

APPENDIX DATED 4 APRIL 2018

THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, financial, tax or other professional adviser immediately.

This Appendix is circulated to the shareholders (“**Shareholders**”) of Sapphire Corporation Limited (the “**Company**”) together with the Annual Report 2017 (as defined hereinafter). The purpose of this Appendix is to provide Shareholders with information relating to, and seek Shareholders’ approval for, the Proposed Amendment of the Company’s Constitution (as defined hereinafter) and the Proposed Adoption of the Sapphire Shares Award Scheme 2018 (as defined hereinafter) at the Annual General Meeting of the Company to be held on **26 April 2018 at 11 a.m. at 55 Market Street, #03-01, Singapore 048941.**

This Appendix forms part of the Annual Report 2017.

The Notice of Annual General Meeting and a Proxy Form are enclosed with the Annual Report 2017.

If you have sold or transferred all your shares in the capital of the Company represented by physical share certificate(s), you should immediately forward the Annual Report 2017 (including the Notice of Annual General Meeting and the Proxy Form) and this Appendix to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

If you have sold or transferred all your ordinary shares in the capital of the Company held through The Central Depository (Pte) Limited (“**CDP**”), you need not forward the Annual Report 2017 (including the Notice of Annual General Meeting and the Proxy Form) and this Appendix to the purchaser or the transferee as arrangements will be made by CDP for a separate Annual Report 2017 (including the Notice of Annual General Meeting and the Proxy Form) and Appendix to be sent to the purchaser or the transferee.

For investors who have used their Central Provident Fund (“**CPF**”) monies to buy shares in the capital of the Company, this Appendix is forwarded to them at the request of their CPF approved nominees and is sent solely for information only.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Appendix.

SAPPHIRE

盛世企业

SAPPHIRE CORPORATION LIMITED

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

APPENDIX TO THE ANNUAL REPORT 2017

IN RELATION TO

- (1) THE PROPOSED AMENDMENT OF THE COMPANY’S CONSTITUTION
- (2) THE PROPOSED ADOPTION OF THE SAPPHIRE SHARES AWARD SCHEME 2018

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DEFINITIONS

In this Appendix, the following definitions apply throughout unless the context requires otherwise or unless otherwise stated:

<i>“ACRA”</i>	:	The Accounting and Corporate Regulatory Authority of Singapore
<i>“Act” or “Companies Act”</i>	:	The Companies Act (Chapter 50) of Singapore as may be amended or modified from time to time
<i>“AGM”</i>	:	Annual general meeting of the Company. Unless the context otherwise requires, “AGM” shall refer to the annual general meeting of the Company to be held on 26 April 2018
<i>“Annual Report 2017”</i>	:	The annual report of the Company for the year ended 31 December 2017 dated 4 April 2018
<i>“Appendix”</i>	:	The appendix to the Notice of Annual General Meeting dated 4 April 2018
<i>“Associate”</i>	:	<p>(a) in relation to any Director, Chief Executive Officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:</p> <p>(i) his immediate family;</p> <p>(ii) the trustee of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and</p> <p>(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of thirty per cent (30%) or more</p> <p>(b) in relation to a Substantial Shareholder or Controlling Shareholder (being a company) means any company which is its subsidiary or holding company or is a subsidiary of any such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of thirty per cent (30%) or more</p>
<i>“Auditors”</i>	:	The auditors for the time being of the Company
<i>“Award”</i>	:	A contingent award of Shares under the Scheme
<i>“Board” or “Board of Directors”</i>	:	The board of directors of the Company for the time being

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<i>“CDP”</i>	:	The Central Depository (Pte) Limited
<i>“Committee”</i>	:	The Remuneration Committee of the Company from time to time
<i>“Company”</i>	:	Sapphire Corporation Limited
<i>“Constitution”</i>	:	The constitution of the Company
<i>“Controlling Shareholder”</i>	:	<p>A person who:</p> <p>(i) holds directly or indirectly fifteen per cent (15%) or more of the total number of issued Shares excluding treasury shares in the Company (the SGX-ST may determine that a person who satisfies the above is not a Controlling Shareholder); or</p> <p>(ii) in fact exercises control over the Company</p>
<i>“CPF”</i>	:	The Central Provident Fund
<i>“CPF Approved Nominees”</i>	:	Agent banks included under the CPFIS
<i>“CPFIS”</i>	:	Central Provident Fund Investment Scheme
<i>“Date of Grant”</i>	:	In relation to an Award, the date on which the Award is granted to a Participant
<i>“Director”</i>	:	A director of the Company as at the date of this Appendix or from time to time, as the case may be
<i>“Employee” or “Group Employee”</i>	:	Any person who is a full-time employee of the Group
<i>“EPS”</i>	:	Earnings per Share
<i>“Executive Director”</i>	:	A director from time to time of the Company, who performs an executive function
<i>“FY”</i>	:	Financial year ended or ending 31 December, as the case may be
<i>“Group”</i>	:	The Company and its subsidiaries
<i>“Latest Practicable Date”</i>	:	29 March 2018, being the latest practicable date prior to the printing of this Appendix

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<i>“Listing Manual”</i>	:	The listing manual of the SGX-ST and its relevant rule(s), as may be amended or modified from time to time
<i>“Listing Rules”</i>	:	The listing rules of the SGX-ST as set out in the Listing Manual
<i>“market day”</i>	:	A day on which the SGX-ST is open for trading of securities
<i>“New Shares”</i>	:	The new shares which may be allotted and issued from time to time pursuant to the vesting of an Award under the Scheme
<i>“Non-Executive Director”</i>	:	A director (other than an Executive Director) from time to time of the Company
<i>“NTA”</i>	:	Net tangible assets
<i>“Participant”</i>	:	A person who is eligible and who has been selected by the Committee to participate in the Scheme
<i>“performance target(s)”</i>	:	The performance target(s) prescribed by the Committee to be fulfilled by a Participant for any particular period determined by the Committee
<i>“Regulations”</i>	:	The regulations of the Constitution
<i>“Sapphire Shares Award Scheme 2008”</i>	:	The Sapphire Shares Award Scheme which was approved by Shareholders at an extraordinary general meeting of the Company on 25 April 2008. Further details of the Sapphire Shares Award Scheme 2008 may be found in the circular of the Company dated 9 April 2008
<i>“Scheme” or “Sapphire Shares Award Scheme 2018”</i>	:	The Sapphire Shares Award Scheme 2018, as the same may be modified or altered from time to time
<i>“Securities Accounts”</i>	:	The securities accounts maintained by Depositors with CDP, but not including the securities accounts maintained with a Depository Agent
<i>“SFA”</i>	:	The Securities and Futures Act, Chapter 289 of Singapore as may be amended or modified from time to time
<i>“SGX-ST”</i>	:	Singapore Exchange Securities Trading Limited

DEFINITIONS

<i>“Shareholders”</i>	:	Registered holders of the Shares except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the persons whose direct securities accounts maintained with CDP are credited with the Shares
<i>“Shares”</i>	:	Ordinary shares in the share capital of the Company
<i>“Subsidiaries”</i>	:	Has the meaning ascribed to it in Section 5 of the Act
<i>“Substantial Shareholder”</i>	:	A person who has an interest or interests in voting Shares in the Company representing not less than five percent (5%) of all the voting Shares, as defined under Section 81 of the Act
<i>“treasury shares”</i>	:	Has the meaning ascribed to it in Section 4 of the Act
<i>“Vesting Period”</i>	:	In relation to an Award, a period or periods, the duration of which is to be determined by the Committee at the date of the grant of the Award
<i>“S\$” and “cents”</i>	:	Singapore dollars and cents respectively
<i>“%” or “per cent”</i>	:	Percentage and per centum

The terms “*Depository*” and “*Depository Register*” shall have the meanings ascribed to them respectively in Section 81SF of the SFA of Singapore.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act, the Listing Manual or any statutory modification thereof and used in this Appendix shall, where applicable, have the meaning assigned to it under the Act, the Listing Manual or any such statutory modification thereof, as the case may be, unless otherwise provided.

Words importing the singular shall, where applicable, include the plural where the context admits and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter gender where the context admits and *vice versa*. References to persons shall, where applicable, include corporations.

Any reference to a time of a day or date in this Appendix shall be a reference to Singapore time and dates unless otherwise stated.

Any discrepancies in figures included in this Appendix between the amounts and totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables in this Appendix may not be an arithmetic aggregation of the figures that precede them.

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SAPPHIRE CORPORATION LIMITED

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

Directors:

Ms Wang Heng (Executive Director and Chief Executive Officer)
Mr Cheung Wai Suen (Executive Chairman)
Mr Oh Eng Bin (Lead Independent Non-Executive Director)
Mr Teh Wing Kwan (Non-Independent Non-Executive Director)
Mr Duan Yang, Julien (Independent Non-Executive Director)
Mr Zhai Guiwu (Independent Non-Executive Director)

Registered Office:

1 Robinson Road
#17-00, AIA Tower
Singapore 048542

To: The Shareholders of the Company

Dear Sir/Madam,

1. INTRODUCTION

The purpose of this Appendix is to provide Shareholders with information relating to, and to seek Shareholders' approval at the AGM for:

- (1) the proposed amendment of the Constitution of the Company (as special resolution); and
- (2) the proposed adoption of the Sapphire Shares Award Scheme 2018 (as ordinary resolution),

(collectively, the "**Proposed Resolutions**").

2. THE PROPOSED AMENDMENT OF THE CONSTITUTION OF THE COMPANY

2.1 Background

The Company is proposing to make amendments to Regulation 96(C), 97 and 98 of the Constitution in relation to notices to directors, and meetings and proceedings of directors. The proposed amendments to each respective Regulation and the rationale for such amendments are set out in Sections 2.2 to 2.4 below.

The proposed amendments to Regulation 96(C), 97 and 98 of the Constitution are subject to Shareholders' approval by special resolution.

2.2 Amendment to Regulation 96(C)

The Company is proposing to make the following amendment to Regulation 96(C):

"96. (C) An alternate Director shall ~~(except when absent from Singapore)~~ be entitled to receive notices of meetings of the Directors and shall be entitled to attend and vote as a Director at any such meeting at which his principal is not personally present and generally at such meeting to perform all functions of his principal as a Director, and for the purposes of the proceedings at such meeting the provisions of these Regulations shall apply as if he (instead of his principal) were a Director. If his principal is for the

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time being absent from Singapore or temporarily unable to act through ill health or disability, his signature to any resolution in writing of the Directors shall be as effective as the signature of his principal. To such extent as the Directors may from time to time determine in relation to any committees of the Directors, the foregoing provisions of this paragraph shall also apply mutatis mutandis to any meeting of any such committee of which his principal is a member. An alternate Director shall not (save as aforesaid) have any power to act as a Director nor shall he be deemed to be a Director for any other purposes of these Regulations.”

Under Regulation 97 of the Constitution, a Director may participate in a meeting of the Directors by means of a conference telephone, video conferencing, audio visual, or other similar communications equipment by means of which all persons participating in the meeting can hear each other, without a Director being in the physical presence of another Director or Directors. The amendment to Regulation 96(C) is in line with Regulation 97 and the proposed amendment to Regulation 97, to allow an alternate Director to receive notices of meetings of Directors, and to participate and vote in meetings of Directors in the event that such alternate Director is absent from Singapore.

2.3 Amendment to Regulation 97

The Company is proposing to make the following amendment to Regulation 97:

“97. Subject to the provisions of these Regulations, the Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. At any time, any Director may, and the Secretary on the requisition of a Director shall, summon a meeting of Directors. ~~It shall not be necessary to give notice of a meeting of Directors to any Director for the time being absent from Singapore.~~ Any Director may waive notice of any meeting and any such waiver may be retroactive. Directors may participate in a meeting of the Directors by means of a conference telephone, video conferencing, audio visual, or other similar communications equipment by means of which all persons participating in the meeting can hear each other, without a Director being in the physical presence of another Director or Directors, and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting. A Director participating in a meeting in the manner aforesaid may also be taken into account in ascertaining the presence of a quorum at the meeting. Such a meeting shall be deemed to take place where the largest group of Directors physically present for the purpose of the meeting is assembled or, if there is no such group, where the Chairman of the meeting is physically present. The minutes of the proceedings at such meeting by telephone or other means of communication shall be sufficient evidence of such proceedings and of the observance of all necessary formalities if certified as the correct minutes by the chairman of the meeting.”

The Company is of the view that a Director absent from Singapore should not be precluded from receiving notices of a meeting of Directors, as it is both easy and effective for a Director absent from Singapore to receive notices of a meeting of Directors through electronic mail or such other form of electronic communication approved by the Directors for such purpose from time to time.

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2.4 Amendment to Regulation 98

The Company is proposing to make the following amendment to Regulation 98:

“98. The quorum necessary for the transaction of the business of the Directors may be fixed from time to time by the Directors and unless so fixed at any other number, shall be ~~two~~**three** (except where the Company has **less than three Directors, then the quorum so fixed shall be two (in the case that the Company has only two directors), and one (in the case that the Company has only one director).** ~~only one~~ Director). A meeting of the Directors at which a quorum is present shall be competent to exercise all powers and discretions for the time being exercisable by the Directors.”

The Company is of the view that where the quorum necessary for the transaction of the business of the Directors is not otherwise fixed at any other number by the Directors, the appropriate quorum should be three (where the Company has three or more Directors).

3. THE PROPOSED ADOPTION OF THE SAPPHIRE SHARES AWARD SCHEME 2018

3.1 Background

The Sapphire Shares Award Scheme 2008 was approved by Shareholders at an extraordinary general meeting of the Company on 25 April 2008. The Sapphire Shares Award Scheme 2008 was adopted for a duration of up to a maximum of ten (10) years from the date of its adoption, provided always that the Sapphire Shares Award Scheme 2008 may continue beyond the above stipulated period with the approval of Shareholders in general meeting and of any relevant authorities which may then be required. The Sapphire Shares Award Scheme 2008 will expire on 25 April 2018. The Company proposes to adopt the new Sapphire Shares Award Scheme 2018 to replace the existing Sapphire Shares Award Scheme 2008.

The SGX-ST has on 29 March 2018 granted in-principle approval for the listing and quotation for the New Shares to be allotted and issued pursuant to the Scheme, subject to independent Shareholders' approval being obtained for the Scheme, and the Company's compliance with SGX-ST's listing requirements and guidelines. The SGX-ST's in-principle approval is not to be taken as an indication of the merits of the Scheme, the New Shares, the Company and/or its Subsidiaries.

3.2 Rationale

3.2.1 Rationale of the Scheme

Similar to the Sapphire Shares Award Scheme 2008, the purpose of the new Scheme is to provide an opportunity for Group Employees, and Executive Directors, who have met their performance targets, to be remunerated not just through cash bonuses but also by an equity stake in the Company. The Scheme is also extended to Non-Executive Directors, as a show of appreciation for their significant contributions to the growth of the Company, even though they are not employed by the Company.

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The Company believes that the retention of outstanding employees within the Group is paramount to the Group's long-term objective of pursuing continuous growth and expansion in its business and operations. The Company believes that the Scheme will allow the Company greater flexibility to align the interests of employees with the interests of Shareholders. The Scheme will provide an opportunity for Participants to participate in the equity of the Company, thereby inculcating a stronger sense of identification with the long-term prosperity of the Group and promoting organisational commitment, dedication and loyalty of Participants towards the Group. As Participants work towards their performance targets, which can be tied to the financial performance or results of the Group, an anticipated award of shares can provide additional motivation for such Participants to hit or exceed their performance targets, seeing as such Participants' interests will be aligned with the positive performance of the Group.

The Company believes that the Scheme will give the Company more flexibility to effectively reward and motivate employees to work towards high standards of performance and efficiency.

3.2.2 Rationale of participation by Non-Executive Directors

The Scheme is also extended to Non-Executive Directors, as a show of appreciation for their significant contributions to the growth of the Company, even though they are not employed by the Company.

Non-Executive Directors are persons from different professions and working backgrounds, bringing to the Company their wealth of knowledge, business expertise and contacts in the business community. They play an important role in helping the Company shape its business strategy by allowing the Company to draw on the backgrounds and diverse working experience of these individuals. It is crucial for the Company to attract, retain and incentivise the Non-Executive Directors and align their interests with that of the Group.

Our Directors are of the view that including the Non-Executive Directors in the Scheme will show the Company's appreciation for, and further incentivise them in their contribution towards the success of the Group.

It is not the intention of the Board that Independent Non-Executive Directors be over-compensated under the Scheme to the extent that their independence will be compromised. It is the intention of the Board and the Committee that any award of shares under the Scheme to any Independent Non-Executive Directors be measured and balanced against considerations if such award could interfere or be reasonably perceived to interfere with the exercise of the Independent Non-Executive Director's independent business judgment.

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3.3 Summary of the Scheme

The rules of the Scheme are set out in the Annexure to this Appendix. The following is a summary of the rules of the Scheme:

3.3.1 Eligibility

Any person shall be eligible to participate in the Scheme at the discretion of the Committee if at the Date of Grant:—

- (a) such person shall be:
 - (i) a confirmed full-time Group Employee who has been employed for a minimum of one (1) year or such shorter period as the Committee may determine; or
 - (ii) an Executive Director or Non-Executive Director (including independent directors);
- (b) such person shall have attained the age of twenty-one (21) years and above; and
- (c) such person shall not be an undischarged bankrupt.

Provided always that if any such person is a Controlling Shareholder or an associate of a Controlling Shareholder, his participation in the Scheme and the grant of Awards to whom, including the actual number and terms thereof, shall be subject to prior approval by independent Shareholders in general meeting in separate resolutions for each Controlling Shareholder or associate of a Controlling Shareholder.

3.3.2 Limitation on the size of the Scheme

The aggregate number of Shares available under the Scheme, when added to all Shares, options or awards granted under any other share option scheme, share award scheme or share incentive scheme of the Company then in force, shall not exceed 15% of the total issued share capital (excluding Treasury Shares and subsidiary holdings) of the Company from time to time.

3.3.3 Grant of Awards

The Committee may recommend such grants of Awards to Participants for the approval of the Board, as the Committee may select in its absolute discretion, at any time during the period when the Scheme is in force, provided that in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, Awards may only be vested and hence any Shares comprised in such Awards may only be delivered on or after the second Market Day from the date on which the aforesaid announcement is made.

The factors which the Remuneration Committee may take into consideration in determining the selection of a Participant and the number of shares which are the subject of each Award shall take into account:

- (a) the financial performance of the Group;

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- (b) in respect of a Participant being an Employee or Executive Director, criteria such as his rank, job performance, years of service, potential for future development and his contribution to the success and development of the Group;
- (c) in respect of a Participant being a Non-Executive Director, criteria such as his extent of involvement, responsibilities within the Board, contribution to the success and development of the Group; and
- (d) the extent of effort required to achieve the performance target(s) within the performance period.

The Committee shall decide, in its absolute discretion, in relation to each Award to be recommended by the Committee:–

- (a) the Participant;
- (b) the Date of Grant;
- (c) the number of Shares which are the subject of the Award;
- (d) the performance target(s);
- (e) the performance period;
- (f) the Vesting Period(s);
- (g) the extent to which Shares which are the subject of that Award shall be released on the prescribed performance target(s) being satisfied (whether fully or partially) or exceeded, as the case may be, at the end of the performance period;
- (h) such other conditions that the Committee may determine in relation to the Award.

The performance targets set by the Committee for the purposes of the Scheme are intended to be based on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. The performance targets are stretched targets aimed at sustaining long-term growth. Examples of such performance targets include targets based on completion of a particular project, and criteria such as sales growth, earnings per share and return on investment.

Provided that the actual number of Awards granted under the Scheme to a Participant who is a Controlling Shareholder or an associate of a Controlling Shareholder shall be approved by the independent Shareholders in a separate resolution for each such person subject to the following:–

- (a) the aggregate of the number of Shares comprised in Awards granted to Controlling Shareholders or associates of a Controlling Shareholder under the Scheme shall not exceed twenty-five (25) per cent. of the aggregate of the total number of Awards which may be granted under the Scheme; and
- (b) the aggregate of the number of Shares in respect of Awards granted to each Controlling Shareholder or associate of a Controlling Shareholder shall not exceed ten (10) per cent. of the total number of Awards which may be granted under the Scheme.

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Provided further that the aggregate number of Shares available under the Scheme, when added to all Shares, options or awards granted under any other share option scheme, share award scheme or share incentive scheme of the Company then in force, shall not exceed 15% of the total issued share capital (excluding treasury shares and subsidiary holdings) of the Company from time to time.

The Committee may recommend for the approval of the Board, the amendment or waiver of the Vesting Period(s), the performance period and/or the performance target(s) in respect of any Award:

- (a) in the event of a general offer (whether conditional or unconditional) being made for all or any part of the Shares, or a scheme of arrangement or compromise between the Company and its Shareholders being sanctioned by the Court under the Companies Act, or a proposal to liquidate or sell all or substantially all of the assets of the Company; or
- (b) if anything happens which causes the Committee to conclude that:–
 - (i) an amended Vesting Period, performance target or performance period would be a fairer measure of performance and would be no less difficult to satisfy;
 - (ii) the Vesting Period, performance target or performance period should be waived,

and the Committee shall notify the Participants of such change or waiver (but accidental omission to give notice to any Participant(s) shall not invalidate any such change or waiver).

Participants are not required to pay for the grant of Awards. An Award is personal to the Participant to whom it is granted and it may not be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part, except with the prior approval of the Committee and if a Participant shall do, suffer or permit any such act or thing as a result of which he would or might be deprived of any such rights under an Award, that Award shall immediately lapse. However the Shares granted to a Participant pursuant to a grant of the award may be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part.

3.3.4 Acceptance of Awards

The grant of an Award to a Participant shall be accepted by the Participant within 15 days from the Date of Grant. The Participant may accept or refuse the whole but not part of the offer. If the grant of the Award is not accepted by the Participant within 15 Market Days from the Date of Grant, such offer shall upon the expiry of the aforementioned period automatically lapse and shall be null and void.

LETTER TO SHAREHOLDERS

3.3.5 Events prior to the Vesting Date

An Award, to the extent not yet released, shall forthwith become void and cease to have effect on the occurrence of any of the following events (and in such an event, the Participant shall have no claim whatsoever against the Company, its Directors or employees):–

- (a) a Participant, being an Employee, ceasing for any reason whatsoever, to be in the employment of the Company and/or the relevant Subsidiary or in the event the company by which the Employee is employed ceases to be a company in the Group;
- (b) a Participant, being a Director, ceasing to be a director of the Company or any reason whatsoever;
- (c) a Participant commits any breach of any of the terms of his Award; and/or
- (d) misconduct or breach of term of employment contract on the part of a Participant as determined by the Committee in its discretion.

An Award shall be deemed not to have become void nor cease to have effect in accordance with the Scheme if a Participant ceases to be employed before the release of the Award by reason of:

- (a) death of the Participant;
- (b) ill-health, injury, disability or accident (in each case evidenced to the satisfaction of the Committee); or
- (c) any other ground where the release of the Award has been approved by the Committee (with the concurrence of the Board) in writing,

the Committee (with the concurrence of the Board) may waive the Vesting Period for all or any of the Awards not yet released to the Participant or his duly appointed representative(s) under any of the above stated circumstances.

3.3.6 Release of Awards

Subject to the prevailing legislation and the Listing Manual, the Company shall have the flexibility to deliver Shares to Participants upon vesting of their Awards by way of:

- (a) an issue of New Shares; or
- (b) a transfer of Treasury Shares (if any).

In determining whether to issue New Shares or transfer existing Treasury Shares (if any) for delivery to Participants upon vesting of their Awards, the Company will take into account factors such as (but not limited to) the number of Shares to be delivered, the prevailing market price of the Shares and the financial effect on the Company of either issuing New Shares or transferring existing Treasury Shares.

The Committee shall have the discretion to determine whether the performance target(s) has/have been satisfied (whether fully or partially) or exceeded. If the Committee determines in its sole discretion that the performance target(s) has/have not been satisfied, that Award shall lapse and be of no value.

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Subject to:–

- (a) the Committee having determined that the performance target(s) has/have been satisfied;
- (b) the relevant Participant (being an Employee) having continued to be an Employee from the Date of Grant up to the end of the relevant performance period, or as the case may be, the relevant Participant (being a Director) having continued to be a Director from the Date of Grant up to the end of the relevant performance period;
- (c) the Committee being of the opinion that the performance of the relevant Participant has been satisfactory;
- (d) such consents (including any approvals required by the SGX-ST) as may be necessary;
- (e) compliance with the terms of the Award, the Scheme, the Constitution of the Company;
- (f) where Shares are to be allotted or transferred on the release of an Award, the Participant having a securities account with CDP and compliance with the applicable requirements of CDP; and
- (g) where new Shares are to be allotted on the release of an Award, the Company being satisfied that the Shares which are the subject of the released Award will be listed for quotation on the SGX-ST,

upon the expiry of each performance period in relation to an Award, the Company shall release to the relevant Participant the Shares to which his Award relates on the vesting Date.

New Shares allotted and issued and/or Treasury Shares transferred, upon the release of an Award shall:–

- (a) be subject to all the provisions of the Constitution of the Company; and
- (b) rank for any dividend, right, allotment or other distribution on the record date of which is on or after the relevant vesting Date and (subject as aforesaid) will rank *pari passu* in all respects with the Shares then existing.

3.3.7 Adjustment Events

If a variation in the issued share capital of the Company (whether by way of a capitalisation of profits or reserves, rights issue, capital reduction, subdivision, consolidation, distribution or otherwise) shall take place, then:–

- (a) the class and/or the number of Shares which are the subject of an Award to the extent not yet vested and the rights attached thereto; and/or
- (b) the class and/or the number of Shares in respect of which future Awards may be granted under the Scheme,

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may, at the option of the Committee, be adjusted in such manner as the Committee may determine to be appropriate. No adjustment shall be made if, as a result the Participant receives a benefit that a Shareholder does not receive. Notwithstanding the foregoing, any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

Unless the Committee considers an adjustment to be appropriate, the issue of securities as consideration for a private placement of Shares or as consideration for or in connection with an acquisition of any assets or upon the exercise of any options or conversion of any loan stock or any other securities convertible into Shares or subscription rights of any warrants or the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the Main Board of the SGX-ST during the period when a share buyback mandate granted by Shareholders (including any renewal of such mandate) is in force will not be regarded as circumstances requiring adjustment.

3.3.8 Administration of the Scheme

The Scheme shall be administered by the Committee in accordance with the rules of the Scheme, with such powers and duties as are conferred on it by the Board, provided that no member of the Committee shall participate in any deliberation or decision in respect of Awards granted or to be granted to him or held by him.

The Committee shall have the power, from time to time, to make and vary such arrangements, procedures and/or regulations (not being inconsistent with the Scheme) for the implementation and administration of the Scheme, to give effect to the provisions of the Scheme, as it may, in its absolute discretion, think fit, including but not limited to imposing restrictions on the number of Awards that may be vested within each financial year.

Any decision of the Committee, made pursuant to any provision of the Scheme (other than a matter to be certified by the Auditors), shall be final and binding (including any decisions pertaining to disputes as to the interpretation of the Scheme or any rule, regulation, or procedure thereunder or as to any rights under the Schemes).

3.3.9 Modifications to the Scheme

Any or all the provisions of the Scheme may be modified and/or altered at any time and from time to time by resolution of the Board on the recommendation of the Committee, except that:

- (a) any modification or alteration which materially and adversely alters the rights attaching to any Award granted prior to such modification or alteration may only be made with the consent in writing of such number of Participants who, if the Awards were released to them upon the expiry of all the Vesting Periods applicable to the Awards, would together hold not less than three-quarters (3/4) in aggregate such number of Shares which would fall to be vested upon the release of all outstanding Awards held by all Participants who respond to the Company's request for such consent within 21 days of the Company's despatch of the request; and

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- (b) any modification or alteration which would be to the advantage of the Participants under the Scheme shall be subject to the prior approval of Shareholders in general meeting.

The opinion of the Committee as to whether any modification or alteration would materially and adversely alter the rights attaching to any Award or be to the advantage of the Participants shall be final and conclusive.

Further, the Committee may at any time by resolution (and without other formality, save for the prior approval of the SGX-ST) amend or alter the Scheme in any way to the extent necessary to cause the Scheme to comply with any statutory provision or the provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).

Written notice of any modification or alteration made to the Scheme in accordance with the rules of the Scheme shall be given to all Participants but accidental omission to give notice to any Participant(s) shall not invalidate any such modifications or alterations.

3.3.10 Duration of the Scheme

The Scheme shall continue to be in operation at the discretion of the Committee and the Board for a maximum period of ten (10) years commencing on the date of adoption of the Scheme, provided always that the Scheme may, subject to applicable laws and regulations, continue beyond the above stipulated period with the approval of the Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

The termination of the Scheme shall not affect Awards which have been granted, whether such Awards have been released (whether fully or partially) or not.

3.3.11 Annual Report Disclosure

The Company shall make the following disclosures in its annual report to Shareholders for the duration of the Scheme:

- (a) The names of the members of the Committee;

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(b) The information in the table below for:

- (i) Participants who are Directors;
- (ii) Participants who are Controlling Shareholders and their Associates; and
- (iii) Participants other than those in (i) and (ii) above, who receive Awards comprising 5% or more of the aggregate of the total number of Shares available under the Scheme

Name of Participant	Awards granted during the financial year under review (including terms)	Aggregate Awards granted since commencement of the Scheme to end of financial year under review	Aggregate Awards released since commencement of the Scheme to end of financial year under review	Aggregate Awards not yet released as at end of financial year under review
---------------------	-------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------

- (c) the names of and number and terms of Awards granted to each director and employee of the parent company and its subsidiaries who receives 5% or more of the total number of Awards available to all directors and employees of the parent company and its subsidiaries under the Scheme, during the financial year under review;
- (d) the aggregate number of Awards granted to the directors and employees of the parent company and its subsidiaries for the financial year under review, and since the commencement of the Scheme to the end of the financial year under review; and
- (e) If any of the above is not applicable, an appropriate negative statement.

3.4 Financial Effects of the Scheme

3.4.1 Share Capital

The Scheme will result in an increase in the Company's issued share capital only if New Shares are issued to Participants. The number of New Shares issued will depend on, *inter alia*, the size of the Awards granted under the Scheme. However, if Treasury Shares are transferred to Participants in lieu of issuing New Shares to Participants, the Scheme will have no impact on the Company's issued share capital.

3.4.2 NTA

The Scheme will result in a charge to the Company's and Group's income statements which are equal to the fair value of the Awards over the period from the Date of Grant to the vesting date. In addition, when New Shares are issued under the Scheme, there would be no effect on the NTA of the Group and the Company. If Treasury Shares are transferred to Participants, the NTA of the Group and the Company would decrease by the cost of Shares purchased. Although the Scheme will result in a charge to the income statements of the Company and the Group, it should be noted that Awards are granted only on a selective basis and will be granted to Participants whom the Company believes would have contributed or will contribute to its success including financial performance.

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In particular, the grant of Awards and delivery of Shares to Participants of the Scheme are contingent upon the Participants meeting prescribed performance targets. Therefore, Participants would have contributed to or will contribute to value add to the Company and the Group as determined by the Committee before the Awards are granted and Shares delivered.

3.4.3 EPS

The Scheme will result in a charge to earnings equivalent to the fair value of the Awards at the Date of Grant over the period from the Date of Grant to the vesting date. Although the Scheme will have a dilutive impact on the EPS of the Company and the Group, the delivery of Shares to Participants in respect of Awards granted under the Scheme is contingent upon the Participants meeting prescribed performance targets, which will take into consideration the contributions of the Participants towards the financial performance of the Group.

3.4.4 Dilutive Impact

It is expected that any dilutive impact of the Scheme on the NTA per share and EPS would not be significant.

3.4.5 Potential Cost of Awards

The Scheme is considered a share-based payment that falls under the scope of Financial Reporting Standard 102 ("**FRS 102**"). The Awards, if settled by way of the issue of New Shares or through the use of treasury share (i.e. purchase of existing Shares), would be accounted for as equity-settled share-based transactions, as described in the following paragraphs.

The fair value of employee services received in exchange for the grant of the Awards will be recognised as a charge to the income statement over the period between the Date of Grant and the vesting date of an Award. The total amount of the charge over the Vesting Period is determined by reference to the fair value of each Award granted at the Date of Grant and the number of Shares vested at the vesting date, with a corresponding credit to reserve account. The amount of the charge to the income statement also depends on whether or not the performance target attached to an Award is measured by reference to the market price of the Shares. This is known as a market condition. At each reporting date, the number of Awards that are expected to be vested are estimated. The impact on the revision of original estimates is recognised as an expense in the income statement and as a corresponding adjustment to the reserve account over the remaining Vesting Period, unless the revision to original estimates is due to market conditions. No adjustment is made if the revision or actual outcome differs from the original estimate due to market conditions. No expense is recognised for Awards that do not ultimately vest, except for Awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

After the vesting date, no adjustment to the charge to the income statement is made.

3.4.6 Taxes

All taxes (including income tax) arising from the grant or vesting of any Award under the Scheme shall be borne by the Participant.

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4. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of Directors and Substantial Shareholders in the Shares as recorded in the Register of Directors' Shareholdings and Register of Substantial Shareholders, respectively, as at the Latest Practicable Date, are as follows:

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾
Directors						
Ms Wang Heng ⁽²⁾	–	–	91,171,293	27.96	91,171,293	27.96
Mr Teh Wing Kwan	7,018,304	2.15	–	–	7,018,304	2.15
Substantial Shareholders						
Best Feast Limited	91,171,293	27.96	–	–	91,171,293	27.96
Cheng Du Wu Xing Ke Trading Limited ⁽³⁾	–	–	91,171,293	27.96	91,171,293	27.96
Ou Rui Limited	56,523,667	17.33	–	–	56,523,667	17.33
Mr Li Xiaobo ⁽⁴⁾	–	–	56,523,667	17.33	56,523,667	17.33

Notes:

- (1) Based on the total number of issued Shares of 326,071,915 as at the Latest Practicable Date.
- (2) Based on her indirect interests (through Chengdu Zhong Qian Zhi Heng Management Limited) and direct interests in Cheng Du Wu Xing Ke Trading Limited, Ms Wang Heng is deemed interested in the Shares held by Best Feast Limited, a wholly-owned subsidiary of Cheng Du Wu Xing Ke Trading Limited by virtue of Section 7 of the Act.
- (3) Cheng Du Wu Xing Ke Trading Limited is deemed to be interested in the Shares held by Best Feast Limited by virtue of Section 7 of the Act.
- (4) Mr Li Xiaobo holds 100% of the issued and paid up share capital of Ou Rui Limited and is deemed to be interested in the Shares held by Ou Rui Limited by virtue of Section 7 of the Act.

5. DIRECTORS' RECOMMENDATIONS

Having considered the rationale and benefits of the proposed amendment of the Constitution of the Company (as set out in Section 2), the Directors are of the opinion that the proposed amendment of the Constitution of the Company (as set out in Section 2) is in the interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the special resolution relating to the proposed amendment of the Constitution of the Company at the forthcoming AGM.

All the Directors are eligible to participate in, and are therefore, interested in the Proposed Adoption of the Sapphire Shares Award Scheme 2018. Accordingly, the Directors have refrained from making any recommendation as to how Shareholders should vote in respect of the ordinary resolution for the Proposed Adoption of the Sapphire Shares Award Scheme 2018 at the forthcoming AGM.

LETTER TO SHAREHOLDERS

6. ABSTENTION FROM VOTING

As all the Directors are entitled to participate in the Scheme, the Directors shall abstain from voting in respect of their holdings of Shares (if any) at the AGM in respect of the ordinary resolution for the Proposed Adoption of the Sapphire Shares Award Scheme 2018 and shall not accept appointments as proxies for voting at the AGM in respect of the ordinary resolution for the Proposed Adoption of the Sapphire Shares Award Scheme 2018 unless specific instructions have been given in the proxy instrument on how the Shareholders wish their votes to be cast for the ordinary resolution for the Proposed Adoption of the Sapphire Shares Award Scheme 2018.

Any Shareholder entitled to participate in the proposed Scheme shall abstain from voting at the AGM in respect of the ordinary resolution for the Proposed Adoption of the Sapphire Shares Award Scheme 2018 and shall not accept appointments as proxies for voting at the AGM in respect of the ordinary resolution for the Proposed Adoption of the Sapphire Shares Award Scheme 2018 unless specific instructions have been given in the proxy instrument on how the Shareholders wish their votes to be cast for the ordinary resolution for the Proposed Adoption of the Sapphire Shares Award Scheme 2018.

7. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the AGM and wish to appoint a proxy to attend and vote at the AGM on their behalf will find attached to the Annual Report 2017 and the Notice of Annual General Meeting, a Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the registered office of the Company not later than 72 hours before the time fixed for holding the AGM.

The completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the AGM if he so wishes.

A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the AGM.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the Proposed Resolutions, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information contained in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

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9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at 1 Robinson Road, #17-00, AIA Tower, Singapore 048542 during normal business hours from the date of this Appendix up to and including the date of the AGM:

- (i) the annual report of the Company for FY2017;
- (ii) the Constitution of the Company; and
- (iii) the proposed rules of the Scheme.

Yours faithfully,
For and on behalf of the Board of Directors
SAPPHIRE CORPORATION LIMITED

Wang Heng
Chief Executive Officer and Executive Director
4 April 2018

ANNEXURE – RULES OF THE SAPPHIRE SHARES AWARD SCHEME 2018

RULES OF THE SAPPHIRE SHARES AWARD SCHEME 2018

1. NAME OF THE SCHEME

This Scheme shall be called the “Sapphire Shares Award Scheme 2018”.

2. DEFINITIONS

2.1 In this Scheme, unless the context otherwise requires, the following words and expressions shall have the following meanings:–

“Act” or “Companies Act”	:	The Companies Act (Chapter 50) of Singapore, as amended or modified from time to time
“Adoption Date”	:	The date on which the Scheme is adopted by resolution of the Shareholders of the Company
“Associate”	:	(i) In relation to a Controlling Shareholder (being an individual), means:– (a) his/her spouse, child, adopted child, step-child, sibling and parent (his “immediate family”); (b) the trustees of any trust of which he/she or his/her immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (c) any company in which he/she and his/her immediate family together (directly or indirectly) have an interest of 30% or more; or (ii) in relation to a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
“Auditors”	:	The auditors for the time being of the Company
“Award”	:	A contingent award of Shares under the Scheme
“Award Letter”	:	A letter in such form as the Committee shall approve confirming an Award granted to a Participant by the Committee

ANNEXURE – RULES OF THE SAPPHIRE SHARES AWARD SCHEME 2018

“Board”	:	The board of Directors for the time being of the Company
“CDP”	:	The Central Depository (Pte) Limited
“Committee”	:	The Remuneration Committee of the Company from time to time
“CPF”		The Central Provident Fund
“Company”	:	Sapphire Corporation Limited
“Constitution”	:	The Constitution of the Company
“Controlling Shareholder”	:	A person who: (i) holds directly or indirectly fifteen per cent (15%) or more of the total number of issued Shares excluding treasury shares in the Company (the SGX-ST may determine that a person who satisfies the above is not a Controlling Shareholder); or (ii) in fact exercises control over the Company
“Date of Grant”	:	In relation to an Award, the date on which the Award is granted to a Participant
“Director”	:	A director of the Company from time to time
“Employee” or “Group Employee”	:	Any person who is a full-time employee of the Group
“Executive Director”	:	A director from time to time of the Company, who performs an executive function
“Group”	:	The Company and its Subsidiaries
“Market Day”	:	A day on which the SGX-ST is open for trading of securities
“New Shares”	:	The new shares which may be allotted and issued from time to time pursuant to the vesting of an Award under the Scheme
“Non-Executive Director”	:	A director (other than an Executive Director) from time to time of the Company
“Participant”	:	A person who is eligible and who has been selected by the Committee to participate in the Scheme

ANNEXURE – RULES OF THE SAPPHIRE SHARES AWARD SCHEME 2018

“performance target(s)”	:	The performance target(s) prescribed by the Committee to be fulfilled by a Participant for any particular period determined by the Committee
“Scheme”	:	The Sapphire Shares Award Scheme 2018, as the same may be modified or altered from time to time
“Record Date”	:	The date as at the close of business (or such other time as may have been prescribed by the Company) on which Shareholders of the Company must be registered in order to participate in the dividends, or other distributions or rights of holders of Shares (as the case may be)
“Rules”	:	Rules of the Scheme and any reference to a particular Rule shall be construed accordingly
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shares”	:	Ordinary shares in the capital of the Company
“Shareholders”	:	Registered holders of Shares, except that where the registered holder is CDP, the term “Shareholders” in relation to Shares held by CDP shall mean the persons named as Depositors in the Depository Register maintained by CDP and to whose Securities Accounts such Shares are credited
“Subsidiary”	:	A company (whether incorporated within or outside Singapore and wheresoever resident) being a subsidiary for the time being of the Company within the meaning of Section 5 of the Companies Act
“Vesting Period”	:	In relation to an Award, a period or periods, the duration of which is to be determined by the Committee at the date of the grant of the Award
“S\$”	:	Singapore dollars
“%” or “per cent.”	:	Per centum or percentage

2.2 The terms “Depositor”, “Depository”, “Depository Register” and “Depository Agent” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act (Cap 289). The term “Treasury Shares” shall have the meaning ascribed to it in Section 4 of the Companies Act.

2.3 Words importing the singular number shall, where applicable, include the plural number and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter gender.

ANNEXURE – RULES OF THE SAPPHIRE SHARES AWARD SCHEME 2018

- 2.4 Any reference to a time of a day in the Scheme is a reference to Singapore time.
- 2.5 Any reference in the Scheme to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and used in the Scheme shall have the meaning assigned to it under the Companies Act.

3. OBJECTIVES OF THE SCHEME

- 3.1 The objective of the Scheme is to provide an opportunity for Group Employees, and Executive Directors, who have met their performance targets, to be remunerated not just through cash bonuses but also by an equity stake in the Company. The Scheme is also extended to Non-Executive Directors, as a show of appreciation for their significant contributions to the growth of the Company, even though they are not employed by the Company.

The objectives of the Scheme include:

- (a) alignment of the interests of Group Employees with the interests of Shareholders;
- (b) providing an opportunity for Participants to participate in the equity of the Company, thereby inculcating a stronger sense of identification with the long term prosperity of the Group and promoting organisational commitment, dedication and loyalty of Participants towards the Group;
- (c) motivate Participants to strive towards high standards of performance and efficiency;
- (d) flexibility in giving recognition to, and rewarding contributions made or to be made by Participants through an equity stake in the Company; and
- (e) retention of existing Participants whose contributions are important to the long term growth and profitability of the Group.

4. ELIGIBILITY OF PARTICIPANTS

- 4.1 Any person shall be eligible to participate in the Scheme at the discretion of the Committee if at the Date of Grant:—
- (a) such person shall be:
 - (i) a confirmed full-time Group Employee who has been employed for a minimum of one (1) year or such shorter period as the Committee may determine; or
 - (ii) an Executive Director or Non-Executive Director (including independent directors);
 - (b) such person shall have attained the age of twenty-one (21) years and above; and
 - (c) such person shall not be an undischarged bankrupt.

ANNEXURE – RULES OF THE SAPPHIRE SHARES AWARD SCHEME 2018

PROVIDED ALWAYS THAT if any such person is a Controlling Shareholder or an associate of a Controlling Shareholder, his participation in the Scheme and the grant of Awards to whom, including the actual number and terms thereof, shall be subject to prior approval by independent Shareholders in general meeting in separate resolutions for each Controlling Shareholder or associate of a Controlling Shareholder.

For the purposes of paragraph 4.1 (a) above, the secondment of a Group Employee to another company within the Group shall not be regarded as a break in his employment or his having ceased by reason only of such secondment to be a full-time employee of the Group.

- 4.2 The Participants, and the number of Shares which are the subject of each Award to be granted to a Participant in accordance with the Scheme and the Performance Period shall be determined at the discretion of the Committee and recommended by the Committee to the Board for approval, which shall take into account,
- (a) the financial performance of the Group;
 - (b) in respect of a Participant being an Employee or Executive Director, criteria such as his rank, job performance, years of service, potential for future development and his contribution to the success and development of the Group;
 - (c) in respect of a Participant being a Non-Executive Director, criteria such as his extent of involvement, responsibilities within the Board, contribution to the success and development of the Group; and
 - (d) the extent of effort required to achieve the performance target(s) within the performance period.
- 4.3 There shall be no restriction on the eligibility of any Participant to participate in any other share option or share incentive schemes to be implemented by the Company or any other company within the Group.

5. GRANT OF AWARDS

- 5.1 Subject as provided in Rule 8, the Committee may recommend such grants of Awards to Participants for the approval of the Board, as the Committee may select in its absolute discretion, at any time during the period when the Scheme is in force, provided that in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, Awards may only be vested and hence any Shares comprised in such Awards may only be delivered on or after the second Market Day from the date on which the aforesaid announcement is made.
- 5.2 The Committee shall decide, in its absolute discretion, in relation to each Award to be recommended by the Committee:–
- (a) the Participant;
 - (b) the Date of Grant;
 - (c) the number of Shares which are the subject of the Award;
 - (d) the performance target(s);

ANNEXURE – RULES OF THE SAPPHIRE SHARES AWARD SCHEME 2018

- (e) the performance period;
- (f) the Vesting Period(s);
- (g) the extent to which Shares which are the subject of that Award shall be released on the prescribed performance target(s) being satisfied (whether fully or partially) or exceeded, as the case may be, at the end of the performance period;
- (h) such other conditions that the Committee may determine in relation to the Award.

The performance targets set by the Committee for the purposes of the Scheme are intended to be based on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. The performance targets are stretched targets aimed at sustaining long-term growth. Examples of such performance targets include targets based on completion of a particular project, and criteria such as sales growth, earnings per share and return on investment.

PROVIDED THAT the actual number of Awards granted under the Scheme to a Participant who is a Controlling Shareholder or an associate of a Controlling Shareholder shall be approved by the independent Shareholders in a separate resolution for each such person subject to the following:–

- (i) the aggregate of the number of Shares comprised in Awards granted to Controlling Shareholders or associates of a Controlling Shareholder under the Scheme shall not exceed twenty-five (25) per cent. of the aggregate of the total number of Awards which may be granted under the Scheme; and
- (ii) the aggregate of the number of Shares in respect of Awards granted to each Controlling Shareholder or associate of a Controlling Shareholder shall not exceed ten (10) per cent. of the total number of Awards which may be granted under the Scheme.

PROVIDED FURTHER that the aggregate number of Shares available under the Scheme, when added to all Shares, options or awards granted under any other share option scheme, share award scheme or share incentive scheme of the Company then in force, shall not exceed 15% of the total issued share capital (excluding treasury shares and subsidiary holdings) of the Company from time to time.

5.3 The Committee may recommend for the approval of the Board, the amendment or waiver of the Vesting Period(s), the performance period and/or the performance target(s) in respect of any Award:

- (a) in the event of a general offer (whether conditional or unconditional) being made for all or any part of the Shares, or a scheme of arrangement or compromise between the Company and its Shareholders being sanctioned by the Court under the Companies Act, or a proposal to liquidate or sell all or substantially all of the assets of the Company; or
- (b) if anything happens which causes the Committee to conclude that:–
 - (i) an amended Vesting Period, performance target or performance period would be a fairer measure of performance and would be no less difficult to satisfy;
 - (ii) the Vesting Period, performance target or performance period should be waived,

and the Committee shall notify the Participants of such change or waiver (but accidental omission to give notice to any Participant(s) shall not invalidate any such change or waiver).

ANNEXURE – RULES OF THE SAPPHIRE SHARES AWARD SCHEME 2018

- 5.4 As soon as reasonably practicable after making an Award, the Committee shall send to each Participant an Award Letter confirming the Award and specifying in relation to the Award:–
- (a) the Date of Grant;
 - (b) the number of Shares which are the subject of the Award;
 - (c) the performance target(s) and the performance period; and
 - (d) the extent to which Shares which are the subject of that Award shall be released on the prescribed performance target(s) being satisfied (whether fully or partially) or exceeded, as the case may be, at the end of the performance period.
- 5.5 Participants are not required to pay for the grant of Awards.
- 5.6 An Award is personal to the Participant to whom it is granted and it may not be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part, except with the prior approval of the Committee and if a Participant shall do, suffer or permit any such act or thing as a result of which he would or might be deprived of any such rights under an Award, that Award shall immediately lapse. However the Shares granted to a Participant pursuant to a grant of the award may be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part.

6. EVENTS PRIOR TO THE VESTING DATE

- 6.1 An Award, to the extent not yet released, shall forthwith become void and cease to have effect on the occurrence of any of the following events (and in such an event, the Participant shall have no claim whatsoever against the Company, its Directors or employees):–
- (a) a Participant, being an Employee, ceasing for any reason whatsoever, to be in the employment of the Company and/or the relevant Subsidiary or in the event the company by which the Employee is employed ceases to be a company in the Group;
 - (b) a Participant, being a Director, ceasing to be a director of the Company or any reason whatsoever;
 - (c) a Participant commits any breach of any of the terms of his Award; and/or
 - (d) misconduct or breach of term of employment contract on the part of a Participant as determined by the Committee in its discretion.

For the purpose of Rules 6.1(a) above, an Employee shall be deemed to have ceased to be in the employment of the Company or the Subsidiary (as the case may be) on the date on which he gives notice of termination of employment, unless prior to the date on which termination takes effect, the Employee has (with the consent of the Company or the Subsidiary (as the case may be)) withdrawn such notice.

For the purpose of Rule 6.1(b), a Participant shall be deemed to have ceased to be a Director as of the date the notice of resignation of or termination of directorship, as the case may be, is tendered by or is given to him, unless such notice shall be withdrawn prior to its effective date.

ANNEXURE – RULES OF THE SAPPHIRE SHARES AWARD SCHEME 2018

6.2 The Committee may in its absolute discretion and on such terms and conditions as it deems fit, recommend for the approval of the Board, to preserve all or any part of any Award notwithstanding the provisions of any other Rules including Rule 6.1. Further to such exercise of discretion, the Awards shall be deemed not to have become void nor cease to have effect in accordance with the relevant provisions in Rule 6.1.

6.3 An Award shall be deemed not to have become void nor cease to have effect in accordance with the Scheme if a Participant ceases to be employed before the release of the Award by reason of:

- (a) death of the Participant;
- (b) ill-health, injury, disability or accident (in each case evidenced to the satisfaction of the Committee); or
- (c) any other ground where the release of the Award has been approved by the Committee (with the concurrence of the Board) in writing,

the Committee (with the concurrence of the Board) may waive the Vesting Period for all or any of the Awards not yet released to the Participant or his duly appointed representative(s) under any of the above stated circumstances.

6.4 Without prejudice to the provisions of Rules 5.3 and 6.2, to the extent of an Award yet to be released, if any of the following occurs:–

- (a) a Participant does or suffers any act or thing whereby he would or might be deprived of the legal or beneficial ownership of the Award;
- (b) a Participant commits an act of bankruptcy or is subject to a petition for bankruptcy;
- (c) a scheme of an arrangement or compromise between the Company and its Shareholders being sanctioned by the Court under the Companies Act;
- (d) an order for the compulsory winding-up of the Company is made; or
- (e) a resolution for a voluntary winding-up (other than for amalgamation or reconstruction) of the Company being made,

the Committee (with the concurrence of the Board) may consider, at its discretion, whether or not to release such Award. If the Committee (with the concurrence of the Board) decides to release such Award, then in determining the number of Shares to be Vested in respect of such Award, the Committee will have regard to the proportion of the performance period(s) which has elapsed and the extent to which the performance targets have been satisfied. Where such Award is released, the Committee will, as soon as practicable after such release, procure the allotment or transfer to each Participant of the number of Shares so determined in accordance with such Award, such allotment or transfer to be made in accordance with Rules of the Scheme.

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7. ACCEPTANCE AND RELEASE OF AWARDS

Acceptance of Awards

- 7.1 The grant of an Award to a Participant shall be accepted by the Participant within 15 days from the Date of Grant. The Participant may accept or refuse the whole but not part of the offer.
- 7.2 The Committee shall within 15 Market Days of receipt of the acceptance form acknowledge receipt thereof. If the grant of the Award is not accepted by the Participant within 15 Market Days from the Date of Grant, such offer shall upon the expiry of the aforementioned period automatically lapse and shall be null and void.

Release of Awards

- 7.3 (a) As soon as reasonably practicable after the end of the relevant performance period(s), the Committee shall review the performance target(s) specified in respect of that Award and determine whether it has been satisfied and, if so, the extent to which it has been satisfied.

If the Committee determines in its sole discretion that the performance target(s) has/have not been satisfied, that Award shall lapse and be of no value and the provisions of Rule 7 (save for this Rule 7.3(a)) shall be of no effect.

The Committee shall have the discretion to determine whether the performance target(s) has/have been satisfied (whether fully or partially) or exceeded and, in making any such determination, the Committee shall have the right to make reference to the audited results of the Company or the Group, as the case may be, to take into account such factors as the Committee may determine to be relevant, including changes in accounting methods, taxes and extraordinary events.

Subject to the prevailing legislation and the Listing Manual of the SGX-ST, the Company shall have the flexibility to deliver Shares to Participants upon vesting of their Awards by way of:

- (i) an issue of New Shares; or
- (ii) a transfer of Treasury Shares (if any).

In determining whether to issue New Shares or transfer existing Treasury Shares (if any) for delivery to Participants upon vesting of their Awards, the Company will take into account factors such as (but not limited to) the number of Shares to be delivered, the prevailing market price of the Shares and the financial effect on the Company of either issuing New Shares or transferring existing Treasury Shares.

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Subject to:–

- (i) the Committee having determined that the performance target(s) has/have been satisfied;
- (ii) the relevant Participant (being an Employee) having continued to be an Employee from the Date of Grant up to the end of the relevant performance period, or as the case may be, the relevant Participant (being a Director) having continued to be a Director from the Date of Grant up to the end of the relevant performance period;
- (iii) the Committee being of the opinion that the performance of the relevant Participant has been satisfactory;
- (iv) such consents (including any approvals required by the SGX-ST) as may be necessary;
- (v) compliance with the terms of the Award, the Scheme, the Constitution of the Company;
- (vi) where Shares are to be allotted or transferred on the release of an Award, the Participant having a securities account with CDP and compliance with the applicable requirements of CDP; and
- (vii) where new Shares are to be allotted on the release of an Award, the Company being satisfied that the Shares which are the subject of the released Award will be listed for quotation on the SGX-ST,

upon the expiry of each performance period in relation to an Award, the Company shall release to the relevant Participant the Shares to which his Award relates on the vesting Date.

- (b) Shares which are the subject of a released Award shall be vested to a Participant on the vesting Date, which shall be a Market Day falling as soon as practicable after the Release of such Award in accordance with Rule 7.3(a) and, the Company shall allot the relevant Shares and dispatch to CDP the relevant share certificates by ordinary post or such other mode as the Committee may deem fit, or in the case of a transfer of Treasury Shares, do such acts or things which are necessary for the transfer to be effective.
- (c) Where new Shares are allotted upon the vesting of any Award, the Company shall, as soon as practicable after such allotment, apply to the SGX-ST for the listing and quotation of such Shares.

7.4 Shares which are allotted or transferred on the release of an Award to a Participant shall be registered in the name of, or transferred to, CDP to the credit of the securities account of that Participant maintained with CDP or the securities sub-account of that Participant maintained with a Depository Agent or the CPF investment account maintained with a CPF agent bank.

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7.5 New Shares allotted and issued and/or Treasury Shares transferred, upon the release of an Award shall:–

- (a) be subject to all the provisions of the Constitution of the Company; and
- (b) rank for any dividend, right, allotment or other distribution on the Record Date of which is on or after the relevant vesting Date and (subject as aforesaid) will rank *pari passu* in all respects with the Shares then existing.

8. LIMITATION ON THE SIZE OF THE SCHEME

The aggregate number of Shares available under the Scheme, when added to all Shares, options or awards granted under any other share option scheme, share award scheme or share incentive scheme of the Company then in force, shall not exceed 15% of the total issued share capital (excluding Treasury Shares and subsidiary holdings) of the Company from time to time.

9. ADJUSTMENT EVENTS

9.1 If a variation in the issued share capital of the Company (whether by way of a capitalisation of profits or reserves, rights issue, capital reduction, subdivision, consolidation, distribution or otherwise) shall take place, then:–

- (a) the class and/or the number of Shares which are the subject of an Award to the extent not yet vested and the rights attached thereto; and/or
- (b) the class and/or the number of Shares in respect of which future Awards may be granted under the Scheme,

may, at the option of the Committee, be adjusted in such manner as the Committee may determine to be appropriate. No adjustment shall be made if, as a result the Participant receives a benefit that a Shareholder does not receive.

9.2 Unless the Committee considers an adjustment to be appropriate, the issue of securities as consideration for a private placement of Shares or as consideration for or in connection with an acquisition of any assets or upon the exercise of any options or conversion of any loan stock or any other securities convertible into Shares or subscription rights of any warrants or the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the Main Board of the SGX-ST during the period when a share buyback mandate granted by Shareholders (including any renewal of such mandate) is in force will not be regarded as circumstances requiring adjustment.

9.3 Notwithstanding the provisions of Rule 9.1, any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

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- 9.4 Upon any adjustment being made pursuant to this Rule 9, the Company shall notify the Participant (or his duly appointed personal representatives where applicable) in writing and deliver to him (or his duly appointed personal representatives where applicable) a statement setting forth the class and number of Shares thereafter to be issued or transferred on the vesting of an Award and the date on which such adjustment shall take effect.

10. ADMINISTRATION OF THE SCHEME

- 10.1 The Scheme shall be administered by the Committee in accordance with the Rules contained herein, with such powers and duties as are conferred on it by the Board, provided that no member of the Committee shall participate in any deliberation or decision in respect of Awards granted or to be granted to him or held by him.
- 10.2 The Committee shall have the power, from time to time, to make and vary such arrangements, procedures and/or regulations (not being inconsistent with the Scheme) for the implementation and administration of the Scheme, to give effect to the provisions of the Scheme, as it may, in its absolute discretion, think fit, including but not limited to imposing restrictions on the number of Awards that may be vested within each financial year.
- 10.3 The Company shall bear the costs of establishing and administering the Scheme.
- 10.4 Any decision of the Committee, made pursuant to any provision of the Scheme (other than a matter to be certified by the Auditors), shall be final and binding (including any decisions pertaining to disputes as to the interpretation of the Scheme or any rule, regulation, or procedure thereunder or as to any rights under the Scheme).
- 10.5 Shareholders who are eligible to participate in the Scheme shall abstain from voting on any resolution relating to the Scheme.

11. NOTICES

- 11.1 A Participant shall not by virtue of being granted any Award be entitled to receive copies of any notices or other documents sent by the Company to the holders of Shares.
- 11.2 Any notice or other communication between the Company and a Participant may be given by sending the same by prepaid post or by personal delivery to, in the case of the Company, its registered office and, in the case of the Participant, his address as notified by him to the Company from time to time.
- 11.3 Any notice or other communication sent by post :–
- (a) by the Company shall be deemed to have been received 24 hours after the same was put in the post properly addressed and stamped;
 - (b) by the Participant shall be deemed to have been received when the same is received by the Company at the registered office of the Company.

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12. MODIFICATIONS TO THE SCHEME

12.1 Any or all the provisions of the Scheme may be modified and/or altered at any time and from time to time by resolution of the Board on the recommendation of the Committee, except that:–

- (a) any modification or alteration which materially and adversely alters the rights attaching to any Award granted prior to such modification or alteration may only be made with the consent in writing of such number of Participants who, if the Awards were released to them upon the expiry of all the Vesting Periods applicable to the Awards, would together hold not less than three-quarters (3/4) in aggregate such number of Shares which would fall to be vested upon the release of all outstanding Awards held by all Participants who respond to the Company's request for such consent within 21 days of the Company's despatch of the request; and
- (b) any modification or alteration which would be to the advantage of the Participants under the Scheme shall be subject to the prior approval of Shareholders in general meeting.

12.2 The opinion of the Committee as to whether any modification or alteration would materially and adversely alter the rights attaching to any Award or be to the advantage of the Participants shall be final and conclusive.

12.3 Notwithstanding anything to the contrary contained in Rule 12.1, the Committee may at any time by resolution (and without other formality, save for the prior approval of the SGX-ST) amend or alter the Scheme in any way to the extent necessary to cause the Scheme to comply with any statutory provision or the provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).

12.4 Written notice of any modification or alteration made in accordance with this Rule 12 shall be given to all Participants but accidental omission to give notice to any Participant(s) shall not invalidate any such modifications or alterations.

13. TERMS OF EMPLOYMENT UNAFFECTED

Notwithstanding the provisions of any other Rule:–

- (a) the Scheme or any Award shall not form part of any contract of employment between the Company and/or any Subsidiary and/or any Employee and the rights and obligations of any individual under the terms of the office or employment with any such company shall not be affected by his participation in the Scheme or any right which he may have to participate in it or any Award which he may be granted and the Scheme or any Award shall afford such an individual no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason whatsoever (whether lawful or not); and
- (b) the Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Awards themselves) against the Company and/or any Subsidiary directly or indirectly or give rise to any cause of action at law or in equity against any such company, its directors or employees.

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14. DURATION OF THE SCHEME

- 14.1 The Scheme shall continue to be in operation at the discretion of the Committee and the Board for a maximum period of ten (10) years commencing on the Adoption Date, provided always that the Scheme may, subject to applicable laws and regulations, continue beyond the above stipulated period with the approval of the Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.
- 14.2 The termination of the Scheme shall not affect Awards which have been granted, whether such Awards have been released (whether fully or partially) or not.

15. ANNUAL REPORT DISCLOSURE

- 15.1 The Company shall make the following disclosures in its annual report to Shareholders for the duration of the Scheme:–
- (a) the names of the members of the Committee;
 - (b) information as required in the table below for the following Participants:–
 - (i) Participants who are Directors;
 - (ii) Participants who are Controlling Shareholders or associates of Controlling Shareholders;
 - (iii) Participants, other than those in (a) and (b) above, who receive Awards comprising Shares representing five (5) per cent. or more of the aggregate of the total number of Shares available under the Scheme,

Name of Participant	Awards granted during the financial year under review (including terms)	Aggregate Awards granted since commencement of the Scheme to end of financial year under review	Aggregate Awards released since commencement of the Scheme to end of financial year under review	Aggregate Awards not yet released as at end of financial year under review
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- (c) in relation to the Scheme, the following particulars:–
 - (i) the names of and number and terms of Awards granted to each director and employee of the parent company and its subsidiaries who receives 5% or more of the total number of Awards available to all directors and employees of the parent company and its subsidiaries under the Scheme, during the financial year under review;
 - (ii) the aggregate number of Awards granted to the directors and employees of the parent company and its subsidiaries for the financial year under review, and since the commencement of the Scheme to the end of the financial year under review.
- (d) If any of the disclosure above in the foregoing of this Rule 15 is not applicable, an appropriate negative statement will be included in the annual report.

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16. TAXES, COSTS AND EXPENSES OF THE SCHEME

16.1 Notwithstanding anything herein, each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment of any Shares or transfer of Treasury Shares pursuant to the release of any Award in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP, or the Participant's securities sub-account with a CDP Depository Agent.

16.2 The Participants shall be responsible for obtaining any governmental or other official consent that may be required by any country or jurisdiction in order to permit the grant or vesting of the relevant Award. All taxes (including income tax) arising from the grant or vesting of any Award under the Scheme shall be borne by that Participant. The Company shall not be responsible for any failure by the Participant to obtain any such consent or for any tax or other liability to which the Participant may become subject as a result of his participation in the Scheme.

17. DISCLAIMER OF LIABILITY

Notwithstanding any provisions herein contained, the Company, its Directors or employees or the Committee shall not under any circumstances be held liable for any costs, losses, expenses liabilities or damages whatsoever and howsoever arising in respect of any matter under or in connection with the Scheme, including but not limited to any delay or failure to issue the Shares or procure the transfer of the Treasury Shares or to apply for or procure the listing of new Shares on the SGX-ST in accordance with Rule 7.3(c).

18. DISPUTES

Any disputes or differences of any nature arising hereunder (other than matters to be confirmed by the Auditors in accordance with the Scheme) shall be referred to the Committee and its decision shall be final and binding in all respects (including any decisions pertaining to disputes as to interpretation of the Scheme or any Rule, regulation, procedure thereunder or as to any rights under the Scheme).

19. GOVERNING LAW

The Scheme shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by being granted Awards in accordance with the Scheme, and the Company submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

