

SAPPHIRE CORPORATION LIMITED
("Company")
(Incorporated in the Republic of Singapore)
(Company Registration No. 198502465W)

UPDATE ON USE OF PROCEEDS

All capitalised terms used in this Announcement which are not defined herein shall have the meanings ascribed to them in the announcement dated 15 February 2022 ("Previous Announcement") and the circular to shareholders of the Company dated 9 October 2020 ("Circular") in relation to the Proposed Transaction.

The board of directors (the "Board" or "Directors") of the Company refers to the Previous Announcement and Circular relating to the Proposed Transaction.

The Board refer to the voluntary undertaking provided by the Company to SGX-ST for the Company to not be deemed as a cash company under Rule 1018 of the Listing Manual, in particular to the arrangements for the release of the Tranche 2 Escrowed Sum of RMB 91,698,444 set out in paragraph 5(D) of the Circular. The Tranche 2 Escrowed Sum was to be held in escrow in the Escrow Account until the earlier of the events set out in paragraph 5(D)(i), (ii) or (iii), extracts as set out as follow:

- (i) (1) Chengdu KQR becoming a principal subsidiary of the Company as defined under the Listing Manual, that is, the audited consolidated pre-tax profits of Chengdu KQR for a full financial year after the Completion of the Proposed Transaction shall account for 20% or more of the audited consolidated pre-tax profits of the Group (including discontinued operations that have not been disposed and excluding the non-controlling interest relating to that subsidiary and excluding any gain or loss from the disposal of Ranken Railway) for such full financial year; and

(2) such pre-tax profits of Chengdu KQR in such full financial year exceeding 20% of the pre-tax profits of the Group for FY2019 of RMB9.1 million (collectively, the "Financial Conditions"), after which Company will seek SGX-ST's approval, and the receipt of SGX-ST's approval, for the Company to cease such escrow arrangement. If Completion takes place before 31 December 2020, the first full financial year's results of Chengdu KQR for the purposes of fulfilling the Financial Conditions will be FY2021;
- (ii) the completion of the acquisition of a business which is able to satisfy the SGX-ST's requirements for a new listing; or
- (iii) three (3) years from the Completion Date;"

The details of the satisfaction of the Financial Conditions are as follows:

- (i) The Company had completed its audit for FY2021;
- (ii) The audited consolidated pre-tax profits of Chengdu KQR had accounted for 35.3%, which is more than 20%, of the audited consolidated pre-tax profits of the Group (including discontinued operations that have not been disposed and excluding the non-controlling interest relating to that subsidiary and excluding any gain or loss from the disposal of Ranken Railway Construction Group Co., Ltd. ("Ranken Railway")) for FY2021; and
- (iii) The pre-tax profits of Chengdu KQR for FY2021 (excluding non-recurrent income and expenses, as well as income and expenses generated by activities outside the ordinary course of business) was RMB12.1 million, exceeding 20% of the pre-tax profits of the Group for the full year financial period ended 31 December 2019 ("FY2019") of RMB9.1 million.

The Company further confirms that its audited full year consolidated accounts for FY2021 was not subject to any adverse opinion, qualified opinion, disclaimer of opinion and the Company's auditors did not state that a material uncertainty related to going concern exists.

The Company had informed SGX-ST, amongst others, that the Financial Conditions has been fulfilled and sought its approval for the cessation of the escrow arrangement abovementioned. SGX has confirmed on 23 August 2023 that it does not have any further comments to the cessation of the escrow arrangement.

As disclosed in the Circular, in the event that the Company fulfils the Financial Conditions and the SGX-ST approves the release of the Tranche 2 Escrowed Sum, the Company intends to allocate the Tranche 2 Escrowed Sum in the following manner:

Use of Tranche 2 Escrowed Sum	Percentage Allocation
(a) Investments into, and financing, and for supply of materials for urbanisation, infrastructure and water and environmental conservation (WEM) projects and transit-oriented development (TOD) projects, as and when opportunities arise	22.8% to 31.9%
(b) Purchase of construction equipment by SYE for its business, being the leasing of warehouse and equipment and supply of materials for urbanisation projects	0.3% to 9.4%
(c) expansion of the integrated building estate management services (such as marketing, leasing and consultancy services as well infrastructure, property management and city redevelopment services) with water and environmental conservation solutions of CSJCMS*, including investments into other companies undertaking businesses similar to that of CSJCMS or by increasing the headcount of CSJCMS	1.1% to 14.7%
*Chengdu Jialong Property Service Co., Ltd. (成都嘉隆物业服务有 限 公 司) (“CJPS”), the Company's indirectly owned 97.6% subsidiary, has changed its name to Chengdu Shengshi Jialong City Management Service Co., Ltd (成都 盛世嘉隆城市管理服务有 限 公 司) (“CSJCMS”) with effect from 11 June 2021.	
(d) General corporate purposes including general working capital, financing of new business ventures through acquisitions and/or strategic investments as and when opportunities arise, and share buy-back exercises to Shareholders	2.6% to 11.7%

The description of the Use of Tranche 2 Escrowed Sum above has been updated from the Circular to refer to the adjusted use of proceeds so as to align with the use of proceeds set out in the Previous Announcement and also to incorporate the change of name from CJPS to CSJCMS (as announced by the Company on 28 June 2021) and to provide a more accurate description to the business of CSJCMS as its business is not solely limited to building estate management.

The Company will continue to make further periodic announcements on the use of the Net Proceeds as and when the Net Proceeds are materially disbursed.

By Order of the Board of
Sapphire Corporation Limited

Wang Heng
Executive Director and Chief Executive Officer
24 August 2023