") representing 25% of the unpaid capital reserves of CDJ Environmental Management Co., the details of which were disclosed in the Company's announcement dated 19 November 2018, 30 December 2018 and 14 January 2019, 15 August 2019 and 26 December 2019.

The Group is exploring further opportunities in water and environmental management projects ("WEM Projects") and sufficient funding will be crucial in allowing it to respond in a timely manner to opportunities as and when such opportunities present themselves through strategic investments into and the development of such WEM projects. Furthermore, the Group requires working capital to fund its existing order book of RMB1.4 billion as at 31 December 2019.

Furthermore, the COVID-19 outbreak in China has resulted in prolonged delay in resumption of normal operations which has resulted in project delays and increase in project costs, with consequential erosion of profit margins and stress the Group's cash flows.

By Order of the Board
SAPPHIRE CORPORATION LIMITED

Wang Heng
Chief Executive Officer and Executive Director
4 March 2020