

CIRCULAR DATED 15 APRIL 2019

THIS CIRCULAR TO SHAREHOLDERS (“CIRCULAR”) IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

This Circular is issued by Sapphire Corporation Limited (the “Company”). **If you are in any doubt as to the contents of this Circular or the action you should take, you should consult your bank manager, stockbroker, solicitor, accountant or other professional adviser immediately.**

If you have sold or transferred all your ordinary shares in the capital of the Company (“Shares”) held through The Central Depository (Pte) Limited (“CDP”), you need not forward this Circular to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares represented by physical share certificate(s) which are not deposited with the CDP, you should immediately forward this Circular, together with the notice of Extraordinary General Meeting and the accompanying Proxy Form (as defined herein) to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

This Circular has not been examined or approved by the Singapore Exchange Securities Trading Limited (“SGX-ST”) and the SGX-ST assumes no responsibility for the contents of this Circular, including the accuracy of any of the statements made, reports contained or opinions expressed in this Circular. Approval in-principle has been obtained from the SGX-ST for the dealing in, listing of and quotation for the Rights Shares (as defined herein) pursuant to the Rights Issue (as defined herein). The Rights Shares will be admitted to the Mainboard of the SGX-ST and official quotation will commence after the Rights Shares certificates have been issued and the allotment letter from the CDP has been despatched. The approval in-principle of the SGX-ST is not to be taken as an indication of the merits of the Rights Issue, the Rights Shares, the Shares and/or the Company and its subsidiaries.

SAPPHIRE

盛世企业

SAPPHIRE CORPORATION LIMITED

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

CIRCULAR TO SHAREHOLDERS

in relation to

- (1) **THE PROPOSED NON-RENOUCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF UP TO 81,517,978 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (“RIGHTS SHARES”) AT AN ISSUE PRICE OF S\$0.128 FOR EACH RIGHTS SHARE (“ISSUE PRICE”), ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY FOUR (4) EXISTING SHARES HELD BY THE SHAREHOLDERS OF THE COMPANY AS AT A BOOKS CLOSURE DATE TO BE DETERMINED BY THE BOARD, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED (“RIGHTS ISSUE”); AND**
- (2) **THE PROPOSED WHITEWASH RESOLUTION (“WHITEWASH RESOLUTION”) FOR THE WAIVER BY THE INDEPENDENT SHAREHOLDERS (AS DEFINED HEREIN) OF THEIR RIGHTS TO RECEIVE A MANDATORY GENERAL OFFER FROM THE CONCERT PARTY GROUP (AS DEFINED HEREIN) FOR ALL OF THE ISSUED SHARES NOT ALREADY OWNED OR CONTROLLED BY THE CONCERT PARTY GROUP AS A RESULT OF THE RIGHTS ISSUE.**

Manager for the Rights Issue



HAITONG INTERNATIONAL SECURITIES (SINGAPORE) PTE. LTD.

(Company Registration No. 201311400G)
(Incorporated in the Republic of Singapore)

Independent Financial Adviser to the Independent Directors in relation to the Whitewash Resolution



RHT CAPITAL PTE. LTD.

(Company Registration No. 201109968H)
(Incorporated in the Republic of Singapore)

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	27 April 2019 at 11.00 a.m.
Date and time of Extraordinary General Meeting	:	30 April 2019 at 11.00 a.m.
Place of Extraordinary General Meeting	:	10 Anson Road #28-15 International Plaza Singapore 079903

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DEFINITIONS

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

“Announcement”	:	The announcement made by the Company on SGXNET on 30 December 2018 in relation to the Rights Issue
“ARE”	:	Application and acceptance form for Rights Shares and Excess Rights Shares to be issued to Entitled Depositors in respect of their provisional allotments of Rights Shares under the Rights Issue
“ATM”	:	Automated teller machine of a Participating Bank
“Board” or “Directors”	:	The directors of the Company as at the date of this Circular
“Books Closure Date”	:	Subject to Shareholders’ approval of the Rights Issue being obtained, the time and date to be determined by the Directors, at and on which the Register of Members and the share transfer books will be closed to determine the provisional allotments of Rights Shares of the Entitled Shareholders under the Rights Issue
“CDJ Environmental”	:	Chengdu Derun Jinlong Environmental Management Co., Ltd.
“CDP”	:	The Central Depository (Pte) Limited
“Chengdu Wuxingke”	:	Cheng Du Wu Xing Ke Trading Limited
“Chengdu Zhongqian”	:	Cheng Du Zhong Qian Zhi Heng Management Limited
“Circular”	:	This circular to Shareholders dated 15 April 2019
“Closing Date”	:	The time and date to be determined by the Directors, being the last time and date for acceptance and/or Excess Application and payment of, the Rights Shares under the Rights Issue
“Code”	:	The Singapore Code on Take-overs and Mergers, as amended or modified from time to time
“Companies Act”	:	The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
“Company”	:	Sapphire Corporation Limited
“Concert Party Group”	:	The Undertaking Shareholder and Wang Heng, the Executive Director and Chief Executive Officer of the Company
“Constitution”	:	The constitution of the Company, as amended or modified from time to time
“Controlling Shareholder”	:	A person who (a) holds directly or indirectly 15.0% or more of the total number of issued Shares (excluding treasury shares) (unless the SGX-ST determines that such a person is not a Controlling Shareholder of the Company); or (b) in fact exercises control over the Company
“CPF”	:	The Central Provident Fund
“CPF Funds”	:	The CPF Savings account of CPFIS

DEFINITIONS

“CPFIS”	:	CPF Investment Scheme
“CPFIS Shareholders”	:	Persons who have previously brought their Shares under the CPFIS-Ordinary Account
“EGM”	:	The extraordinary general meeting of Shareholders to be held on 30 April 2019, notice of which is set out on page N-1 of this Circular
“Entitled Depositors”	:	Shareholders whose securities accounts with CDP are credited with Shares as at 5.00 p.m. (Singapore time) on the Books Closure Date, provided that such Entitled Depositors have registered addresses in Singapore with CDP as at the Books Closure Date or if they have registered addresses outside Singapore, they have provided CDP with a registered address in Singapore no later than 5.00 p.m. (Singapore time) on the date being three (3) Market Days prior to the Books Closure Date for the service of notices and documents
“Entitled Scripholders”	:	Shareholders whose share certificates are not deposited with CDP and who have tendered to the Share Registrar valid transfers of their Shares and the certificates relating thereto for registration up to the Books Closure Date, provided that such Entitled Scripholders have registered addresses in Singapore with the Share Registrar as at the Books Closure Date or if they have registered addresses outside Singapore, they have provided the Share Registrar with a registered address in Singapore no later than 5.00 pm. (Singapore time) on the date being three (3) Market Days prior to the Books Closure Date for the service of notices and documents
“Entitled Shareholders”	:	Entitled Depositors and Entitled Scripholders
“EPS”	:	Earnings per Share
“Excess Applications”	:	Applications by Entitled Shareholders of the Rights Shares in excess of their provisional allotments of Rights Shares
“Excess Rights Shares”	:	The Rights Shares which are not taken up by the Entitled Shareholders as at the Closing Date, and which may be applied for by Entitled Shareholders in excess of the number of Rights Shares provisionally allotted to such Entitled Shareholders
“Existing Share Capital”	:	The existing issued and paid-up share capital of the Company comprising 326,071,915 Shares, as at the Latest Practicable Date
“Foreign Shareholders”	:	Shareholders with registered addresses outside Singapore as at 5.00 p.m. (Singapore time) on the Books Closure Date, and who had not provided CDP or the Share Registrar, as the case may be, with a registered address in Singapore no later than 5.00 pm. (Singapore time) on the date being three (3) Market Days prior to the Books Closure Date for the service of notices and documents
“FY”	:	Financial year ended, or ending, as the case may be, on 31 December
“Group”	:	The Company and its subsidiaries

DEFINITIONS

“IFA”	: RHT Capital Pte. Ltd.
“IFA Letter”	: The letter dated 15 April 2019 from the IFA to the Independent Directors in relation to the Whitewash Resolution as set out in Appendix A to this Circular
“Independent Directors”	: The Directors who are considered independent for the purposes of making the recommendation to Independent Shareholders in respect of the Whitewash Resolution, being Mr. Oh Eng Bin, Mr. Duan Yang, Mr. Zhai Guiwu and Professor Chew Yong Tian
“Independent Shareholders”	: Shareholders who are deemed to be independent for the purposes of voting on the Whitewash Resolution
“Instructions Booklet”	: The instructions booklet to be despatched by the Company to Entitled Shareholders together with the PAL and the ARE containing the procedures for acceptances and applications for the Rights Shares
“Irrevocable Undertaking”	: The irrevocable undertaking dated 19 March 2019, which has been given by the Undertaking Shareholder to the Company to, amongst others, subscribe and pay in full for and/or procure the subscription of and payment in full for its <i>pro rata</i> entitlement to the Rights Shares and all Excess Rights Shares which are not otherwise subscribed for by the Entitled Shareholders under the Rights Issue by the Closing Date
“Issue Price”	: The issue price of S\$0.128 per Rights Share
“Latest Practicable Date”	: 9 April 2019, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	: The listing manual of the SGX-ST and its relevant rules, as amended, modified or supplemented from time to time
“Manager”	: Haitong International Securities (Singapore) Pte. Ltd.
“Market Day”	: A day on which the SGX-ST is open for trading in securities
“Notice of EGM”	: The notice of the EGM as set out on pages N-1 to N-3 of this Circular
“NTA”	: Net tangible assets
“PAL”	: The provisional allotment letter to be issued to Entitled Scripholders, setting out the provisional allotment of Rights Shares of such Entitled Scripholders under the Rights Issue
“Participating Banks”	: The banks that will be participating in the Rights Issue by making available their ATMs to Entitled Shareholders for acceptances of the Rights Shares and applications for Excess Rights Shares, as the case may be, to be made under the Rights Issue
“Proxy Form”	: The proxy form in respect of the EGM as attached to this Circular
“Ranken”	: Ranken Infrastructure Limited

DEFINITIONS

“Record Date”	: In relation to any dividends, rights, allotments or other distributions, the date as at the close of business (or such other time as may have been notified by the Company) on which Shareholders must be registered with CDP or the Share Registrar or the Securities Accounts of Shareholders must be credited with Shares, as the case may be, in order to participate in such dividends, rights, allotments or other distributions
“Register of Members”	: Register of members of the Company
“Resolutions”	: The resolutions to be passed by Shareholders at the EGM as set out in the Notice of EGM
“Rights Issue”	: The proposed non-renounceable non-underwritten rights issue by the Company of up to 81,517,978 Rights Shares at an Issue Price of S\$0.128 per Rights Share, on the basis of one (1) Rights Share for every four (4) Shares held by Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded
“Rights Shares”	: Up to 81,517,978 new Shares to be allotted and issued by the Company pursuant to the Rights Issue
“Securities Account”	: A securities account maintained by a Depositor with CDP (but does not include a securities sub-account maintained with a Depository Agent)
“SFA”	: The Securities and Futures Act (Chapter 289) of Singapore, as amended, modified or supplemented from time to time
“SGX-ST”	: Singapore Exchange Securities Trading Limited
“SGXNET”	: Singapore Exchange Network, the corporate announcement system maintained by the SGX-ST for the submission of information and announcements by listed companies
“Share Registrar”	: Tricor Barbinder Share Registration Services
“Shareholders”	: Registered holders of Shares in the Register of Members of the Company, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the persons named as Depositors in the Depository Register maintained by CDP and into whose Securities Accounts those Shares are credited
“Shares”	: Ordinary shares in the capital of the Company
“SIC”	: Securities Industry Council
“SRS”	: Supplementary Retirement Scheme
“SRS Account”	: An account opened by a participant in the SRS with an SRS Approved Bank from which money may be withdrawn for, <i>inter alia</i> , payment of the Rights Shares and/or Excess Rights Shares
“SRS Approved Banks”	: Approved banks in which SRS Members hold their SRS Accounts under the SRS

DEFINITIONS

“SRS Funds”	:	Monies standing to the credit of the SRS Accounts of SRS Members under the SRS
“SRS Members”	:	Members under the SRS
“Substantial Shareholder”	:	A person who has an interest in one (1) or more voting Shares in the Company, and the total votes attached to that Share, or those Shares, is not less than 5% of the total votes attached to all voting Shares in the Company
“Undertaking Shareholder”	:	Best Feast Limited, a Controlling Shareholder of the Company
“Undertaking Shareholder Maximum Subscription Scenario”	:	Has the meaning ascribed to it in paragraph 2.5(i) of this Circular
“Undertaking Shareholder Minimum Subscription Scenario”	:	Has the meaning ascribed to it in paragraph 2.5(ii) of this Circular
“Whitewash Resolution”	:	The proposed whitewash resolution for the waiver by the Independent Shareholders of their rights to receive a mandatory general offer from the Concert Party Group for all the issued Shares not already owned or controlled by them, as a result of their subscription of the Rights Shares under the Rights Issue
“Whitewash Waiver”	:	The waiver which the SIC granted on 5 March 2019 of the requirement for the Concert Party Group to make a mandatory general offer to the Independent Shareholders to acquire all their Shares under Rule 14 of the Code as a result of their subscription of and payment in full for (a) the pro rata entitlement of the Undertaking Shareholder in respect of the Rights Shares held by it as at the Books Closure Date, and (b) all Excess Rights Shares not otherwise subscribed for by the Entitled Shareholders under the Rights Issue, subject to the satisfaction of any conditions as may be imposed by the SIC
“%” or “per cent.”	:	Percentage or per centum
“RMB”	:	Renminbi
“S\$”	:	Singapore dollars

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the same meanings ascribed to them respectively in Section 81SF of the SFA. The term **“subsidiary”** shall have the same meaning ascribed to it in Section 5 of the Companies Act.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

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

The words **“written”** and **“in writing”** include, where the context requires, any means of visible reproduction.

DEFINITIONS

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

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

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

LETTER TO SHAREHOLDERS

SAPPHIRE CORPORATION LIMITED

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

LETTER TO SHAREHOLDERS

Board of Directors

Mr. Cheung Wai Suen (Executive Director and Chairman)
Ms. Wang Heng (Executive Director and Chief Executive Officer)
Mr. Oh Eng Bin (Lead Independent Non-Executive Director)
Mr. Duan Yang (Independent Non-Executive Director)
Mr. Zhai Guiwu (Independent Non-Executive Director)
Professor Chew Yong Tian (Independent Non-Executive Director)

Registered Office:

1 Robinson Road #17-00
AIA Tower
Singapore 048542

15 April 2019

To: The Shareholders of Sapphire Corporation Limited

Dear Sir/Madam

- (1) **THE PROPOSED NON-RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF UP TO 81,517,978 RIGHTS SHARES AT AN ISSUE PRICE OF S\$0.128 FOR EACH RIGHTS SHARE, ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY FOUR (4) EXISTING SHARES HELD BY THE SHAREHOLDERS OF THE COMPANY AS AT A BOOKS CLOSURE DATE TO BE DETERMINED BY THE BOARD, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED; AND**
- (2) **THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER BY THE INDEPENDENT SHAREHOLDERS OF THEIR RIGHTS TO RECEIVE A MANDATORY GENERAL OFFER FROM THE CONCERT PARTY GROUP FOR ALL OF THE ISSUED SHARES NOT ALREADY OWNED OR CONTROLLED BY THE CONCERT PARTY GROUP AS A RESULT OF THE RIGHTS ISSUE.**

1. INTRODUCTION

The Directors are convening an EGM to be held at 10 Anson Road #28-15, International Plaza, Singapore 079903 on 30 April 2019 at 11.00 a.m. to seek Shareholders' approval for the following proposals:

- (a) the allotment and issue of the Rights Shares and the Rights Issue; and
- (b) the Whitewash Resolution.

Shareholders should note that Resolutions 1 and 2 relating to the Rights Issue and the Whitewash Resolution respectively are inter-conditional.

This Circular has been prepared to provide Shareholders with information relating to the proposals, which will be tabled at the EGM, notice of which is set out on pages N-1 to N-3 of this Circular.

Shareholders are advised that the SGX-ST assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Circular. Approval in-principle has been obtained from the SGX-ST for the dealing in, listing of and quotation for the Rights Shares pursuant to the Rights Issue. The approval in-principle granted by the SGX-ST is not to be taken as an indication of the merits of the Rights Issue, the Rights Shares, the Shares, the Company and/or its subsidiaries.

LETTER TO SHAREHOLDERS

2. THE RIGHTS ISSUE

2.1 Basis of the Rights Issue

On 30 December 2018, the Company announced that it is proposing to offer, on a non-renounceable non-underwritten basis, up to 81,517,978 Rights Shares at the Issue Price for each Rights Share, on the basis of one (1) Rights Share for every four (4) existing Shares held by the Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded, subject to the conditions stated in paragraph 2.3 of this Circular.

Based on the Company's Existing Share Capital comprising 326,071,915 Shares, the Company will issue up to 81,517,978 Rights Shares. The Company has no outstanding convertible securities as at the date of this Circular.

2.2 Principal Terms of the Rights Shares

The principal terms of the Rights Shares are as set out below:

Number of Rights Shares	:	Up to 81,517,978 Rights Shares will be issued.
Basis of provisional allotment	:	One (1) Rights Share for every four (4) existing Shares held by Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded.
Issue Price	:	S\$0.128 for each Rights Share, payable in full on acceptance and/or application.
Discount	:	The Issue Price represents a discount of approximately: <ul style="list-style-type: none">(a) 11.11% to the last transaction price of S\$0.144 per Share on the Mainboard of the SGX-ST on 24 December 2018, being the last trading day⁽¹⁾ on which the Shares were traded immediately preceding the Announcement; and(b) 9.09% to the theoretical ex-rights price⁽²⁾ of S\$0.1408 per Share.

Notes:

		(1) 24 December 2018 was a half-day trading day, being the eve of Christmas Day.
		(2) The theoretical ex-rights price is the theoretical market price of each Share assuming the maximum of 81,517,978 Rights Shares are issued pursuant to the Rights Issue, and is computed based on the last transaction price of S\$0.144 per Share on the Mainboard of the SGX-ST on 24 December 2018, being the last trading day on which the Shares were traded immediately preceding the Announcement.
Status of the Rights Shares	:	The Rights Shares will, upon allotment and issue, rank <i>pari passu</i> in all respects with the then existing Shares, save for any dividends, rights, allotments or other distributions, the Record Date of which falls on or after the date of issue of the Rights Shares.
Eligibility to participate in the Rights Issue	:	Please refer to paragraph 2.4 of this Circular for further details.

LETTER TO SHAREHOLDERS

Listing of the Rights Shares : Approval in-principle for the dealing in, listing of and quotation for the Rights Shares on the SGX-ST has been granted by the SGX-ST on 12 April 2019, subject to certain conditions, details of which are set out in paragraph 2.3 of this Circular.

The approval in-principle granted by the SGX-ST is not to be taken as an indication of the merits of the Rights Issue, the Rights Shares, the Company and/or its subsidiaries.

Acceptance, excess application and payment procedures : Entitled Shareholders will be at liberty to accept in full or in part or decline their provisional allotments of the Rights Shares on the SGX-ST and will be eligible to apply for the additional Rights Shares in excess of their provisional allotments under the Rights Issue.

Fractional entitlements to the Rights Shares (if any) will be disregarded in arriving at the entitlements of the Entitled Shareholders and, together with the provisional allotments of Rights Shares which are not taken up or allotted for any reason and the entitlements to Rights Shares which would otherwise accrue to Foreign Shareholders, shall be aggregated and allotted to satisfy Excess Applications (if any) or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company.

In the allotment of Excess Rights Shares, the Company will allocate the Excess Rights Shares in a manner deemed fit and appropriate.

The allocation method will be decided based on the results of the Rights Shares applications by the Directors after the Closing Date. Preference will be given to the rounding of odd lots, and Directors and Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board, will rank last in priority for the rounding of odd lots and allotment of Excess Rights Shares. The Company will also not make any allotment and issue of any Excess Rights Shares that will result in a transfer of controlling interest in the Company unless otherwise approved by Shareholders in a general meeting.

The procedures for acceptance, payment and Excess Applications by the Entitled Shareholders will be set out in the Instructions Booklet to be despatched to the Entitled Shareholders in due course, subject to, *inter alia*, the Rights Issue and the Whitewash Resolution being approved by the Shareholders at the EGM.

Trading of the Rights Shares : Upon the listing and quotation of the Rights Shares on the SGX-ST, the Rights Shares will be traded on the SGX-ST under the book-entry (scripless) settlement system. For the purposes of trading on the SGX-ST, each board lot of Shares will comprise 100 Shares.

LETTER TO SHAREHOLDERS

Use of CPF Funds

- : Subject to applicable CPF rules and regulations, CPFIS Shareholders may only use their CPF Funds (subject to the availability of investible savings) for the payment of the Issue Price to subscribe for their provisional allotments of Rights Shares and/or apply for Excess Rights Shares.

CPFIS Shareholders who wish to accept the provisional allotments of Rights Shares and (if applicable) apply for Excess Rights Shares using CPF Funds will need to instruct their respective approved CPF agent banks, with whom they hold their CPF investment accounts, to accept the provisional allotments of Rights Shares and (if applicable) apply for the Excess Rights Shares on their behalf in accordance with the procedures set out in the Instructions Booklet. In the case of insufficient CPF funds or stock limit, CPFIS Shareholders could top up cash into their CPF accounts before instructing their respective approved CPF agent banks to accept the Rights Shares and (if applicable) apply for Excess Rights Shares. Any acceptance of the Rights Shares provisionally allotted pursuant to the Shares and/or (if applicable) application for Excess Rights Shares made directly through CDP, the Share Registrar and/or the Company, and/or the ATM of any Participating Bank appointed and named in the Instructions Booklet, will be rejected.

Entitled Shareholders who had purchased the Shares using their SRS Accounts must use, subject to applicable SRS rules and regulations, monies standing to the credit of their respective SRS Accounts to pay for the acceptance of their Rights Shares and/or (if applicable) application for Excess Rights Shares. Such Entitled Shareholders who wish to accept their Rights Shares and (if applicable) apply for Excess Rights Shares using SRS monies, must instruct the relevant SRS Approved Banks in which they hold their SRS Accounts to accept their Rights Shares and/or (if applicable) apply for Excess Rights Shares on their behalf in accordance with the Instructions Booklet. Such Entitled Shareholders who have insufficient funds in their SRS Accounts may, subject to the SRS contribution cap, deposit cash into their SRS Accounts with their respective SRS Approved Banks before instructing their respective SRS Approved Banks to accept their Rights Shares and/or (if applicable) apply for Excess Rights Shares. SRS investors are advised to provide their respective SRS Approved Banks in which they hold their SRS Accounts with the appropriate instructions no later than the deadlines set by their respective SRS Approved Banks in order for their respective SRS Approved Banks to make the relevant acceptance and (if applicable) application on their behalf by the Closing Date. Any acceptance of the Rights Shares provisionally allotted pursuant to the Shares and/or (if applicable) application for Excess Rights Shares made directly through CDP, the Share Registrar and/or the Company, and/or the ATM of any Participating Bank appointed and named in the Instructions Booklet, will be rejected.

LETTER TO SHAREHOLDERS

Irrevocable Undertaking	:	Please refer to paragraph 2.5 of this Circular for further details.
Non-underwritten	:	The Rights Issue is non-underwritten.
Governing law	:	Laws of Singapore.

The terms and conditions of the Rights Issue are subject to such changes as the Directors may deem fit and which will be announced from time to time by the Company. The procedures for acceptances and applications for the Rights Shares and the Excess Rights Shares will be contained in the Instructions Booklet to be despatched to Entitled Shareholders in due course following the EGM, subject to, *inter alia*, the Rights Issue being approved by Shareholders at the EGM.

Entitled Shareholders should note that the Rights Issue is made on a non-renounceable basis and accordingly, they would not be able to renounce in part or in whole, or trade, their provisional allotments of the Rights Shares to a third party. Entitled Shareholders should also note that in the event they do not subscribe for their entitlements of Rights Shares, their shareholding interests in the Company will be diluted upon the completion of the Rights Issue.

2.3 Conditions for the Rights Issue

The Rights Issue is subject to, *inter alia*, the following:

- (a) the receipt of the approval in-principle of the SGX-ST for the dealing in, listing of and quotation for the Rights Shares on the Mainboard of the SGX-ST, such approval not having been withdrawn or revoked as at the date of completion of the Rights Issue, and if such approval is granted subject to conditions, such conditions being acceptable to the Company;
- (b) the Whitewash Waiver being granted by the SIC and not having been withdrawn or revoked as at the date of completion of the Rights Issue;
- (c) the Rights Issue and the issue of the Rights Shares being approved by Shareholders at the EGM; and
- (d) the Whitewash Resolution being approved by the Independent Shareholders at the EGM.

On 12 April 2019, the Company received approval in-principle from the SGX-ST for the dealing in, listing of and quotation for the Rights Shares on the Mainboard of the SGX-ST, subject to the following conditions:

- (i) the Company's compliance with the SGX-ST's listing requirements;
- (ii) Shareholders' approval for the Rights Issue;
- (iii) a written undertaking from the Company that it will comply with Rules 704(30), 815 and 1207(20) of the Listing Manual in relation to the use of the proceeds from the Rights Issue and where proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital in the Company's announcements on use of proceeds and in the annual report;
- (iv) a written undertaking from the Company that it will comply with Rule 877(10) of the Listing Manual with regards to the allotment of any Excess Rights Shares;

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- (v) a written undertaking from the Company that:
 - (1) it will, prior to the announcement of the Books Closure Date for the Rights Issue, conduct and complete independent cash verification of its cash position as at 31 December 2018 using the transactional bank statements (the “**Cash Verification**”);
 - (2) it will place the Net Proceeds into an escrow account and any disbursements from the escrow account to be approved by the Audit Committee of the Company (“**Audit Committee**”);
 - (3) it will commission an independent verification of the material disbursements of the Net Proceeds (the “**Transaction Audit**”); and
 - (4) the Audit Committee will review the findings of the Cash Verification and the Transaction Audit;
- (vi) disclosure via SGXNET of:
 - (1) a confirmation from the Audit Committee as to whether it is satisfied with the results of the Cash Verification;
 - (2) a confirmation from the Audit Committee as to whether it is satisfied with the results of the Transaction Audit; and
 - (3) if applicable, material issues highlighted by the independent reviewer and how these material issues will be / have been addressed; and
- (vii) a written confirmation from a financial institution as required under Rule 877(9) of the Listing Manual that the Undertaking Shareholder who has given the Irrevocable Undertaking has sufficient financial resources to fulfil its obligations under its undertakings.

The approval in-principle of the SGX-ST is not to be taken as an indication of the merits of the Rights Issue, the Rights Shares, the Shares, the Company and/or its subsidiaries. The SGX-ST assumes no responsibility for the accuracy of any statements made, reports contained or opinions expressed in this Circular.

2.4 Eligibility of Shareholders to participate in the Rights Issue

2.4.1 Entitled Shareholders

Entitled Shareholders will be entitled to participate in the Rights Issue and to receive the Instructions Booklet together with the AREs or PALs, as the case may be, and its accompanying documents at their respective Singapore addresses. Entitled Depositors who do not receive the Instructions Booklet and AREs may obtain them from CDP during the period up to the Closing Date. Entitled Scripholders who do not receive the Instructions Booklet and the PALs may obtain them from the Share Registrar during the period up to the Closing Date.

Entitled Depositors who wish to accept their provisional allotments of Rights Shares and (if applicable) apply for Excess Rights Shares, may only do so through CDP and/or at any ATM of a Participating Bank. Full details of the procedures for acceptances and applications for the Rights Shares and the Excess Rights Shares will be set out in the Instructions Booklet to be despatched to Entitled Shareholders in due course.

(a) Entitled Depositors

Entitled Depositors should note that all correspondences and notices will be sent to their last registered addresses in Singapore with CDP. Entitled Depositors are reminded that any request to effect any change in address must reach CDP not later than three (3) Market Days before the Books Closure Date.

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(b) Entitled Scripholders

Entitled Scripholders are encouraged to open Securities Accounts if they have not already done so and to deposit their share certificates with CDP at least 12 Market Days prior to the Books Closure Date so that their Securities Accounts may be credited by CDP with their Shares and the provisional allotments of Rights Shares. Entitled Shareholders should note that their Securities Accounts will only be credited with the Rights Shares on the 12th Market Day from the date of lodgement of the share certificates with CDP or such later date as CDP may determine.

Entitled Scripholders should also note that all correspondences and notices will be sent to their last registered addresses in Singapore in the Register of Members. Entitled Scripholders are reminded that any request to the Company to update their records or effect any change in address must reach the Share Registrar not later than three (3) Market Days prior to the Books Closure Date.

Duly completed and stamped transfers (in respect of Shares not registered in the name of CDP), together with all relevant documents of title, received by the Share Registrar up to 5.00 p.m. on the Books Closure Date will be registered to determine the Entitled Scripholders' provisional Rights Shares entitlements under the Rights Issue.

2.4.2 Provisional Allotments and Excess Applications

Entitled Shareholders will be at liberty to accept (in full or in part) or decline their provisional allotments of the Rights Shares and will be eligible to apply for additional Rights Shares in excess of their provisional allotments under the Rights Issue. Fractional entitlements to the Rights Shares will be disregarded in arriving at the Entitled Shareholders' entitlements and will, together with the provisional allotments which are not taken up for any reason, and the entitlements to Rights Shares which would otherwise accrue to Foreign Shareholders, be aggregated and used to satisfy Excess Applications (if any) or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the best interests of the Company, subject to applicable laws and the Listing Manual.

In the allotment of Excess Rights Shares, preference will be given to the rounding of odd lots, and Directors and Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board, will rank last in priority for the rounding of odd lots and allotment of Excess Rights Shares. The Company will not make any allotment and issue of Excess Rights Shares that will result in a transfer of controlling interest in the Company unless otherwise approved by Shareholders at a general meeting.

2.4.3 Foreign Shareholders

The documents relating to the Rights Issue have not been and will not be lodged, registered or filed in Singapore or any other jurisdiction. The distribution of the documents relating to the Rights Issue may be prohibited or restricted (either absolutely or subject to various relevant securities requirements, whether legal or administrative, being complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions. For practical reasons and in order to avoid any violation of the relevant securities legislation applicable in countries other than Singapore, the Rights Issue is only made in Singapore and the documents relating to the Rights Issue have not been and will not be despatched to Foreign Shareholders.

Accordingly, Foreign Shareholders will not be entitled to participate in the Rights Issue. No provisional allotment of the Rights Shares will be made to Foreign Shareholders and no purported acceptance thereof or application therefor by any Foreign Shareholder will be valid.

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The Company reserves the right to reject any acceptances of the Rights Shares and/or any Excess Application where it believes, or has reason to believe, that such acceptance or application may violate the applicable legislation of any jurisdiction. The Company further reserves the right to treat as invalid or to decline to register such application or purported application which (a) appears to the Company or its agent(s) to have been executed in any jurisdiction outside Singapore which may violate the applicable legislation of such jurisdiction; (b) provides an address outside Singapore for the receipt of the share certificate(s) or which requires the Company to despatch the share certificate(s) for the Rights Shares to an address in any jurisdiction outside Singapore; or (c) purports to exclude any deemed representation or warranty.

The Rights Shares which are not otherwise taken up or allotted for any reason will be used to satisfy Excess Applications or dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company, subject to applicable laws and the Listing Manual, and no Foreign Shareholder shall have any claim whatsoever against the Company or CDP in connection therewith.

Notwithstanding the above, Shareholders and any other person having possession of the documents relating to the Rights Issue are advised to inform themselves of and to observe any legal requirements applicable thereto. No person in any territory outside Singapore receiving the documents relating to the Rights Issue may treat the same as an offer, invitation or solicitation to subscribe for any Rights Shares unless such offer, invitation or solicitation could lawfully be made without compliance with, or any breach of, any registration or other legal requirements in those territories.

The procedures for acceptances of the provisional allotments of Rights Shares and for the applications for Excess Rights Shares, including the different modes of acceptance or application and payment, will be set out in the Instructions Booklet to be despatched by the Company to the Entitled Shareholders in due course.

2.5 Irrevocable Undertaking

As at the Latest Practicable Date, the Undertaking Shareholder directly holds 91,171,293 Shares, representing 27.96% of the Existing Share Capital. The Undertaking Shareholder is a Controlling Shareholder of the Company. The Undertaking Shareholder is wholly owned by Chengdu Wuxingke. The directors of the Undertaking Shareholder are Wang Heng and Yang Lijun. Please refer to Appendix C for the shareholding structure of the Undertaking Shareholder.

Further to the Announcement, as an indication of its support and commitment to the Company and the Rights Issue, the Undertaking Shareholder has provided the Irrevocable Undertaking to the Company pursuant to which it has, subject to certain conditions, irrevocably undertaken to the Company that, among others:

- (a) as at the Books Closure Date, the number of Shares held by the Undertaking Shareholder will not be less than the number of Shares held by it as at the date of the Irrevocable Undertaking;
- (b) it will vote in favour of the Rights Issue and the issue of the Rights Shares at the EGM (including any adjournment thereof); and
- (c) it will, not later than the last day for acceptance and payment of the Rights Shares and subject to the approval of the Shareholders of the Whitewash Resolution, subscribe for and pay in full for and/or procure the subscription of and payment in full for its *pro rata* entitlement to the Rights Shares in relation to Shares held by it as at the Books Closure Date, and all Excess Rights Shares which are not otherwise subscribed for by the Entitled Shareholders under the Rights Issue, in accordance with the terms and conditions of the Rights Issue.

The Undertaking Shareholder had furnished a confirmation of his financial resources from a financial institution to the Company pursuant to the Irrevocable Undertaking.

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For illustrative purposes only, depending on the level of subscription of the Rights Issue, the shareholdings of the Undertaking Shareholder and the other Shareholders after the completion of the Rights Issue is set out below:

- (i) Based on the Existing Share Capital of the Company, and assuming that (1) none of the Shareholders except for the Undertaking Shareholder subscribes for their respective *pro rata* entitlements to Rights Shares under the Rights Issue or any Excess Rights Shares; and (2) the Undertaking Shareholder subscribes for its *pro rata* entitlement to the Rights Shares and all Excess Rights Shares under the Rights Issue pursuant to the Irrevocable Undertaking, the Company will issue 81,517,978 Rights Shares to the Undertaking Shareholder (the “**Undertaking Shareholder Maximum Subscription Scenario**”):

	Before Rights Issue				After Rights Issue			
	Direct interest		Deemed interest		Direct interest		Deemed interest	
	Number of Shares	Shareholding percentage (%) ⁽¹⁾	Number of Shares	Shareholding percentage (%) ⁽¹⁾	Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)
Undertaking Shareholder								
Best Feast Limited ⁽²⁾⁽³⁾⁽⁴⁾	91,171,293	27.96	–	–	172,689,271	42.37	–	–
Directors								
Cheung Wai Suen	–	–	–	–	–	–	–	–
Wang Heng ⁽³⁾⁽⁴⁾	500,000	0.15	91,171,293	27.96	500,000	0.12	172,689,271	42.37
Oh Eng Bin	–	–	–	–	–	–	–	–
Duan Yang	–	–	–	–	–	–	–	–
Zhai Guiwu	–	–	–	–	–	–	–	–
Chew Yong Tian	–	–	–	–	–	–	–	–
Substantial Shareholders (other than Directors and Undertaking Shareholder)								
Chengdu Wuxingke ⁽²⁾	–	–	91,171,293	27.96	–	–	172,689,271	42.37
Ou Rui Limited ⁽⁵⁾	56,523,667	17.33	–	–	56,523,667	13.87	–	–
Li Xiaobo ⁽⁵⁾	–	–	56,523,667	17.33	–	–	56,523,667	13.87
Other Shareholders	177,876,955	54.55	–	–	177,876,955	43.64	–	–
Sub-total for other Shareholders apart from the Undertaking Shareholder	234,900,622	72.04	–	–	234,900,622	57.63	–	–
Total	326,071,915	100.0	–	–	407,589,893	100.00	–	–

Notes:

- (1) Based on the Existing Share Capital.
- (2) Chengdu Wuxingke holds the entire issued and paid-up share capital of Best Feast Limited and accordingly, is treated as having an interest in the Shares held by Best Feast Limited by virtue of Section 4(4) of the SFA.
- (3) Wang Heng holds direct and indirect (through Chengdu Zhongqian) interests comprising an aggregate of 99.25% of the total shares of Chengdu Wuxingke. Based on Wang Heng's indirect interests through Chengdu Zhongqian and direct interests in Chengdu Wuxingke, Wang Heng is deemed interested in the Shares held by Best Feast Limited, a wholly-owned subsidiary of Chengdu Wuxingke by virtue of Section 7 of the Companies Act.
- (4) Wang Heng is deemed to be acting in concert with the Undertaking Shareholder. Please refer to paragraph 5.1 of this Circular for further details. Assuming the Undertaking Shareholder Maximum Subscription Scenario, the aggregate shareholding interests of Wang Heng and the Undertaking Shareholder will be 173,189,271 Shares representing approximately 42.49% of the total number of issued Shares of the Company.
- (5) Li Xiaobo holds the entire issued and paid-up share capital of Ou Rui Limited and accordingly, is treated as having an interest in the Shares held by Ou Rui Limited by virtue of Section 4(4) of the SFA.

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- (ii) Based on the Existing Share Capital of the Company, and assuming that all Shareholders subscribe for their respective *pro rata* entitlements to Rights Shares under the Rights Issue, the Company will issue 81,517,978 Rights Shares (the “**Undertaking Shareholder Minimum Subscription Scenario**”):

	Before Rights Issue				After Rights Issue			
	Direct interest		Deemed interest		Direct interest		Deemed interest	
	Number of Shares	Shareholding percentage (%) ⁽¹⁾	Number of Shares	Shareholding percentage (%) ⁽¹⁾	Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)
Undertaking Shareholder								
Best Feast Limited ⁽²⁾⁽³⁾⁽⁴⁾	91,171,293	27.96	–	–	113,964,116	27.96	–	–
Directors								
Cheung Wai Suen	–	–	–	–	–	–	–	–
Wang Heng ⁽³⁾⁽⁴⁾	500,000	0.15	91,171,293	27.96	625,000	0.15	113,964,116	27.96
Oh Eng Bin	–	–	–	–	–	–	–	–
Duan Yang	–	–	–	–	–	–	–	–
Zhai Guiwu	–	–	–	–	–	–	–	–
Chew Yong Tian	–	–	–	–	–	–	–	–
Substantial Shareholders (other than Directors and Undertaking Shareholder)								
Chengdu Wuxingke ⁽²⁾	–	–	91,171,293	27.96	–	–	91,171,293	27.96
Ou Rui Limited ⁽⁵⁾	56,523,667	17.33	–	–	70,654,583	17.33	–	–
Li Xiaobo ⁽⁵⁾	–	–	56,523,667	17.33	–	–	70,654,583	17.33
Other Shareholders	177,876,955	54.55	–	–	222,346,194	54.55	–	–
Sub-total for other Shareholders apart from the Undertaking Shareholder	234,900,622	72.04	–	–	293,625,777	72.04	–	–
Total	326,071,915	100.0	–	–	407,589,893	100.00	–	–

Notes:

- (1) Based on the Existing Share Capital.
- (2) Chengdu Wuxingke holds the entire issued and paid-up share capital of Best Feast Limited and accordingly, is treated as having an interest in the Shares held by Best Feast Limited by virtue of Section 4(4) of the SFA.
- (3) Wang Heng holds direct and indirect (through Chengdu Zhongqian) interests comprising an aggregate of 99.25% of the total shares of Chengdu Wuxingke. Based on Wang Heng's indirect interests through Chengdu Zhongqian and direct interests in Chengdu Wuxingke, Wang Heng is deemed interested in the Shares held by Best Feast Limited, a wholly-owned subsidiary of Chengdu Wuxingke by virtue of Section 7 of the Companies Act.
- (4) Wang Heng is deemed to be acting in concert with the Undertaking Shareholder. Please refer to paragraph 5.1 of this Circular for further details. Assuming the Undertaking Shareholder Minimum Subscription Scenario, the aggregate shareholding interests of Wang Heng and the Undertaking Shareholder will be 114,589,116 Shares representing approximately 28.11% of the total number of issued Shares of the Company.
- (5) Li Xiaobo holds the entire issued and paid-up share capital of Ou Rui Limited and accordingly, is treated as having an interest in the Shares held by Ou Rui Limited by virtue of Section 4(4) of the SFA.

The Irrevocable Undertaking is conditional upon, among others, the following:

- (1) the receipt of the approval in-principle of the SGX-ST for the dealing in, listing of and quotation for the Rights Shares on the Mainboard of the SGX-ST, such approval not having been withdrawn or revoked as at the date of completion of the Rights Issue, and if such approval is granted subject to conditions, such conditions being acceptable to the Company;

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- (2) the Whitewash Waiver being granted by the SIC and not having been withdrawn or revoked as at the date of completion of the Rights Issue;
- (3) the Rights Issue and the issue of the Rights Shares being approved by Shareholders at the EGM; and
- (4) the Whitewash Resolution being approved by the Independent Shareholders at the EGM.

2.6 Non-underwritten basis

The Rights Issue will not be underwritten. In the reasonable opinion of the Directors, and in view of the Irrevocable Undertaking, there is no minimum amount which must be raised from the Rights Issue. After taking into consideration the aforementioned and the costs of engaging an underwriter and having to pay commission in relation to the underwriting, the Directors have decided that it is neither feasible nor practical for the Rights Issue to be underwritten by a financial institution.

2.7 Rationale for the Rights Issue and use of proceeds

Whilst the Company has been exploring various means of fundraising including external borrowings and debt instruments, the rising interest rate environment and the creation of security interests for bank borrowings has the Company favouring an equity fundraising as the most optimal and equitable form of fundraising, and undertaking the proposed Rights Issue to strengthen the financial position and capital base of the Group. As at 31 December 2018,

- (a) the Group has cash and cash equivalents of approximately RMB 204 million, out of which approximately RMB 122 million has been earmarked for specific projects in the PRC and are currently held in the relevant project bank accounts of the Group, and will be utilised as and when required in accordance with the schedule of the projects; and
- (b) the gearing ratio of the Group before the allotment and issue of the Rights Shares is 0.55 times, and substantial amounts of the Group's assets have been secured for bank borrowings.

In addition, as at the Latest Practicable Date, the Group has utilised a portion of the cash and cash equivalents for paying down bank borrowings.

While the Group may continue to renew such facilities or secure new bank borrowings, the banks' conditions for refinancing requires the Group to pay off the existing loans prior to the renewal or provision of any new facilities. Details of the cash flow for repayment of bank borrowings in 2019 of the Group are set out in the Annual Report of the Company for FY2018.

Given the cash flow requirements for its current projects, the Rights Issue will provide the Group with flexibility to explore the entry into various new public-private partnership projects which the Group is discussing with project partners, and to continue growing the business of the Group without remaining stagnant.

The Company had previously explored alternative fundraising methods via debt issuances to an advanced stage (including having appointed the relevant professional parties) but had decided that it would not be in the best interests of the Company to proceed given the high cost of the exercise and unfavourable market conditions.

In view of the current financial circumstances and the Group's order book, the Company believes that the net proceeds from the proposed Rights Issue will strengthen the Company's balance sheet, for which a stronger financial position will provide financial flexibility for the Group and also allow the Group to seize opportunities for business growth and expansion in a timely manner and as and when the opportunities arise.

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The Company has decided to proceed with a non-renounceable Rights Issue as the price of any nil-paid rights and trading of nil-paid rights is not expected to be meaningful given the current low trading volume in the Shares, and the Rights Issue will be completed within a shorter timeframe and with fewer administrative and logistical requirements than that of a renounceable rights issue. Notwithstanding that Entitled Shareholders will not be able to trade their provisional entitlements of the Rights Shares, the Rights Issue presents an equitable form of fund-raising which allows for all Shareholders to participate on a *pro rata* basis. The Rights Shares will be offered on a *pro rata* basis to all Entitled Shareholders and the Issue Price is the same for all Entitled Shareholders (including the Undertaking Shareholder), and Entitled Shareholders are at a liberty to accept (in full or in part) or decline their provisional allotments of the Rights Shares and will be eligible to apply for additional Rights Shares in excess of their provisional allotments under the Rights Issue.

In addition, the Rights Issue will also provide existing Shareholders who are confident of the future prospects of the Company with an opportunity to invest in new equity in the Company.

The Company expects to raise net proceeds of up to approximately S\$9.98 million from the Rights Shares (the “**Net Proceeds**”), after deducting estimated expenses of approximately S\$0.46 million.

The Company intends to use the Net Proceeds from the Rights Issue in the following manner:

Use of proceeds	Amount	Percentage Allocation
Making strategic investments into and the development of water and environmental management projects (“ WEM Projects ”) ⁽¹⁾	Approximately S\$4.99 million	Approximately 50%
General corporate purposes including general corporate and/or working capital requirements of the Group ⁽²⁾	Approximately S\$4.99 million	Approximately 50%

Notes:

- (1) Such WEM Projects include public-private partnership (PPP) projects such as the “Liveable River Bank” project in Chengdu, Sichuan Province, details of which were disclosed in the Company’s announcements dated 19 November 2018, 30 December 2018, 7 January 2019 and 14 January 2019. As disclosed in the Company’s announcement dated 30 December 2019 and 7 January 2019, the overall capital reserves in CDJ Environmental, an associate of the Group, is expected to be about RMB 223 million, and as at 30 December 2018, the capital reserves in CDJ Environmental amounted to RMB 50 million. The remainder of the capital reserves shall be paid by its shareholders in accordance with a schedule to be agreed from time to time pursuant to PRC law, and the Group is expected to contribute an additional amount of approximately RMB 43.25 million (S\$8.65 million). Approximately 50% of the Net Proceeds, being S\$4.99 million, will be utilised for this purpose.

The Group is exploring further opportunities in such WEM Projects and the Net Proceeds will be crucial in allowing it to respond in a timely manner to opportunities as and when such opportunities present themselves through strategic investments into and the development of such projects.

- (2) The working capital requirements of the Group include its existing order book of RMB 2.6 billion as at 31 December 2018. These include but are not limited to the contracts secured by Ranken and its subsidiaries, namely, the first phase of Wuhou District “Liveable River Bank” project in Chengdu, Sichuan Province, PRC; the urban subway system in Hangzhou, PRC; the Dalian Metro Line 5; the second phase of the Urumqi Airport Rail Transit Line 2; the second phase of the Beijing Metro’s Changping Line; the Ningbo Rail Transit Line; the Beijing Metro Line 12; and the Jian Cao Ping flyover, details of which were disclosed in the Company’s announcements dated 14 January 2019, 17 September 2018, 12 October 2017, 12 September 2017, 24 July 2017, 28 September 2017 and 14 July 2016 respectively.

The Directors are of the opinion that, after taking into consideration the Group’s internal resources, present bank facilities and operating cash flows as well as the Net Proceeds from the Rights Issue, the working capital available to the Group is sufficient for the Group to meet its present obligations and continue to operate as a going concern.

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As and when there is any significant utilisation and/or disbursement of the proceeds raised from the Rights Issue, the Company will make the necessary announcements on SGXNET and subsequently provide a status report on the use of such proceeds in its annual report. Where the proceeds have been used for working capital purposes, the Company will provide a breakdown with specific details on how the proceeds have been applied in the Company's announcements and the annual report. Where there is any material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation.

Pending the deployment of the Net Proceeds for the use(s) mentioned above, the proceeds may be placed as deposits with financial institutions, or invested in short-term money market or debt instruments, or for any other purposes on a short-term basis as the Directors may deem fit in the interests of the Group.

2.8 Books Closure Date

The Books Closure Date for the purposes of determining the Entitled Shareholders' entitlements under the Rights Issue will be announced at a later date.

3. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for FY2016, FY2017 and FY2018, as well as the review thereof, are set out in Appendix B to this Circular.

4. FINANCIAL EFFECTS OF THE RIGHTS ISSUE

The financial effects of the Rights Issue presented herein on a *pro forma* basis are purely for illustrative purposes only and do not purport to be indicative or a projection or an estimate of the financial results and financial positions of the Company and/or the Group immediately after the completion of the Rights Issue.

The financial effects of the Rights Issue have been prepared on a *pro forma* basis based on the latest audited consolidated financial statements of the Group for the financial period ended 31 December 2018. The financial effects of the Rights Issue are presented herein after taking into account the following assumptions:

- (a) for the purpose of computing the financial effects of the Rights Issue on the share capital, NTA per Share, NAV per Share and the gearing of the Group, the Rights Issue is assumed to have been completed on 31 December 2018;
- (b) for the purpose of computing the financial effects of the Rights Issue on the EPS of the Group, the Rights Issue is assumed to have been completed on 1 January 2018; and
- (c) the foreign exchange rate used for such computation is SGD 1: RMB 5.0368 as at 28 December 2018 and as extracted from published information by Bloomberg L.P.

4.1 Share Capital

	Number of Shares	Share capital (RMB'000)
Existing Share Capital as at 31 December 2018 (before the Rights Issue)	326,071,915	413,839
After the allotment and issue of the Rights Shares	407,589,893	464,090

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4.2 NTA

NTA as at 31 December 2018 (before the Rights Issue) (RMB'000)	435,464
NTA per Share as at 31 December 2018 (before the Rights Issue) (RMB cents)	133.55
NTA after the Rights Issue (RMB'000)	485,715
NTA per Share after the allotment and issue of the Rights Shares (RMB cents)	119.17

4.3 NAV

NAV as at 31 December 2018 (before the Rights Issue) (RMB'000)	505,917
NAV per Share as at 31 December 2018 (before the Rights Issue) (RMB cents)	155.16
NAV after the Rights Issue (RMB'000)	556,168
NAV per Share after the allotment and issue of the Rights Shares (RMB cents)	136.45

4.4 EPS

Net profit attributable to Shareholders as at 31 December 2018 (RMB'000)	16,364
Weighted average number of Shares before the allotment and issue of the Rights Shares	326,071,915
EPS (before the Rights Issue) (RMB cents)	5.02
Weighted average number of Shares after the allotment and issue of the Rights Shares	407,589,893
EPS (after the Rights Issue) (RMB cents)	4.01

4.5 Gearing

Total borrowings as at 31 December 2018 (before the Rights Issue) (RMB'000)	281,797
Total Shareholders' equity as at 31 December 2018 (before the Rights Issue) (RMB'000)	516,136
Gearing ratio as at 31 December 2018 before the allotment and issue of the Rights Shares (times)	0.55
Total borrowings after the allotment and issue of the Rights Shares (RMB'000)	281,797
Total Shareholders' equity after the allotment and issue of the Rights Shares (RMB'000)	566,387
Gearing ratio after the allotment and issue of the Rights Shares (times)	0.50

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5. THE WHITEWASH RESOLUTION

Under Rule 14.1 of the Code, except with the consent of the SIC, where:

- (a) any person acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights in the Company; or
- (b) any person who together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights in the Company and such person, or any person acting in concert with him, acquires in any period of six (6) months additional Shares carrying more than 1% of the voting rights,

such person must extend a mandatory general offer ("**Mandatory Offer**") immediately to the holders of any class of share capital of the Company which carries votes and in which such person, or persons acting in concert with him, hold Shares, in accordance with the provisions of the Code. In addition to such person, each of the principal members of the group of persons acting in concert with him may, according to the circumstances of the case, have the obligation to extend an offer.

5.1 Interest of the Undertaking Shareholder and the application to the SIC

As at the Latest Practicable Date, the Undertaking Shareholder, a Controlling Shareholder of the Company, directly holds 91,171,293 Shares representing 27.96% of the Company's Existing Share Capital.

Wang Heng, the Executive Director and Chief Executive Officer of the Company, is a director of the Undertaking Shareholder, and directly holds 500,000 Shares, representing approximately 0.15% of the Company's Existing Share Capital. Pursuant to Rule 1 of the Code, the Undertaking Shareholder and Wang Heng are deemed to be acting in concert, and accordingly, as at the Latest Practicable Date, the Undertaking Shareholder and Wang Heng are interested in an aggregate of 91,671,293 Shares representing approximately 28.11% of the Company's Existing Share Capital.

Assuming the Undertaking Shareholder Maximum Subscription Scenario, pursuant to which the Undertaking Shareholder will subscribe for a maximum of 81,517,978 Rights Shares under the Rights Issue pursuant to the Irrevocable Undertaking, the aggregate shareholding interests of the Concert Party Group will increase from approximately 28.11% to 42.49% immediately following the allotment and issue of such Rights Shares.

Accordingly, the fulfilment by the Undertaking Shareholder of its obligations under the Irrevocable Undertaking and subscription for the Rights Shares as well as the Excess Rights Shares in connection with the Rights Issue, may result in the Concert Party Group acquiring 30.0% or more of the voting rights of the Company. In such event, the Concert Party Group would incur an obligation to make the Mandatory Offer pursuant to Rule 14.1(a) of the Code unless the Whitewash Resolution is obtained from the Independent Shareholders.

In view of the above, an application was made on 4 January 2019 to the SIC for, *inter alia*, the grant of the Whitewash Waiver to the Concert Party Group from making the Mandatory Offer as a result of the subscription of Rights Shares and the Excess Rights Shares pursuant to the Rights Issue and the Irrevocable Undertaking.

5.2 Conditional Whitewash Waiver by the SIC

On 5 March 2019, the SIC granted the Whitewash Waiver subject to, *inter alia*, the satisfaction of the following conditions:

- (a) a majority of holders of voting rights of the Company approve at a general meeting, held before the Rights Issue, the Whitewash Resolution by way of a poll to waive their rights to receive a general offer from the Concert Party Group;

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- (b) the Whitewash Resolution is separate from other resolutions;
- (c) the Concert Party Group as well as parties not independent of them abstain from voting on the Whitewash Resolution;
- (d) the Concert Party Group did not acquire or are not to acquire any Shares or instruments convertible into and options in respect of Shares of the Company (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new Shares which have been disclosed in this Circular):
 - (i) during the period between the date of the Announcement and the date Shareholders' approval is obtained for the Whitewash Resolution; and
 - (ii) in the six (6) months prior to the date of the Announcement, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Rights Issue;
- (e) the Company appoints an independent financial adviser to advise its Independent Shareholders on the Whitewash Resolution;
- (f) the Company sets out clearly in this Circular to its Shareholders:
 - (i) details of the Rights Issue and the Irrevocable Undertaking to be given by the Undertaking Shareholder;
 - (ii) the dilution effect to existing holders of voting rights upon the subscription of the Rights Shares by the Undertaking Shareholder;
 - (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares held by the Concert Party Group as at the Latest Practicable Date;
 - (iv) the number and percentage of voting rights to be acquired by the Concert Party Group as a result of their subscription of the Rights Shares; and
 - (v) specific and prominent reference to the fact that the Shareholders, by voting for the Whitewash Resolution, are waiving their rights to a general offer from the Concert Party Group at the highest price paid by any of them for the Company's Shares in the past six (6) months preceding the commencement of the offer;
- (g) this Circular by the Company to its Shareholders states that the Whitewash Waiver granted by the SIC to the Concert Party Group from the requirement to make a general offer under Rule 14 of the Code is subject to the conditions stated at subparagraphs (a) to (f) above;
- (h) the Company obtains the SIC's approval in advance for those parts of this Circular that refer to the Whitewash Resolution; and
- (i) to rely on the Whitewash Resolution, the subscription of the Rights Shares by the Concert Party Group must be completed within three (3) months of the date of approval of the Whitewash Resolution.

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5.3 Whitewash Resolution

The Independent Shareholders are therefore asked to vote, by way of a poll, on the Whitewash Resolution as set out as Ordinary Resolution 2 in the Notice of EGM attached to this Circular. Shareholders should note that, by voting for the Whitewash Resolution, they are waiving their rights to a Mandatory Offer from the Concert Party Group at the highest price paid by any of them for the Company's Shares in the Company in the past six (6) months preceding the commencement of the offer which they would have otherwise been obliged to make for the Shares in accordance with Rule 14 of the Code.

The Board has, on behalf of the Company, appointed RHT Capital Pte. Ltd. as the IFA to advise the Independent Directors on the Whitewash Resolution. The recommendation of the IFA is outlined in paragraph 5.4 of this Circular. The IFA Letter dated 15 April 2019, setting out the IFA's advice to the Independent Directors on the Whitewash Resolution, is set out in Appendix A to this Circular.

In connection with the Whitewash Waiver, the Undertaking Shareholder and Wang Heng have confirmed that they did not acquire any Shares in the Company in the six (6) months period prior to the date of the Announcement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Rights Issue and will not acquire any Shares in the Company in the period between the date of the Announcement and the date on which Independent Shareholders' approval is obtained for the Whitewash Resolution at the EGM.

5.4 Advice from the IFA

RHT Capital Pte. Ltd. has been appointed as the IFA to advise the Independent Directors in relation to the Whitewash Resolution.

The letter from the IFA to the Independent Directors on the Whitewash Resolution containing its advice in full, is reproduced and set out in Appendix A of this Circular.

Shareholders are advised to read and consider carefully the advice of the IFA and the recommendation of the Independent Directors on the Whitewash Resolution.

The following is an extract from Section 7 of the IFA Letter and should be read by Shareholders in conjunction with, and in the full context of, the full text of the IFA Letter. All terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated.

"7. OUR OPINION

In arriving at our recommendation in respect of the Proposed Whitewash Resolution, we have taken into consideration, inter alia, the following factors summarised below as well as elaborated elsewhere in this Letter. The following should be read in conjunction with, and in the context of, the full text of this Letter.

- (a) the rationale of the Proposed Rights Issue and the use of net proceeds from the Proposed Rights Issue for the growth and expansion of the Group's business either organically or through acquisitions and joint ventures;*
- (b) the Rights Shares being offered to all entitled Shareholders on a pro rata basis;*
- (c) an assessment of the Issue Price of the Rights Shares as follows:*
 - (i) a discount of 9.9%, 11.7%, 5.9% and 36.9% to the VWAP of the Shares for the 1-month, 3-month, 6-month and 12-month periods prior to the release of the Announcement respectively;*

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- (ii) a premium of 6.7% over the VWAP of the Shares during the period between the Announcement and the Latest Practicable Date; and
 - (iii) a premium of 4.9% over the VWAP of the Shares as at the Latest Practicable Date,
- (d) shares trading pattern as compared to the historical NTA per Share of the Group:
 - (i) the Issue Price represents a discount of approximately 52.6% to the Group's NTA per Share of S\$0.27 as at 31 December 2018;

for the four (4) financial quarters prior to the Announcement Date,
 - (ii) the Shares have always been trading at a discount to the NTA per Share, save for Q4FY2017, where the Shares traded above the NTA per Share; and
 - (iii) the average Share price over the relevant periods has always traded at a discount to the NTA per Share, save for Q4FY2017, where the average Share price was above the NTA per Share,
- (e) comparison of the Issue Price with the market statistics of the Completed Rights Issues as follows:
 - (i) the Issue Price is priced at a discount of 11.1% to the last transacted Share price of S\$0.144 prior to the release of the Announcement, which is within the range of the Completed Rights Issues but below the mean and median discounts of the Completed Rights Issues of 28.9% and 32.2% respectively; and
 - (ii) the Issue Price is priced at a discount of 9.1% to the theoretical ex-rights price, based on the last trading price of the Shares of S\$0.144 prior to the release of the Announcement, which is within the range of the Completed Rights Issues but below the mean and median discounts of the theoretical ex-rights prices of the Completed Rights Issues of 19.5% and 20.0% respectively,
- (f) the financial effects of the Proposed Rights Issue;
- (g) the maximum potential dilution in the shareholding interests of the Independent Shareholders from 71.89% to 57.51%; and
- (h) other relevant considerations as set out in Section 6.6 of this Letter, namely:
 - (i) commentaries from the Company's announcement; (ii) inter-conditionality of the Proposed Rights Issue and the Proposed Whitewash Resolution; (iii) support from the Undertaking Shareholder; (iv) no material changes to the existing management of the Group; (v) share trading activities of Undertaking Shareholder; and (vi) alternative fund-raising options.

Having regard to the considerations as set out above and the information available to us as at the Latest Practicable Date, we are of the opinion that the Proposed Whitewash Resolution (in relation to the Proposed Rights Issue) is fair and reasonable and not prejudicial to the interests of the Independent Shareholders.

We therefore advise the Independent Directors to recommend to the Independent Shareholders to vote in favour of the Proposed Whitewash Resolution."

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6. INTERESTS OF DIRECTORS AND/OR SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the interests of the Directors and Substantial Shareholders in the Shares are as follows:

	Direct Interest		Deemed Interest	
	Number of Shares	Shareholding Percentage (%) ⁽¹⁾	Number of Shares	Shareholding Percentage (%) ⁽¹⁾
Directors				
Cheung Wai Suen ⁽³⁾	—	—	—	—
Wang Heng ⁽³⁾	500,000	0.15	91,171,293	27.96
Oh Eng Bin	—	—	—	—
Duan Yang	—	—	—	—
Zhai Guiwu	—	—	—	—
Chew Yong Tian	—	—	—	—
Substantial Shareholders (other than Directors)				
Best Feast Limited ⁽²⁾	91,171,293	27.96	—	—
Chengdu Wuxingke ⁽²⁾	—	—	91,171,293	27.96
Ou Rui Limited ⁽⁴⁾	56,523,667	17.33	—	—
Li Xiaobo ⁽⁴⁾	—	—	56,523,667	17.33

Notes:

- (1) Based on the Existing Share Capital.
- (2) Chengdu Wuxingke holds the entire issued and paid-up share capital of Best Feast Limited and accordingly, is treated as having an interest in the Shares held by Best Feast Limited by virtue of Section 4(4) of the SFA.
- (3) Wang Heng holds direct and indirect (through Chengdu Zhongqian) interests comprising an aggregate of 99.25% of the total shares of Chengdu Wuxingke. Based on Wang Heng's indirect interests through Chengdu Zhongqian and direct interests in Chengdu Wuxingke, Wang Heng is deemed interested in the Shares held by Best Feast Limited, a wholly-owned subsidiary of Chengdu Wuxingke by virtue of Section 7 of the Companies Act. Cheung Wai Suen holds direct interests of 0.04% of the shares of Chengdu Wuxingke and direct interests of 2.40% of the shares of Chengdu Zhongqian.
- (4) Li Xiaobo holds the entire issued and paid-up share capital of Ou Rui Limited and accordingly, is treated as having an interest in the Shares held by Ou Rui Limited by virtue of Section 4(4) of the SFA. None of Li Xiaobo or the directors, controlling shareholders and executive officers of Ou Rui Limited is related to Wang Heng, Cheung Wai Suen and/or their respective associates by way of familial relations.

7. INTER-CONDITIONALITY OF RESOLUTIONS

Shareholders should note that Resolutions 1 and 2 relating to the Rights Issue and the Whitewash Resolution respectively are inter-conditional. This means that if any one of the Resolutions is not approved, the other Resolution will not be duly passed.

8. INSTRUCTIONS BOOKLET

An Instructions Booklet will be despatched to the Entitled Shareholders subject to, *inter alia*, the approval of Shareholders for the Rights Issue being obtained at the EGM. Acceptances and applications under the Rights Issue may only be made in the manner as prescribed in the Instructions Booklet, the PAL and the ARE.

LETTER TO SHAREHOLDERS

9. DIRECTORS' RECOMMENDATIONS

9.1 Rights Issue

The Directors having considered, *inter alia*:

- (a) the rationale for the Rights Issue;
- (b) the terms of the Rights Issue,
- (c) that the Issue Price represents a discount ranging from 9.9% to 36.9% to the volume-weighted average price ("VWAP") of the Shares for the one (1)-month, three (3)-month, six (6)-month and 12-month periods prior to the release of the Announcement, and represents a slight premium of 6.7% over the VWAP of the Shares during the period between the Announcement and the Latest Practicable Date and 4.9% over the VWAP of the Shares as at the Latest Practicable Date;
- (d) that the Issue Price represents a discount of approximately 52.6% to the Group's NTA per Share of S\$0.27 as at 31 December 2018; and
- (e) the Irrevocable Undertaking provided by the Undertaking Shareholder,

are of the opinion that the Rights Issue is in the interests of the Company and Shareholders. Accordingly, the Directors recommend that Shareholders vote in favour of the Rights Issue at the EGM.

9.2 Whitewash Resolution

The Independent Directors having considered the rationale for the Rights Issue, the terms and conditions of the Rights Issue, the financial effects of the Rights Issue and the advice of the IFA, are of the opinion that the Whitewash Resolution is in the interests of the Company and is not prejudicial to the interests of Independent Shareholders. Accordingly, the Independent Directors recommend that Independent Shareholders vote in favour of the Whitewash Resolution at the EGM.

The Independent Directors wish to add that the Whitewash Resolution is an ordinary resolution and requires a majority of the Independent Shareholders present and voting at the EGM by way of a poll to approve the same. The Independent Directors also wish to add that voting for or against the Whitewash Resolution individually does not preclude the Independent Shareholders (on the basis that they are Entitled Shareholders for the Rights Issue) from accepting the Rights Shares, declining their provisional allotments of Rights Shares or applying (for that matter) for additional Rights Shares in excess of their provisional allotments under the Rights Issue.

Wang Heng, the Executive Director and Chief Executive Officer of the Company, is a director of the Undertaking Shareholder, holds direct and indirect (through Chengdu Zhongqian) interests comprising an aggregate 99.25% of the total shares of Chengdu Wuxingke. Chengdu Wuxingke in turn holds the entire issued and paid-up share capital of Best Feast. Wang Heng is also a director of Best Feast.

Cheung Wai Suen, the Executive Director and Chairman of the Company, holds direct interest of 0.04% of the shares in Chengdu Wuxingke and direct interest of 2.40% of the shares of Chengdu Zhongqian.

Each of Wang Heng and Cheung Wai Suen is not considered to be independent in relation to the Whitewash Resolution. Accordingly, each of them has abstained from deliberating and making any recommendation in respect of the Whitewash Resolution.

LETTER TO SHAREHOLDERS

Independent Shareholders should note that by voting in favour of the Whitewash Resolution, they will be waiving their rights to receive a Mandatory Offer under Rule 14 of the Code from the Concert Party Group for the Independent Shareholders' Shares, which the Concert Party Group would otherwise have been obliged to make at the highest price paid by any of them for the Shares in the six (6) months preceding the commencement of the offer which they would have otherwise been obliged to make for the Shares in accordance with Rule 14 of the Code.

Shareholders are advised to read this Circular in its entirety and for those who may require advice in the context of their specific investment, to consult their respective bank manager, stockbroker, solicitor, accountant, tax adviser or other professional adviser.

10. ABSTENTIONS FROM VOTING

Pursuant to the Whitewash Waiver, the Undertaking Shareholder and Wang Heng, and parties not independent of them, will abstain from voting at the EGM on the Resolution relating to the Whitewash Resolution.

The Undertaking Shareholder and Wang Heng will also decline to accept appointment as proxies for any Shareholder to vote in respect of the Resolution relating to the Whitewash Resolution, unless the Shareholder concerned shall have given specific instructions in his proxy form as to the manner in which his votes are to be cast in respect of the said Resolution.

11. EXTRAORDINARY GENERAL MEETING

An EGM, notice of which is attached to this Circular, will be held at 10 Anson Road #28-15, International Plaza, Singapore 079903 on 30 April 2019 at 11.00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications the Resolutions set out in the Notice of EGM.

12. ACTIONS TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf should complete, sign and return the Proxy Form attached to this Circular in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at 80 Robinson Road #11-02, Singapore 068898 not less than 72 hours before the time fixed for the EGM. The sending of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM in place of his proxy if he finds that he is able to do so, although the appointment of the proxy shall be deemed to be revoked by such attendance.

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

13. CONSENTS

Haitong International Securities (Singapore) Pte. Ltd., the Manager for the Rights Issue, has given and has not withdrawn its written consent for the issue of this Circular with the inclusion of its name and all references thereto, in the form and the context in which they appear in this Circular.

RHT Capital Pte. Ltd., the IFA in relation to the Whitewash Resolution, has given and has not withdrawn its written consent for the issue of this Circular with the inclusion of its name, the IFA Letter attached as Appendix A to this Circular and all references thereto, in the form and the context in which they appear in this Circular.

LETTER TO SHAREHOLDERS

14. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Rights Issue, the Whitewash Resolution and the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in the Circular 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 the Circular in its proper form and context.

15. MANAGER'S RESPONSIBILITY STATEMENT

To the best of the knowledge and belief of the Manager, this Circular constitutes full and true disclosure of all material facts about the Rights Issue and the Company and its subsidiaries, and the Manager is not aware of any facts the omission of which would make any statement in this Circular misleading.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection by Shareholders 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 Circular up to and including the date of the EGM:

- (a) the Constitution;
- (b) the annual reports of the Company for FY2016, FY2017 and FY2018;
- (c) the IFA Letter;
- (d) the consent letters of the Manager and the IFA referred to in paragraph 13 of this Circular; and
- (e) the Irrevocable Undertaking.

Yours faithfully

For and behalf of the Board of Directors of
SAPPHIRE CORPORATION LIMITED

Oh Eng Bin Kenneth
Lead Independent Non-Executive Director

APPENDIX A – LETTER FROM RHT CAPITAL PTE. LTD. TO THE INDEPENDENT DIRECTORS OF SAPPHIRE CORPORATION LIMITED IN RELATION TO THE WHITEWASH RESOLUTION

RHT CAPITAL PTE. LTD.
(Company Registration Number: 201109968H)
(Incorporated in the Republic of Singapore)
9 Raffles Place, #29-01
Republic Plaza Tower 1
Singapore 048619

15 April 2019

To: Directors of Sapphire Corporation Limited
(deemed to be independent in respect of the Proposed Whitewash Resolution)

Mr Oh Eng Bin	(Lead Independent Non-Executive Director)
Mr Duan Yang	(Independent Non-Executive Director)
Mr Zhai Guiwu	(Independent Non-Executive Director)
Professor Chew Yong Tian	(Independent Non-Executive Director)

Dear Sirs,

INDEPENDENT FINANCIAL ADVICE TO THE INDEPENDENT DIRECTORS OF SAPPHIRE CORPORATION LIMITED IN RELATION TO THE PROPOSED WHITEWASH RESOLUTION FOR THE PROPOSED RIGHTS ISSUE

Unless otherwise defined or the context otherwise requires, all terms defined in the circular dated 15 April 2019 issued by Sapphire Corporation Limited to its shareholders shall have the same meaning herein. For the purpose of our IFA Letter, where applicable, we have used the foreign exchange rate of S\$1.00 : RMB5.0368 as at 28 December 2018, being the last closing rate prior to the Announcement Date. The above foreign exchange rate is extracted from published information by Bloomberg L.P. and is provided solely for information only.

1. INTRODUCTION

On 30 December 2018 (“**Announcement Date**”), the board of directors (“**Directors**”) of Sapphire Corporation Limited (“**Company**”, and together with its subsidiaries, “**Group**”) announced (“**Announcement**”), *inter alia*, that the Company is proposing to undertake a non-renounceable non-underwritten rights issue (“**Proposed Rights Issue**”) of up to 81,517,978 new ordinary shares in the issued share capital of the Company (“**Rights Shares**”) at an issue price of S\$0.128 for each Rights Share (“**Issue Price**”) on the basis of one (1) Rights Share for every four (4) existing ordinary shares in the issued share capital of the Company (“**Shares**”) held by the shareholders of the Company (“**Shareholders**”) as at a books closure date to be determined by the Board (“**Books Closure Date**”), at and on which the register of members of the Company and transfer books will be closed to determine the provisional allotments of the Rights Shares of the entitled Shareholders, fractional entitlements to be disregarded, under the Proposed Rights Issue.

As an indication of its support and commitment to the Company and the Proposed Rights Issue, Best Feast Limited (“**Undertaking Shareholder**”), a controlling shareholder of the Company who directly holds 91,171,293 Shares, representing approximately 27.96% of the total number of issued Shares of the Company, has undertaken to, amongst others, subscribe for and pay in full for and/or procure the subscription of and payment in full for, its *pro rata* entitlement to the Right Shares in relation to the Shares held by it as at the Books Closure Date, and all excess Rights Shares which are not otherwise subscribed for by the entitled Shareholders (“**Excess Rights Shares**”) (“**Irrevocable Undertaking**”).

Ms Wang Heng, the Executive Director and Chief Executive Officer of the Company, is a director of the Undertaking Shareholder, and directly holds 500,000 Shares, representing approximately 0.15% of the total number of issued Shares of the Company.

APPENDIX A – LETTER FROM RHT CAPITAL PTE. LTD. TO THE INDEPENDENT DIRECTORS OF SAPPHIRE CORPORATION LIMITED IN RELATION TO THE WHITEWASH RESOLUTION

Pursuant to Rule 1 of the Singapore Code on Take-overs and Mergers (“**Code**”), the Undertaking Shareholder and Ms Wang Heng are deemed to be acting in concert (“**Concert Party Group**”), and accordingly, as at the Announcement Date, the Concert Party Group is interested in an aggregate of 91,671,293 Shares, representing approximately 28.11% of the total issued Shares of the Company.

As at the Latest Practicable Date, the Company has an issued and paid-up share capital comprising a total number of 326,071,915 Shares.

Pursuant to Rule 14 of the Code, except with the consent of the Securities Industry Council (“**SIC**”), where (a) any person who acquires whether by a series of transactions over a period of time or not, Shares which (taken together with Shares held or acquired by persons acting in concert with him) carry 30.0% or more of the voting rights in the Company; or (b) any person who together with persons acting in concert with him, holds not less than 30.0% but not more than 50.0% of the voting rights in the Company and such person, or any person acting in concert with him, acquires in any period of six (6) months additional Shares carrying more than 1.0% voting rights, he is required to make a mandatory general offer for all the Shares in the Company which he does not already own or control (“**Mandatory Offer**”).

Assuming that (i) none of the Shareholders except for the Undertaking Shareholder subscribes for their respective *pro rata* entitlements to the Rights Shares under the Proposed Rights Issue or any Excess Rights Shares; and (ii) the Undertaking Shareholder subscribes for its *pro rata* entitlement to the Rights Shares and all Excess Rights Shares under the Proposed Rights Issue pursuant to the Irrevocable Undertaking (“**Undertaking Shareholder Maximum Subscription Scenario**”), the aggregate shareholding interests of the Concert Party Group will increase from approximately 28.11% to 42.49% immediately following the allotment and issue of such Rights Shares.

Accordingly, the fulfilment by the Undertaking Shareholder of its obligations pursuant to the Irrevocable Undertaking and the subscription of the Rights Shares in connection with the Proposed Rights Issue may result in the Concert Party Group acquiring 30.0% or more of the voting rights of the Company (“**Mandatory Offer Threshold**”). In such event, the Concert Party Group would incur an obligation to make the Mandatory Offer pursuant to Rule 14.1(a) of the Code, unless the approval of a resolution (“**Proposed Whitewash Resolution**”) for the waiver of the rights of the Shareholders other than the Concert Party Group (“**Independent Shareholders**”) to receive the Mandatory Offer for the Company from the Concert Party Group is obtained from the Independent Shareholders.

As a result, the Company had sought and obtained from the SIC, a waiver of the obligation of the Concert Party Group to make a Mandatory Offer under the Code (“**Whitewash Waiver**”), and the Company will be seeking the approval of: (i) the Shareholders for the Proposed Rights Issue; and (ii) the Independent Shareholders for the Proposed Whitewash Resolution, at an extraordinary general meeting (“**EGM**”) to be convened.

The SIC’s approval for the Whitewash Waiver is subject to the satisfaction of certain conditions as set out in Section 5.2 of the Circular, including, *inter alia*, (i) the approval of the Proposed Whitewash Resolution by majority of the Independent Shareholders voting by way of a poll to waive their rights to receive the Mandatory Offer from the Concert Party Group at the EGM; and (ii) the appointment of an independent financial adviser (“**IFA**”) to advise the Independent Shareholders on the Proposed Whitewash Resolution.

Accordingly, RHT Capital Pte. Ltd. (“**RHTC**”) has been appointed by the Company as the IFA to advise the Directors who are deemed to be independent in respect of the Proposed Whitewash Resolution. Mr Cheung Wai Suen, the Executive Chairman of the Company, indirectly holds shares, representing approximately 2.40% of the Undertaking Shareholder. Therefore, save for Ms Wang Heng and Mr Cheung Wai Suen who will abstain from making any recommendation as Directors of the Company on the Proposed Whitewash Resolution, the remaining Directors, namely, Mr Oh Eng Bin, Mr Duan Yang, Mr Zhai Guiwu and Professor Chew Yong Tian are deemed independent directors in respect of the Proposed Whitewash Resolution (“**Independent Directors**”).

APPENDIX A – LETTER FROM RHT CAPITAL PTE. LTD. TO THE INDEPENDENT DIRECTORS OF SAPPHIRE CORPORATION LIMITED IN RELATION TO THE WHITEWASH RESOLUTION

This letter ("**Letter**") is addressed to the Independent Directors and sets out, *inter alia*, our evaluation and recommendation on the Proposed Whitewash Resolution. This Letter forms part of the Circular to the Shareholders which provides, *inter alia*, the details of the Proposed Rights Issue, the Proposed Whitewash Resolution and the recommendation of the Independent Directors.

The passing of the ordinary resolutions for the Proposed Rights Issue and the Proposed Whitewash Resolution are inter-conditional upon each other. If either of these resolutions is not passed, the Company will not proceed with the Proposed Rights Issue.

APPENDIX A – LETTER FROM RHT CAPITAL PTE. LTD. TO THE INDEPENDENT DIRECTORS OF SAPPHIRE CORPORATION LIMITED IN RELATION TO THE WHITEWASH RESOLUTION

2. TERMS OF REFERENCE

We have been appointed to advise the Independent Directors in respect of the Proposed Whitewash Resolution. The purpose of this Letter is to provide an independent opinion on, whether the Proposed Whitewash Resolution, when considered in the context of the Proposed Rights Issue, is fair and reasonable and is prejudicial to the interests of the Independent Shareholders.

We were neither a party to the negotiations entered into by the Company in relation to the Proposed Rights Issue nor were we involved in the deliberations leading up to the decision on the part of the Directors to propose the Proposed Rights Issue or to obtain the approval of the Independent Shareholders for the Proposed Rights Issue and/or the Proposed Whitewash Resolution, and we do not, by this Letter, warrant the merits of the Proposed Rights Issue and/or the Proposed Whitewash Resolution other than to express an opinion on whether the Proposed Whitewash Resolution is prejudicial to the interests of the Independent Shareholders when considered in the context of the Proposed Rights Issue.

It is not within our terms of reference to evaluate or comment on the legal, strategic, commercial and financial merits and/or risks of the Proposed Rights Issue and/or the Proposed Whitewash Resolution or to compare its relative merits *vis-à-vis* alternative transactions previously considered by the Company (if any) or that may otherwise be available to the Company currently or in the future, and we have not made such evaluation or comment. Such evaluation or comment, if any, remains the sole responsibility of the Directors and/or the management of the Company (“**Management**”) although we may draw upon the views of the Directors and/or the Management or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this Letter.

In the course of our evaluation of the financial terms of the Proposed Rights Issue, we have relied on, and assumed without independent verification, the accuracy and completeness of published information relating to the Company and/or the Group. We have also relied on information provided and representations made, including relevant financial analyses and estimates, by the Directors, the Management, and the Company’s advisers, including but not limited to its solicitors and/or auditors. We have not independently verified such information or any representation or assurance made by them, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information, representation or assurance. We have nevertheless made such enquiries and exercised our judgement as we deemed necessary and have found no reason to doubt the reliability of the information.

We have relied upon the assurance of the Directors (including those who may have delegated detailed supervision of the Circular) that, upon making all reasonable inquiries and to the best of their respective knowledge and belief, all facts stated and opinions expressed in the Circular which relate to the Proposed Rights Issue, the Proposed Whitewash Resolution, the Company and/or the Group are fair and accurate and that there are no material facts or omissions of which would make any statement in the Circular misleading in any material respect. The Directors collectively and individually accept responsibility accordingly.

For the purposes of assessing the terms of the Proposed Rights Issue and reaching our conclusions thereon, we have not relied upon any financial projections or forecasts in respect of the Company and/or the Group. We will not be required to express, and we do not express, any view on the growth prospects and earnings potential of the Company and/or the Group in connection with our opinion in this Letter.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group, (including without limitation, property, plant and equipment) and we have not been furnished with any such evaluation or appraisal.

APPENDIX A – LETTER FROM RHT CAPITAL PTE. LTD. TO THE INDEPENDENT DIRECTORS OF SAPPHIRE CORPORATION LIMITED IN RELATION TO THE WHITEWASH RESOLUTION

Our analysis and our opinion as set out in this Letter is based upon market, economic, industry, monetary and other conditions in effect on, and the information provided to us as of 9 April 2019 (“**Latest Practicable Date**”). Such conditions may change significantly over a relatively short period of time. **We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein.** Shareholders should further take note of any announcements relevant to their consideration of the Proposed Rights Issue and/or the Proposed Whitewash Resolution which may be released by the Company after the Latest Practicable Date.

In rendering our opinion, we did not have regard to the specific investment objectives, financial situation, tax status, risk profiles or unique needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, we would advise the Independent Directors to recommend that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, or other professional adviser immediately.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this Letter as set out in the Circular). Accordingly, we take no responsibility for and express no views, express or implied, on the contents of the Circular (other than this Letter as set out in the Circular).

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any purposes other than for the purposes of the Shareholders’ resolution in relation to the Proposed Whitewash Resolution at any time and in any manner without the prior written consent of RHTC in each specific case.

We have prepared this Letter for the use of the Independent Directors in connection with their consideration of the Proposed Whitewash Resolution and their advice to Independent Shareholders arising thereof. The recommendations made to the Independent Shareholders in relation to the Proposed Whitewash Resolution remain the sole responsibility of the Independent Directors.

Our opinion on the Proposed Whitewash Resolution should be considered in the context of the entirety of this Letter and the Circular.

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3. INFORMATION ON THE COMPANY AND THE GROUP

3.1 Overview

The Company is incorporated in Singapore and has been listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") since 1999.

The Company is an investment management and holding company principally engaged in the rail and infrastructure engineering, procurement and construction ("**EPC**") business, having divested its legacy steel business in 2014 and disposed of an 81.0% stake in its mining services business in early 2017.

As at the Latest Practicable Date, based on the existing number of outstanding shares of the Company of 326,071,915 Shares and the last traded Share price of S\$0.123, the market capitalisation of the Company is approximately S\$40.11 million.

3.2 Key developments

In the past five (5) years, the Company had undergone several major corporate and restructuring exercises including a number of acquisitions, joint ventures and divestments.

The Group reported three (3) years of consecutive losses prior to the financial year ended 31 December ("**FY**") 2014. However, in FY2014, the Group reported a net profit of S\$0.14 million, reversing a loss of S\$157.2 million in FY2013. The Group's financial performance for FY2014 reflected the significant corporate and restructuring exercises that the Group had undertaken.

On 7 January 2014, the Group completed the acquisition of the entire issued and paid-up share capital of Mancala Holdings Pty Ltd ("**Mancala**"), a specialist mining services company based in Australia for an aggregate consideration of A\$15.0 million. However, on 28 February 2017, the Group disposed its 81.0% stake in Mancala Holdings Limited ("**Mancala Holdings**") (Mancala Holdings held the entire equity interest in Mancala after an internal restructuring exercise) for an aggregate consideration of HK\$63.2 million. The Group assessed that it was not synergistic for the Group to fund Mancala's future expansion plans. The divestment also allowed the Group to focus growth initiative towards expanding its infrastructure business in China and other emerging markets in Asia.

On 25 November 2014, the Company announced the proposed acquisition of the entire issued and paid-up share capital Ranken Infrastructure Limited ("**Ranken**") for an aggregate consideration of RMB360.4 million (or an equivalent of S\$75.9 million), to be satisfied by the issuance and allotment of 165.0 million new Shares ("**Consideration Shares**") as well as cash and bonds. Founded in 1998, Ranken is incorporated in Hong Kong and based in Chengdu. It is a full-fledged EPC firm and one of the largest privately owned integrated rail transport infrastructure groups in China. Ranken holds full Triple-A qualifications and licences for design, civil engineering, construction and project consultation in the rail sector. The acquisition of Ranken was completed on 1 October 2015.

On 7 March 2016, the Company announced a proposed capital reduction exercise to: (i) write off accumulated losses through the cancellation of the Company's share capital to the extent of S\$189.2 million with a view to further restructuring the Company's finances; and (ii) rationalise the Company's balance sheet to reflect more accurately the value of its existing underlying assets (being the infrastructure business and mining services business) and, going forward, the financial performance and condition of the Company. The capital reduction exercise was completed on 16 June 2016.

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On 9 March 2016, the Company completed a share consolidation exercise, pursuant to which three (3) existing shares registered in the name of each Shareholder were consolidated into one (1) ordinary share ("**Share Consolidation**"), and the issued share capital of the Company reduced to 325,611,757 shares. The Share Consolidation was undertaken to comply with the minimum trading price requirement of S\$0.20 for Mainboard listed stocks.

On 16 March 2016, the Company announced the appointment of Ms Wang Heng and Mr Cheung Wai Suen as Executive Directors of the Company. Being the Executive Director of Ranken Railway Construction Group Co., Ltd. ("**Ranken Railway**"), Ms Wang Heng is a qualified engineer by profession and has twenty-five (25) years of working experience in infrastructure, particularly in the project tendering and bidding process in China. Mr Cheung Wai Suen, also an Executive Director of Ranken Railway, has more than thirty (30) years of experience in the civil engineering sector and has built a significant business network, particularly in regard to the development and management of civil engineering and construction business in China.

On 16 May 2017, the Company announced that Ranken has entered into strategic partnerships with Beijing Enterprises Water Group and China Railway Investment Group to explore civil engineering and infrastructure projects relating to environmental conservation and water management.

On 25 April 2018, the Company announced that it entered into a strategic partnership with Haitong International Securities Group (Singapore) Pte. Ltd. ("**Haitong Singapore**") to explore capital markets opportunities in the region, namely to identify and pursue cross-border corporate finance and investment opportunities with a focus on China's Belt and Road initiative. Besides granting the Company access to its extensive networks and resources, Haitong Singapore will also help the Company source for potential funding and investors.

On 19 November 2018 and 30 December 2018, the Company announced that a consortium comprising: (i) Ranken Railway, a 97.6% owned subsidiary of the Group; (ii) Beijing Enterprises Water (China) Investment Limited; (iii) Chongqing Derun Environment Co., Ltd.; and (iv) Nuclear Industry Southwest Survey and Design Research Institute Co., Ltd, (collectively, "**Consortium**") signed an Public-Private-Partnership ("**PPP**") corporation agreement with the Urban and Rural Coordinate Work Bureau of Chengdu Wuhou District for the first phase of Chengdu, Wuhou District "Liveable River Bank" project ("**Project**"). Pursuant to the Cooperation Agreement, Chengdu Derun Jinlong Environmental Management Co., Ltd. ("**CDJ Environmental Management Co.**"), was incorporated to carry out investment and financing, design, build, operate and transfer work for the first phase of the project. Ranken injected RMB25.0 million in cash into the share capital of CDJ Environmental Management Co., representing 25.0% equity share of the registered capital and 25.0% of the capital reserve of CDJ Environmental Management Co.

On 30 December 2018, the Company announced the Proposed Rights Issue.

On 14 January 2019, the Company announced that Ranken Railway had been awarded a contract worth approximately RMB832.0 million relating to the Project.

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3.3 Contract wins by Ranken

Since its acquisition by the Company on 1 October 2015, Ranken has successfully secured new contracts, a summary of which is set out below:

Announcement Date	Details	Aggregate Contract Value (\$' million)	Estimated Length of Project	Status of Project
9 December 2015	(i) Two (2) contracts for urban rail transit metro lines in Guiyang and Qingdao; and	200.0	24-35 months	Ongoing
	(ii) One (1) contract to construct a tunnel as part of the 1,814km cross-country Menghua Railway project.			Completed
11 January 2016	One (1) contract to construct 1.6km of the 23.4km Taiyuan Metro Line 2, including two tunnels and the Xijianhe Station.	82.0	30 months	Ongoing
14 July 2016	(i) One (1) contract to construct the Jian Cao Ping flyover which connects to Taiyuan Metro Line 2;	180.0	24-30 months	Ongoing
	(ii) One (1) contract to construct part of the Urumqi Rail Transit Line 2 including 2.0km of civil engineering works and the Hama Mountain Station; and			Completed
	(iii) One (1) contract to extend the 3.26km Shun He viaduct in Jinan City and other civil engineering works for metro lines in Chongqing and Chengdu.			Completed

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Announcement Date	Details	Aggregate Contract Value (\$' million)	Estimated Length of Project	Status of Project
28 September 2016	One (1) contract to undertake civil engineering works for 834m of the 29.6km Beijing Metro Line 12, including the Yuan Da Road Station with an area of 20,458m ² and the connecting rail line of 484.334m from Yuan Da Road Station to Chang Chun Bridge Station.	92.0	48 months	Ongoing
24 July 2017	<p>(i) One (1) contract to undertake civil engineering works for the Ningbo Rail Transit Line;</p> <p>(ii) One (1) contract to undertake design consultancy works for the second phase of Taiyuan City's Metro Line 2; and</p> <p>(iii) One (1) contract relating to the supervision of construction works for part of the Chengdu Metro Line No. 17 and part of Hefei Rail Transit Line No. 5.</p>	63.0	Save for the Taiyuan City's Metro Line 2 contract which is scheduled to be completed by end-2021, the remaining contracts are estimated to be fulfilled over 36 months.	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>
12 September 2017	One (1) contract to undertake civil engineering works for part of the 12.6km, 12-station Changping Line South Extension, including a 675.2m interval between south Xi'erqi Station and Qinghe Station.	57.0	By 31 December 2020	Ongoing

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Announcement Date	Details	Aggregate Contract Value (S\$' million)	Estimated Length of Project	Status of Project
12 October 2017	<p>(i) One (1) contract to build part of the 24.5km Dalian Metro Line 5; and</p> <p>(ii) One (1) contract to build 3.6km interval between International Airport Station and Terminal 4 (second phase of Urumqi Airport Rail Transit Line 2).</p>	176.0	By December 2019	<p>Ongoing</p> <p>Ongoing</p>
11 December 2017	<p>(i) One (1) contract relating to the construction of two tunnels of close to 3.0km long between Fuzhou Road Station and Xinglong Station, and certain open cut earthworks along the metro line; and</p> <p>(ii) One (1) contract to supervise the construction of the line's second phase, spanning 25km of tracks, from Sancha Station to Terminal 1 and 2 of Tianfu International Airport Station.</p>	57.0	By 31 December 2020	<p>Completed</p> <p>Ongoing</p>
17 September 2018	One (1) contract for the engineering and construction of core infrastructure structures related to an urban subway system in Hangzhou, China.	86.6 ⁽¹⁾	22 months	Ongoing

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Announcement Date	Details	Aggregate Contract Value (S\$' million)	Estimated Length of Project	Status of Project
25 September 2018	One (1) contract for the design, engineering and construction work related to the upgrading of a water treatment facility in Chengdu, China.	12.7 ⁽¹⁾	6 months	Ongoing
14 January 2019	One (1) contract to undertake engineering, procurement and construction works for the first phase of the Project.	165.2 ⁽¹⁾	24 months	Ongoing

Source: *Company's announcements on SGXNet*

Note:

- (1) We have translated the aggregate contract values reported in RMB based on the foreign exchange rate of S\$1.00 : RMB5.0368.

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3.4 Financial information of the Group

Financial performance of the Group

The financial performance of the Group for FY2015, FY2016, FY2017 and FY2018 is set out below.

The following summary financial information should be read in conjunction with the full text of the Company's annual reports for FY2016, FY2017 and FY2018 including the notes thereto.

(RMB'000)	Audited FY2015 ⁽¹⁾	Audited FY2016	Audited FY2017 ⁽³⁾	Audited FY2018
Continuing operations				
Revenue	311,169	1,078,209	1,308,719	1,796,982
Cost of sales	(275,473)	(947,073)	(1,155,165)	(1,662,993)
Gross profit	35,696	131,136	153,554	133,989
Other income	39,594	23,856	5,886	9,359
Selling and distribution costs	(1,894)	(4,299)	(8,795)	(10,545)
Administrative expenses	(37,842)	(59,252)	(56,783)	(58,149)
Impairment loss on trade and other receivables and contract assets	-	-	(3,223)	(15,447)
Other expenses	(8,265)	(7,958)	(12,177)	(8,634)
Profit from operating activities	27,289	83,483	78,462	50,573
Finance costs	(3,400)	(12,004)	(25,673)	(20,421)
Profit before tax	23,889	71,479	52,789	30,152
Tax expense	(5,354)	(14,779)	(20,614)	(13,329)
Profit from continuing operations	18,535	56,700	32,175	16,823
Discontinued operations⁽²⁾				
Profit / (loss) from discontinued operations, net of tax	14,184	(8,486)	843	-
Profit for the year	32,719	48,214	33,018	16,823
Profit attributable to:				
Owners of the Company	32,583	46,834	31,775	16,364
Non-controlling interests	136	1,380	1,243	459
Profit for the year	32,719	48,214	33,018	16,823

Sources: Company's annual reports for FY2016, FY2017 and FY2018

Notes:

- (1) The Company changed its presentation currency from the Singapore Dollar to the RMB as at 1 January 2017. Accordingly, for comparative purposes, we have translated the FY2015 figures based on the foreign exchange rate of S\$1.00 : RMB5.0368.
- (2) The divestment of 81.0% in the issued and paid up share capital of Mancala was completed on 28 February 2017. Accordingly, the financials of Mancala had been presented as discontinued operations on the income statement of the Group.

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- (3) The financial results for FY2017 have been restated following the adoption of the new financial reporting framework, Singapore Financial Reporting Standards (International) on 1 January 2018.

Review of operating results

FY2016 vs FY2015

Revenue increased by RMB767.04 million or approximately 246.50% from RMB311.17 million in FY2015 to RMB1.08 billion in FY2016 due mainly to the consolidation of the full year results of Ranken (“**Ranken Full Year Consolidation**”) as well as the revenue recognition for several projects based on their stage of completion.

Gross profit increased by RMB95.44 million or approximately 267.37% from RMB35.70 million in FY2015 to RMB131.14 million in FY2016 in tandem with the increase in revenue.

Other income decreased by RMB15.74 million or approximately 39.75% from RMB39.59 million in FY2015 to RMB23.86 million in FY2016 due mainly to the absence of interest income, lower fair value gain related to the acquisition of Mancala as a result of a fall in fair value contingent purchase consideration payable and lower net foreign exchange gain.

Selling and distribution costs increased by RMB2.41 million or approximately 127.00% from RMB1.89 million in FY2015 to RMB4.30 million in FY2016 due mainly to the inclusion of additional travelling expenses incurred by Ranken as a result of the Ranken Full Year Consolidation.

Administrative expenses increased by RMB21.41 million or approximately 56.58% from RMB37.84 million in FY2015 to RMB59.25 million in FY2016 due mainly to the inclusion of additional administrative expenses incurred by Ranken as a result of the Ranken Full Year Consolidation.

Other expenses decreased marginally from RMB8.27 million in FY2015 to RMB7.96 million in FY2016. The inclusion of additional other expenses as a result of the Ranken Full Year Consolidation was offset by the loss on disposal of plant and equipment upon completion of certain Ranken’s project as well as the absence of impairment of goodwill relating to Mancala.

Finance costs increased by RMB8.60 million or approximately 253.08% from RMB3.40 million in FY2015 to RMB12.00 million in FY2016 due mainly to the inclusion of additional interest expense incurred by Ranken as a result of the Ranken Full Year Consolidation.

The Group recorded a loss after tax for its discontinued operations in FY2016 from a profit after tax in FY2015 due mainly to the decrease in revenue as a result of the uncertain market sentiments in the mining industry and the volatility of the commodity prices.

As a result of the above, the profit for the year attributable to owners of the Company increased by RMB14.25 million or approximately 43.74% from RMB32.58 million in FY2015 to RMB46.83 million in FY2016.

FY2017 vs FY2016

Revenue increased by RMB230.51 million or approximately 21.38% from RMB1.08 billion in FY2016 to RMB1.31 billion in FY2017 due mainly to the increase in the number of ongoing projects in the People’s Republic of China (“**PRC**”).

Gross profit increased by RMB22.42 million or approximately 17.10% from RMB131.14 million in FY2016 to RMB153.55 million in FY2017 in tandem with the increase in revenue.

Other income decreased by RMB17.97 million or approximately 75.33% from RMB23.86 million in FY2016 to RMB5.89 million in FY2017 due mainly to the absence of one-off consultancy fees, absence of fair value gain related to the acquisition of Mancala, absence of unwinding of discount on retention monies and the absence of net foreign exchange gain recorded in FY2016.

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Selling and distribution costs increased by RMB4.50 million or approximately 104.58% from RMB4.30 million in FY2016 to RMB8.80 million in FY2017 due mainly to the increase in travelling expenses and project tendering costs including costs for project assessments.

Administrative expenses decreased by RMB2.47 million or approximately 4.17% from RMB59.25 million in FY2016 to RMB56.78 million in FY2017 due mainly to cost control exercises by the Group.

The Group recorded impairment loss on trade and other receivables and contract assets of RMB3.22 million in FY2017 due to allowance for impairment losses of doubtful receivables.

Other expenses increased by RMB4.22 million or approximately 53.02% from RMB7.96 million in FY2016 to RMB12.18 million in FY2017 due mainly to fair value loss on financial assets and discounting effect on long-term receivables partially offset by the decrease in loss on disposal of fixed assets.

Finance costs increased by RMB13.67 million or approximately 113.87% from RMB12.00 million in FY2016 to RMB25.67 million in FY2017 due mainly to the increase in refinancing costs during FY2017.

The Group recorded a profit after tax for its discontinued operations from a loss after tax in FY2016 as the results for the discontinued operations for FY2017 comprised the net operating loss recorded by Mancala for the two (2) months period prior to the completion on 28 February 2017 and the net gain on disposal of Mancala.

As a result of the above, the profit for the year attributable to owners of the Company decreased by RMB15.06 million or approximately 32.15% from RMB46.83 million in FY2016 to RMB31.78 million in FY2017.

FY2018 vs FY2017

Revenue increased by RMB488.26 million or approximately 37.31% from RMB1.31 billion in FY2017 to RMB1.80 billion in FY2018 due mainly to the Group's continued focus on execution of ongoing projects.

Gross profit decreased by RMB19.57 million or approximately 12.74% from RMB153.55 million in FY2017 to RMB133.99 million in FY2018 mainly as a result of a reversal of revenue due to the modification of a build-and-transfer contract, rising costs of construction materials due to government directives issued to limit production in order to reduce pollution and environmental impact as well as the sale of railway sleepers which commanded lower gross profit margins.

Other income increased by RMB3.47 million or approximately 59.00% from RMB5.89 million in FY2017 to RMB9.36 million in FY2018 due mainly to fair value gain on financial assets, unwinding of discount for long-term receivables, higher rental income and government grants.

Selling and distribution costs increased by RMB1.75 million or approximately 19.90% from RMB8.80 million in FY2017 to RMB10.55 million in FY2018 due mainly to higher travelling expenses.

Administrative expenses increased by RMB1.37 million or approximately 2.41% from RMB56.78 million in FY2017 to RMB58.15 million in FY2018 due mainly to higher staff cost incurred by Ranken which were offset by lower corporate expenses in FY2018.

Impairment loss on trade and other receivables and contract assets increased by RMB12.22 million or approximately 379.27% from RMB3.22 million in FY2017 to RMB15.45 million in FY2018 due to the receipt of termination letters for two (2) projects in Sri Lanka after the year ended 31 December 2018; and the adoption of SFRS(I) 9, where a forward-looking expected credit loss on all trade and other receivables and contract assets were recorded.

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Other expenses decreased by RMB3.54 million or approximately 29.10% from RMB12.18 million in FY2017 to RMB8.63 million in FY2018 due mainly to the absence of discount on long-term receivable, fair value loss on financial assets and lower loss on disposal of plant and equipment.

Finance costs decreased by RMB5.25 million or approximately 20.46% from RMB25.67 million in FY2017 to RMB20.42 million in FY2018 due mainly to lower interest expense incurred for banks, financing company and corporate bond which were offset by higher interest expense for finance leases.

As a result of the above, the profit for the year attributable to owners of the Company decreased by RMB15.41 million or approximately 48.50% from RMB31.78 million in FY2017 to RMB16.36 million in FY2018.

Financial position of the Group

The financial position of the Group as at 31 December 2018 is set out as follows:

(RMB'000)	Audited As at 31 December 2018
Assets	
Property, plant and equipment	170,634
Intangible assets and goodwill	70,453
Investment properties	54,684
Associate	25,000
Other investments	4,970
Other receivables	14,153
Deferred tax assets	13,971
Total non-current assets	353,865
Other investments	5,815
Inventories	23,432
Contract assets	980,244
Trade receivables	379,457
Other receivables	229,143
Cash and cash equivalents	203,949
Total current assets	1,822,040
Total assets	2,175,905
Equity	
Share capital	413,839
Reserves	92,078
Equity attributable to owners of the Company	505,917
Non-controlling interests	10,219
Total equity	516,136

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(RMB'000)	Audited As at 31 December 2018
Liabilities	
Loans and borrowings	27,829
Deferred tax liabilities	6,677
Total non-current liabilities	34,506
Trade payables	970,570
Other payables	175,084
Contract liabilities	215,152
Loans and borrowings	253,968
Current tax liabilities	10,489
Total current liabilities	1,625,263
Total liabilities	1,659,769
Total equity and liabilities	2,175,905
Number of Shares (excluding Treasury Shares) as at Latest Practicable Date ('000)	326,072
Net tangible asset ("NTA") attributable to owners of the Company as at 31 December 2018 (RMB'000)	435,464
NTA attributable to owners of the Company per Share as at 31 December 2018 (RMB)	1.34
NTA attributable to owners of the Company as at 31 December 2018 (S\$'000)⁽¹⁾	86,456
NTA attributable to owners of the Company per Share as at 31 December 2018 (S\$)	0.27

Source: Company's annual report for FY2018

Note:

- (1) The NTA attributable to owners of the Company as at 31 December 2018 has been translated based on the foreign exchange rate of S\$1.00 : RMB5.0368.

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Review of financial position

As at 31 December 2018

The assets of the Group as at 31 December 2018 comprised mainly: (i) contract assets of RMB980.24 million; (ii) trade receivables of RMB379.46 million; and (iii) other current receivables of RMB229.14 million, representing 45.05%, 17.44% and 10.53% of the total assets, respectively.

Contract assets comprised “construction work in progress” for contract work performed which are subject to further checks and certifications and retention sums, receivable from build-and-transfer contract and other guarantee sums where payment terms are deemed to provide the customer with protection from the Group failing to adequately complete some or all of its obligation under the contract.

Other current receivables comprised other receivables due from third parties, deposits and prepayments.

The liabilities of the Group as at 31 December 2018 comprised mainly: (i) trade payables of RMB970.57 million; (ii) current loans and borrowings of RMB253.97 million; (iii) contract liabilities of RMB215.15; and (iv) other current payables of RMB175.08, representing 58.48%, 15.30%, 12.96% and 10.55% of the total liabilities, respectively.

Current loans and borrowings comprised mainly secured bank loans.

Other current payables comprised mainly advance payments from customers and other payables.

As at 31 December 2018, the NTA of the Group attributable to owners of the Company amounted to approximately RMB435.46 million and the NTA per Share was approximately RMB1.34 (or equivalent to S\$0.27 based on the exchange rate of S\$1.00 : RMB5.0368) per Share based on the outstanding number of Shares as at the Latest Practicable Date.

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4. KEY TERMS OF THE PROPOSED RIGHTS ISSUE AND IRREVOCABLE UNDERTAKING

4.1 Key terms of the Proposed Rights Issue

The detailed terms of the Proposed Rights Issue are set out in Section 2 of the Circular.

The Proposed Rights Issue is proposed to be made on a non-renounceable non-underwritten basis, on the basis of one (1) Rights Share for every four (4) existing Shares held by the Shareholders as at the Books Closure Date at an Issue Price of S\$0.128 for each Rights Share.

The Issue Price for each Rights Share of S\$0.128 represents:

- (i) a discount of approximately 11.11% to the last transacted price of S\$0.144 per Share on the Mainboard of the SGX-ST on 24 December 2018, being the last trading day⁽¹⁾ on which the Shares were traded immediately preceding the Announcement Date; and
- (ii) a discount of approximately 9.09% to the theoretical ex-rights price⁽²⁾ of S\$0.1408 per Share.

Notes:

- (1) The last traded day immediately preceding the Announcement Date being 24 December 2018 was a half-day trading day, being the eve of Christmas Day.
- (2) The theoretical ex-rights trading price is the theoretical market price of each Share assuming the maximum 81,517,978 Rights Shares are issued pursuant to the Proposed Rights Issue and is computed based on the last transacted price of S\$0.144 per Share on the Mainboard of the SGX-ST on 24 December 2018, being the last trading day on which the Shares were traded immediately preceding the Announcement Date.

Entitled Shareholders will be at liberty to accept (in full or in part), or decline their provisional allotments of Rights Shares, and will be eligible to apply for additional Rights Shares in excess of their provisional allotments under the Proposed Rights Issue. However, as the Proposed Rights Issue is made on a non-renounceable basis, entitled Shareholders should note that they will not be able to renounce in part or in whole, and/or trade their provisional allotments of the Rights Shares.

Fractional entitlements to the Rights Shares will be disregarded in arriving at the entitled Shareholders' provisional allotments of Rights Shares and will, together with the provisional allotments of Rights Shares which are not taken up or allotted for any reason, and the entitlements to Rights Shares which would otherwise accrue to Foreign Shareholders, be aggregated and allotted to satisfy excess applications for Rights Shares, or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the best interests of the Company, subject to applicable laws and the listing manual of SGX-ST ("**Listing Manual**").

In the allotment of Excess Rights Shares, preference will be given to the Shareholders for the rounding of odd lots, whereas Directors and substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company, or the terms of the Proposed Rights Issue, or have representation (direct or through a nominee) on the Board, will rank last in priority for the rounding of odd lots and the allotment of Excess Rights Shares. The Company will not make any allotment and issuance of any Excess Rights Shares that will result in a transfer of controlling interest in the Company unless otherwise approved by the Shareholders in a general meeting.

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The Rights Shares are payable in full upon acceptance and/or application, and when allotted and issued, will rank *pari passu* in all respects with the then existing Shares, except that they will not rank any dividends, rights, allotments or other distributions that may be declared or paid, the record date for which falls before the date of issue of the Rights Shares. For this purpose, a “**record date**” means, in relation to any dividends, rights, allotments or other distributions, the date as at the close of the business (or such other time as may have been notified by the Company) on which the Shareholders must be registered with the Company or Central Depository (Pte) Limited, as the case may be, in order to participate in such dividends, rights, allotments or other distributions.

The Company had on 12 April 2019, received the approval in-principle from the SGX-ST for the permission to deal in and for the listing and quotation of up to 81,517,978 Rights Shares on the Mainboard of the SGX-ST pursuant to the Proposed Rights Issue.

The Shareholders should note that the Proposed Rights Issue is subject to, *inter alia*, the following conditions:

- (i) the receipt of the approval in-principle of the SGX-ST for the dealing in, listing of and quotation for the Rights Shares on the Mainboard of the SGX-ST, such approval not having been withdrawn or revoked as at the date of completion of the Proposed Rights Issue, and if such approval is granted subject to conditions, such conditions being acceptable to the Company;
- (ii) the Whitewash Waiver being granted by the SIC and not having been withdrawn or revoked as at the date of completion of the Proposed Rights Issue;
- (iii) the Proposed Rights Issue and the issue of the Rights Shares being approved by Shareholders at the EGM; and
- (iv) the Proposed Whitewash Resolution being approved by the Independent Shareholders at the EGM.

4.2 Irrevocable Undertaking

As at the Latest Practicable Date, the Undertaking Shareholder directly holds 91,171,293 Shares, representing approximately 27.96% of the total number of issued Shares of the Company.

As an indication of its support and commitment to the Company and the Proposed Rights Issue, the Undertaking Shareholder has provided an Irrevocable Undertaking in favour of the Company, pursuant to which the Undertaking Shareholder will, subject to certain conditions, irrevocably undertake to the Company that, among others:

- (i) as at the Books Closure Date, the number of Shares held by the Undertaking Shareholder will not be less than the number of Shares held by it as at the date of the Irrevocable Undertaking;
- (ii) it will vote in favour of the Proposed Rights Issue and the issue of the Rights Shares at the EGM (including any adjournment thereof); and
- (iii) it will, not later than the last day for acceptance and payment of the Rights Shares and subject to the approval of the Independent Shareholders of the Proposed Whitewash Resolution, subscribe for and pay in full for and/or procure the subscription of and payment in full for its *pro rata* entitlement to the Rights Shares in relation to Shares held by it as at the Books Closure Date, and all Excess Rights Shares which are not otherwise subscribed for by the entitled Shareholders under the Proposed Rights Issue, in accordance with the terms and conditions of the Proposed Rights Issue.

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The Irrevocable Undertaking will be conditional upon, among others, the following:

- (i) the receipt of the approval in-principle of the SGX-ST for the dealing in, listing of and quotation for the Rights Shares on the Mainboard of the SGX-ST, such approval not having been withdrawn or revoked as at the date of completion of the Proposed Rights Issue, and if such approval is granted subject to conditions, such conditions being acceptable to the Company;
- (ii) the Whitewash Waiver being granted by the SIC and not having been withdrawn or revoked as at the date of completion of the Proposed Rights Issue;
- (iii) the Proposed Rights Issue and the issue of the Rights Shares being approved by Shareholders at the EGM; and
- (iv) the Proposed Whitewash Resolution being approved by the Independent Shareholders at the EGM.

Further details on the Irrevocable Undertaking are set out in Section 2.5 of the Circular.

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5. THE PROPOSED WHITEWASH RESOLUTION

As at the Latest Practicable Date, the Concert Party Group is interested in an aggregate 91,671,293 Shares, representing approximately 28.11% of the total number of issued Shares of the Company.

Assuming the Undertaking Shareholder Maximum Subscription Scenario, the aggregate shareholding interests of the Concert Party Group will increase from approximately 28.11% to 42.49% immediately following the allotment and issue of such Rights Shares.

Accordingly, the fulfilment by the Undertaking Shareholder of its obligations pursuant to the Irrevocable Undertaking and the subscription of the Rights Shares in connection with the Proposed Rights Issue may result in the Concert Party Group acquiring 30.0% or more of the voting rights of the Company, thereby crossing the Mandatory Offer Threshold and resulting in the Concert Party Group being required to make a Mandatory Offer unless such requirements is waived by the SIC.

As a result, the Company had, on 4 January 2019, applied to the SIC for the Whitewash Waiver. The SIC had, on 5 March 2019, granted the Whitewash Waiver to the Concert Party Group, subject to the satisfaction of the conditions from SIC including, *inter alia*, the following:

- (i) a majority of holders of voting rights of the Company approve at a general meeting, before the Proposed Rights Issue, a resolution by way of a poll to waive their rights to receive a general offer from the Concert Party Group;
- (ii) the Proposed Whitewash Resolution is separate from other resolutions;
- (iii) the Concert Party Group as well as parties not independent of them abstain from voting on the Proposed Whitewash Resolution;
- (iv) the Concert Party Group did not acquire or are not to acquire any Shares or instruments convertible into and options in respect of Shares of the Company (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new shares which have been disclosed in the Circular);
 - (a) during the period between the date of the Announcement and the date Shareholders' approval is obtained for the Proposed Whitewash Resolution; and
 - (b) in the six (6) months prior to the date of the Announcement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors of the Company in relation to the Proposed Rights Issue;
- (v) the Company appoints an IFA to advise its independent shareholders on the Proposed Whitewash Resolution;
- (vi) the Company sets out clearly in its Circular to its Shareholders:
 - (a) details of the Proposed Rights Issue and the Revised Irrevocable Undertaking to be given by the Undertaking Shareholder;
 - (b) the dilution effect to existing holders of voting rights upon the subscription of the Rights Shares by the Undertaking Shareholder;
 - (c) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares in the Company held by the Concert Party Group as at the Latest Practicable Date;

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- (d) the number and percentage of voting rights to be acquired by the Concert Party Group as a result of their subscription of the Rights Shares; and
- (e) specific and prominent reference to the fact that Shareholders, by voting for the Proposed Whitewash Resolution, are waiving their rights to a general offer from the Concert Party Group at the highest price paid by any of them for the Company's Shares in the past six (6) months preceding the commencement of the offer;
- (vii) the Circular by the Company to its Shareholders states that the waiver granted by the SIC to the Concert Party Group from the requirement to make a general offer under Rule 14 of the Code is subject to the conditions stated at 3.2(a) to (f) above;
- (viii) the Company obtains SIC's approval in advance for those parts of the Circular that refer to the Proposed Whitewash Resolution; and
- (ix) to rely on the Proposed Whitewash Resolution, the subscription of the Rights Shares by the Concert Party Group must be completed within three (3) months of the date of the approval of the Proposed Whitewash Resolution.

As at the Latest Practicable Date, save for conditions (i), (iii), (iv)(a) and (ix), all the above conditions imposed by the SIC have been satisfied.

The Independent Shareholders are therefore asked to vote by way of a poll, on the Proposed Whitewash Resolution set out as Ordinary Resolution 2 in the notice of EGM, included in the Circular.

The Independent Directors should advise the Independent Shareholders that:

- (a) **by voting in favour of the Proposed Whitewash Resolution (Ordinary Resolution 2), they will be waiving their rights to receive a mandatory general offer for their Shares from the Concert Party Group at the highest price paid or agreed to be paid by the Concert Party Group in the six (6) months preceding the commencement of the Proposed Rights Issue which they would have otherwise been obliged to make for the Shares in accordance with Rule 14 of the Code; and**
- (b) **in the context of the Whitewash Waiver, the Proposed Rights Issue is conditional upon them voting in favour of the Proposed Whitewash Resolution (Ordinary Resolution 2). In view of this, in the event that the Proposed Whitewash Resolution (Ordinary Resolution 2) is not passed by the Independent Shareholders, the Proposed Rights Issue will not take place.**

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6. EVALUATION OF THE PROPOSED WHITEWASH RESOLUTION

In our evaluation of the Proposed Whitewash Resolution, we have given due consideration to, *inter alia*, the following key factors:

- (i) rationale of the Proposed Rights Issue and the use of proceeds;
- (ii) the Proposed Rights Issue being offered to all entitled Shareholders on a *pro rata* basis;
- (iii) assessment of the Issue Price of the Rights Shares;
- (iv) financial effects of the Proposed Rights Issue;
- (v) dilution effect of the Proposed Rights Issue on the Independent Shareholders; and
- (vi) other relevant considerations.

6.1 Rationale of the Proposed Rights Issue and the use of proceeds

It is not within our terms of reference to comment or express an opinion on the merits of the Proposed Rights Issue or the future prospects of the Group after the Proposed Rights Issue.

Nevertheless, we have reviewed the rationale of the Proposed Rights Issue as set out in Section 2.7 of the Circular as follows:

“Whilst the Company has been exploring various means of fundraising including external borrowings and debt instruments, the rising interest rate environment and the creation of security interests for bank borrowings has the Company favouring an equity fundraising as the most optimal and equitable form of fundraising, and undertaking the proposed Rights Issue to strengthen the financial position and capital base of the Group. As at 31 December 2018,

- (a) the Group has cash and cash equivalents of approximately RMB 204 million, out of which approximately RMB 122 million has been earmarked for specific projects in the PRC and are currently held in the relevant project bank accounts of the Group, and will be utilised as and when required in accordance with the schedule of the projects; and*
- (b) the gearing ratio of the Group before the allotment and issue of the Rights Shares is 0.55 times, and substantial amounts of the Group’s assets have been secured for bank borrowings.*

In addition, as at the Latest Practicable Date, the Group has utilised a portion of the cash and cash equivalents for paying down bank borrowings.

While the Group may continue to renew such facilities or secure new bank borrowings, the banks’ conditions for refinancing requires the Group to pay off the existing loans prior to the renewal or provision of any new facilities. Details of the cash flow for repayment of bank borrowings in 2019 of the Group are set out in the Annual Report of the Company for FY2018.

Given the cash flow requirements for its current projects, the Rights Issue will provide the Group with flexibility to explore the entry into various new public-private partnership projects which the Group is discussing with project partners, and to continue growing the business of the Group without remaining stagnant.

The Company had previously explored alternative fundraising methods via debt issuances to an advanced stage (including having appointed the relevant professional parties) but had decided that it would not be in the best interests of the Company to proceed given the high cost of the exercise and unfavourable market conditions.

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In view of the current financial circumstances and the Group's order book, the Company believes that the net proceeds from the proposed Rights Issue will strengthen the Company's balance sheet, for which a stronger financial position will provide financial flexibility for the Group and also allow the Group to seize opportunities for business growth and expansion in a timely manner and as and when the opportunities arise.

The Company has decided to proceed with a non-renounceable Rights Issue as the price of any nil-paid rights and trading of nil-paid rights is not expected to be meaningful given the current low trading volume in the Shares, and the Rights Issue will be completed within a shorter timeframe and with fewer administrative and logistical requirements than that of a renounceable rights issue. Notwithstanding that Entitled Shareholders will not be able to trade their provisional entitlements of the Rights Shares, the Rights Issue presents an equitable form of fund-raising which allows for all Shareholders to participate on a pro rata basis. The Rights Shares will be offered on a pro rata basis to all Entitled Shareholders and the Issue Price is the same for all Entitled Shareholders (including the Undertaking Shareholder), and Entitled Shareholders are at a liberty to accept (in full or in part) or decline their provisional allotments of the Rights Shares and will be eligible to apply for additional Rights Shares in excess of their provisional allotments under the Rights Issue.

In addition, the Rights Issue will also provide existing Shareholders who are confident of the future prospects of the Company with an opportunity to invest in new equity in the Company."

Assuming the Undertaking Shareholder Maximum Subscription Scenario, the Company will raise net proceeds of approximately S\$9.98 million, after deducting estimated expenses of approximately S\$0.46 million incurred in connection with the Proposed Rights Issue.

Assuming all the Shareholders subscribe for their *pro rata* entitlements to the Rights Shares under the Proposed Rights Issue ("**Undertaking Shareholder Minimum Subscription Scenario**", and together with the Undertaking Shareholder Maximum Subscription Scenario, the "**Maximum Subscription Scenarios**", and each a "**Maximum Subscription Scenario**"), the Company will raise net proceeds of approximately S\$9.98 million, after deducting estimated expenses of approximately S\$0.46 million incurred in connection with the Proposed Rights Issue.

The Company expects to deploy the net proceeds in the following manner:

Use of proceeds	Maximum Subscription Scenarios	
	S\$' million	%
Making strategic investments into and development of water and environmental management projects	4.99	50.0
General corporate purposes including general corporate and/or working capital requirements of the Group	4.99	50.0
Total	9.98	100.0

We note that the Company will be utilising net proceeds from the Proposed Rights Issue mainly for the continued growth and expansion of the Group's businesses, either organically or through acquisitions and joint ventures, in line with the Group's growth strategy over the past five (5) years. We also note that the Company had made further announcements in respect of a new contract secured for the Project, which will be undertaken by the Consortium. Further details are set out in Section 3.2 of this Letter.

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6.2 The Proposed Rights Issue being offered to all entitled Shareholders on a *pro rata* basis

The Proposed Rights Shares are being offered on a *pro rata* basis to entitled Shareholders who will get the right of first refusal to subscribe to the Rights Shares based on their provisional allotments of the Rights Shares.

As the Proposed Rights Issue is made on a non-renounceable basis, entitled Shareholders should note that they will not be able to renounce in part or in whole, and/or trade their provisional allotments of the Rights Shares.

In the allotment of Excess Rights Shares, Directors and substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company, or the terms of the Proposed Rights Issue, or have representation (direct or through a nominee) on the Board, will rank last in priority for the rounding of odd lots and the allotment of Excess Rights Shares. As the Concert Party Group comprises of a controlling shareholder and a Director of the Company who have control or influence over the Company in connection with the day-to-day affairs of the Company, the Concert Party Group will rank last in priority for the rounding of odd lots and the allotment of the Excess Rights Shares.

Accordingly, the Independent Shareholders will not be at a disadvantage or prejudiced in the allocation of their application for their entitlements of Rights Shares and Excess Rights Shares pursuant to the Proposed Rights Issue.

Further, in the event that all Shareholders subscribe in full for their entitled Rights Shares, the current shareholding structure of the Company will remain unchanged.

6.3 Assessment of the Issue Price of the Rights Shares

The Issue Price of the Rights Shares is S\$0.128 per Rights Share.

In assessing the Issue Price, we have considered:

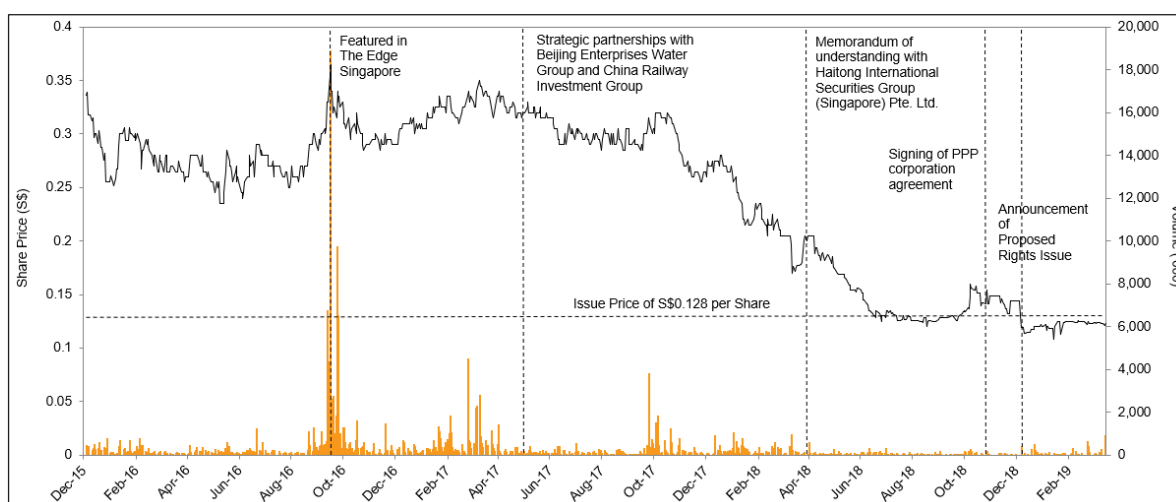
- (i) the historical trading performance of the Shares;
- (ii) share trading pattern as compared to the NTA per Share of the Group; and
- (iii) compared the discount / premium of the Issue Price to the theoretical ex-rights price with the salient statistics of selected completed rights issues of shares by companies listed on the SGX-ST.

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6.3.1 Market quotation and trading activity of the Shares

In assessing the Issue Price, we have compared the Issue Price against the historical market price performance of the Shares and the historical share trading volume of the Shares. We noted that the Shares were halted on 26 December 2018 and resumed trading on 31 December 2018. As such, we set out below a chart showing the Issue Price relative to the daily last transacted prices and trading volume of the Shares from 25 December 2015, being the three-year period before the last trading date of the Shares on 24 December 2018, to the Latest Practicable Date (“**Period Under Review**”).

**Price movement and traded volume of the Shares
for the Period Under Review**



Source: Bloomberg L.P.

We note that the Share price had traded within a range of S\$0.108 to S\$0.365 during the Period Under Review and is on a decreasing trend prior to the Announcement Date.

We note that SGX-ST issued a query regarding the trading activity of the Company on 10 October 2016. The Company responded on the same day, that the Company was featured in The Edge Singapore for, *inter alia*, the Group's restructuring exercise and corporate transformation plans over the last three (3) years including the acquisition of Ranken as its key turnaround strategy, as well as the industry outlook for the rail infrastructure sector in China.

Following the Announcement on 30 December 2018, the Share price decreased by 17.4%, from S\$0.144 to S\$0.119 based on closing price on 24 December 2018, being the last trading date prior to the release of the Announcement and 31 December 2018 respectively. The Issue Price represents a premium of 4.1% over the Share price of S\$0.123 as at the Latest Practicable Date.

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6.3.2 Market statistics

In addition, we have tabulated below additional statistical information on the share price performance and trading liquidity of the Shares for the 12-month period prior to the release of the Announcement, commencing from 31 December 2017 (being one (1) year prior to the Announcement Date) and ending on the Latest Practicable Date:

	Highest transacted price (\$)	Lowest transacted price (\$)	VWAP ⁽¹⁾ (\$)	Premium / (Discount) of Issue Price over / (to) VWAP (%)	Number of traded Days	Average daily traded volume ⁽²⁾ ('000)	Average daily traded volume as a percentage of free float ⁽³⁾ (%)
Prior to the release of the Announcement							
Last 1 month	0.150	0.132	0.142	(9.9)	11	25	0.0
Last 3 months	0.169	0.122	0.145	(11.7)	40	53	0.0
Last 6 months	0.169	0.112	0.136	(5.9)	92	58	0.0
Last 1 year	0.290	0.112	0.203	(36.9)	206	111	0.1
As at 24 December 2018, being the last traded day prior to the Announcement	0.144	0.134	0.144	(11.1)	1	31	0.0
After the release of the Announcement to the Latest Practicable Date							
After the release of the Announcement to the Latest Practicable Date	0.132	0.108	0.120	6.7	44	131	0.1
As at the Latest Practicable Date	0.123	0.117	0.122	4.9	1	141	0.1

Source: Bloomberg L.P.

Notes:

- (1) The VWAP is calculated based on the turnover divided by volume of the Shares as extracted from Bloomberg L.P.
- (2) The average daily traded volume of the Shares was computed based on the total volume of Shares traded during the relevant periods, divided by the number of days that were open for trading (excluding public holidays and days with full day trading halts on the Shares) during that period.
- (3) Free float refers to the Shares other than those held by the Directors, chief executive officer, controlling Shareholders or substantial Shareholders of the Company and amounts to approximately 179.3 million Shares representing approximately 55.0% of the issued Shares as disclosed in the Company's annual report for FY2018.

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Based on the information above, we note that:

- (i) during the 12-month period prior to the Announcement, the transacted prices of the Shares ranged between a low of S\$0.112 and a high of S\$0.290. The Issue Price represents a premium of approximately 14.3% over the lowest transacted price and represents a discount of approximately 55.9% to the highest transacted price of the Shares over a 12-month period prior to the release of the Announcement; and
- (ii) during the period after the release of the Announcement and the Latest Practicable Date, the transacted prices of the Shares ranged between S\$0.108 and S\$0.132. The Issue Price represents a premium of approximately 18.5% over the lowest transacted price and represents a discount of approximately 3.0% to the highest transacted price of the Shares during the period after the release of the Announcement to the Latest Practicable Date.

The Issue Price represents:

- (i) a discount of 9.9%, 11.7%, 5.9% and 36.9% to the VWAP of the Shares for the 1-month, 3-month, 6-month and 12-month periods prior to the release of the Announcement respectively;
- (ii) a premium of 6.7% over the VWAP of the Shares during the period between the Announcement and the Latest Practicable Date; and
- (iii) a premium of 4.9% over the VWAP of the Shares as at the Latest Practicable Date.

The theoretical ex-rights price is S\$0.1408 per Share based on the last transacted Share price of S\$0.144 on 24 December 2018, being the last traded day prior to the release of the Announcement. The Issue Price of S\$0.128 represents a discount of approximately 9.1% to the theoretical ex-rights price.

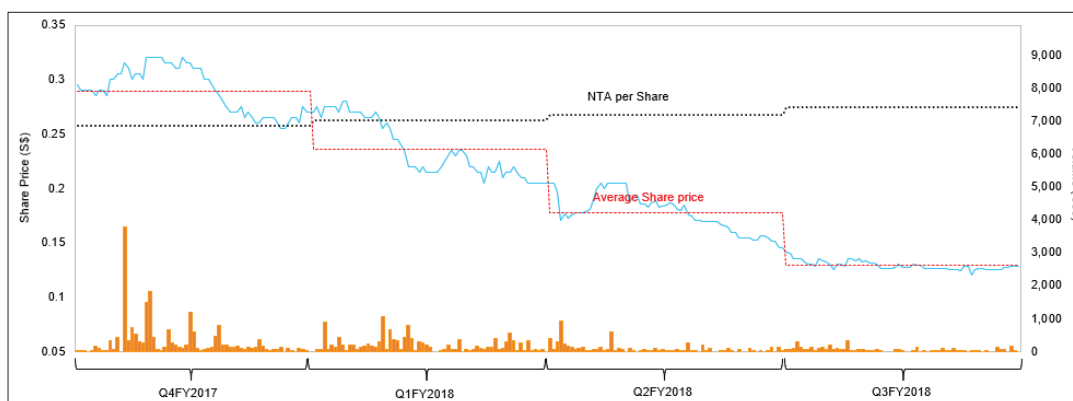
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6.3.3 Shares trading pattern as compared to the historical NTA per Share of the Group

Based on the audited financial statements for FY2018 and the number of outstanding shares in the Company as at the Latest Practicable Date, the NTA per Share is S\$0.27. For illustrative purposes only, we note that the Issue Price represents a discount of approximately 52.6% to the Group's NTA per Share.

We have assessed the reported historical NTA per Share based on the financial results announcements of the Group for the four (4) financial quarters prior to the Announcement Date and we set out below a chart showing the NTA per Share relative to the average Share prices for the relevant periods (based on latest publicly available information for the relevant periods):

Historical NTA per Share of the Group vs. the Average Share price of the Group



Sources: Bloomberg L.P. and the Company's announcements relating to the financial results of the Group for the relevant periods

We observe the following regarding the Share price performance of the Company for the four (4) financial quarters prior to the Announcement Date:

- (a) the Shares have always been trading at a discount to the NTA per Share, save for the period from 1 October 2017 to 31 December 2017 ("Q4FY2017"), where the Shares traded above the NTA per Share; and
- (b) the average Share price over the relevant periods has always traded at a discount to the NTA per Share, save for Q4FY2017, where the average Share price was above the NTA per Share.

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6.3.4 Statistics of selected completed rights issues of shares

In assessing the Issue Price, we have also looked at the salient statistics of selected completed rights issues of shares by companies (excluding real estate and business trusts) listed on the SGX-ST (“**Completed Rights Issues**”), that were announced since 30 December 2017 and up to the Latest Practicable Date.

Shareholders should note that the business activities, size of operations, risk profile, geographical spread, operating and financial leverage, market capitalisation, composition of business activities, cash flow requirement, track record, future prospects and other relevant criteria of each of the above companies are not identical to the Group. Accordingly, any inference that can be drawn from the comparison of the relevant discount to theoretical ex-rights prices may not be directly comparable to the Proposed Rights Issue and should not be conclusively relied upon.

Company		Date of Announcement	Terms of rights issue	Issue price of rights share (\$)	Last transacted share price prior to announcement (\$)	Premium / (Discount) of issue price over / (to) last transacted share price prior to announcement (%)	Theoretical ex-rights price (“TERP”)(1) (\$)	Premium / (Discount) of issue price over / (to) TERP (%)
MTQ Corporation Limited		30 Jan 18	Four (4) rights shares and one (1) warrant for every ten (10) existing ordinary shares	0.2	0.4	(50.0)	0.343	(41.7)
Pine Capital Group Limited		7 Feb 18	Twenty five (25) rights shares and eight (8) warrants for every one hundred (100) existing ordinary shares	0.0025	0.004	(37.5)	0.004	(37.5)
Rich Capital Holdings Limited (formerly known as Infinio Group Limited)		14 Feb 18	One (1) rights share for every one (1) existing ordinary share	0.007	0.009	(22.2)	0.008	(12.5)
GYP Properties Limited (formerly known as Global Yellow Pages Limited)		14 Feb 18	One (1) rights share for every five (5) existing ordinary shares	0.2	0.16	25.0	0.167	18.3
Global Dragon Limited (formerly known as TMC Education Corporation Ltd)		27 Feb 18	Three (3) rights shares for every one (1) existing ordinary share	0.0675	0.098	(31.1)	0.075	(10.0)
Singapore Medical Group Limited		1 Mar 18	One (1) rights share for every twenty (20) existing ordinary shares	0.480	0.560	(14.3)	0.556	(13.7)
3Cnergy Limited		2 Mar 18	One (1) rights share for every one (1) existing ordinary share	0.022	0.04	(45.0)	0.029	(24.1)
AusGroup Limited		6 Apr 18	One (1) rights share for every two (2) existing ordinary shares	0.035	0.0469	(25.4)	0.043	(18.6)
Asia-Pacific Strategic Investments Limited		4 May 18	Two (2) rights shares and two (2) warrants for every one (1) existing ordinary share	0.002	0.003	(33.3)	0.002	0.0
Hotel Royal Limited		11 May 18	One (1) rights share for every five (5) existing ordinary shares	3.000	4.000	(25.0)	3.833	(21.7)
Moya Holdings Asia Limited		22 May 18	One (1) rights share for every two (2) existing ordinary shares	0.095	0.095	0.0	0.095	0.0
Ocean International Limited	Sky	22 May 18	One (1) rights share and one (1) warrant for every two (2) existing ordinary shares	0.062	0.084	(26.2)	0.077	(19.5)
International Softcom Limited	Press	1 Jun 18	Two (2) rights shares for every three (3) existing ordinary shares	0.011	0.012	(8.3)	0.0116	(5.2)

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Company	Date of Announcement	Terms of rights issue	Issue price of rights share (S\$)	Last transacted share price prior to announcement (S\$)	Premium / (Discount) of issue price over / (to) last transacted share price prior to announcement (%)	Theoretical ex-rights price ("TERP") ⁽¹⁾ (S\$)	Premium / (Discount) of issue price over / (to) TERP (%)
Envictus International Holdings Limited	18 Jun 18	Four (4) rights shares and four (4) warrants for every five (5) existing ordinary shares	0.16	0.37	(56.8)	0.2767	(42.2)
Koh Brothers Eco Engineering Limited	29 Jun 18	One (1) rights share and one (1) warrant for every two (2) existing ordinary shares	0.045	0.069	(34.8)	0.061	(26.2)
Hong Leong Asia Ltd.	14 Aug 18	One (1) rights share for every one (1) existing ordinary share	0.54	0.82	(34.1)	0.68	(20.6)
MS Holdings Limited	21 Aug 18	Four (4) rights shares and one (1) warrant for every five (5) existing ordinary shares	0.062	0.074	(16.2)	0.069	(10.1)
Manhattan Resources Limited	5 Sep 18	One (1) rights share for every one (1) existing ordinary share	0.0245	0.08	(69.4)	0.052	(52.9)
OUE Lippo Healthcare Limited	18 Sep 18	One (1) rights share for every one (1) existing ordinary share	0.0675	0.12	(43.8)	0.094	(28.2)
BH Global Corporation Limited	28 Sep 18	Three (3) rights shares for every two (2) existing ordinary shares	0.085	0.16	(46.9)	0.115	(26.1)
Arion Entertainment Singapore Limited	29 Sep 18	One (1) rights share for every one (1) existing ordinary share	0.008	0.01	(20.0)	0.009	(11.1)
Tee International Limited	29 Nov 18	Thirty-eight (38) rights shares for every one hundred (100) existing ordinary shares	0.10	0.183	(45.4)	0.160	(37.5)
Lifebrandz Ltd.	14 Dec 18	One (1) rights share for every two (2) existing ordinary shares	0.007	0.013	(46.2)	0.011	(36.4)
Global Dragon Limited	31 Dec 18	One (1) rights share for every three (3) existing ordinary shares	0.0675	0.06	12.5	0.062	8.9
				High	25.0	18.3	
				Low	(69.4)	(52.9)	
				Mean	(28.9)	(19.5)	
				Median	(32.2)	(20.0)	
Sapphire Corporation Limited	30 Dec 18	One (1) Rights Share for every four (4) existing ordinary shares	0.128	0.144	(11.1)	0.1408	(9.1)

Sources: Bloomberg L.P., announcements and circulars of the respective companies and RHTC's calculations

Note:

- (1) Computed based on the respective last transacted price immediately prior to the announcement of the rights issue.

We note the following:

- (i) the Issue Price is priced at a discount of 11.1% to the last transacted Share price of S\$0.144 prior to the release of the Announcement, which is within the range of the Completed Rights Issues but below the mean and median discounts of the Completed Rights Issues of 28.9% and 32.2% respectively; and

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- (ii) the Issue Price is priced at a discount of 9.1% to the theoretical ex-rights price, based on the last trading price of the Shares of S\$0.144 prior to the release of the Announcement, which is within the range of the Completed Rights Issues but below the mean and median discounts of the theoretical ex-rights prices of the Completed Rights Issues of 19.5% and 20.0% respectively.

6.4 Financial effects of the Proposed Rights Issue

The financial effects of the Proposed Rights Issue are set out in Section 4 of the Circular. We recommend the Independent Directors to advise on the Independent Shareholders to read Section 4 of the Circular carefully, in particular, the assumptions relating to the preparation of the financial effects. The financial effects are for illustrative purposes only and do not purport to be an indication or a projection of the results and financial position of the Company and the Group after the completion of the Proposed Rights Issue.

We set out below the summary of the financial effects of the Proposed Rights Issue, in both the Undertaking Shareholder Maximum Subscription Scenario and Undertaking Shareholder Minimum Subscription Scenario:

- (i) Share capital – Assuming the Proposed Rights Issue had been completed on 31 December 2018, the number of issued Shares and the issued share capital of the Company will increase from 326,071,915 to 407,589,893 under both the Undertaking Shareholder Maximum Subscription Scenario and the Undertaking Shareholder Minimum Subscription Scenario;
- (ii) NTA per Share – Assuming the Proposed Rights Issue had been completed on 31 December 2018, the NTA of the Company will increase pursuant to the Proposed Rights Issue. The NTA per Share of the Company will decrease as the Issue Price of S\$0.128 is lower than the NTA per Share of S\$0.27 as at 31 December 2018;
- (iii) NAV per Share – Assuming the Proposed Rights Issue had been completed on 31 December 2018, the NAV of the Company will increase pursuant to the Proposed Rights Issue. The NAV per Share of the Company will decrease as the Issue Price of S\$0.128 is lower than the NAV per Share of S\$0.31 as at 31 December 2018;
- (iv) Earnings per Share – Assuming the Proposed Rights Issue had been completed on 1 January 2018, the Proposed Rights Issue would have a dilutive effect on the earnings per Share due to the enlarged number of Shares. The future of the Proposed Rights Issue on the Group's earnings will in turn depend on the returns earned from such deployment of the net proceeds from the issue of the Rights Shares and is not determinable at this point in time; and
- (v) The gearing ratio of the Group will potentially improve from 0.55 times to 0.50 times due to the enlarged number of issued Shares pursuant to the Proposed Rights Issue.

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6.5 Dilution effect of the Proposed Rights Issue on the Independent Shareholders

The Proposed Rights Issue will not result in any shareholding dilution of the Independent Shareholders if all Independent Shareholders subscribe for their full entitlements of Rights Shares pursuant to the Proposed Rights Issue. A dilution impact will only occur for the Independent Shareholders who do not subscribe for their full entitlements of the Rights Shares pursuant to the Proposed Rights Issue.

As at the Latest Practicable Date, the Undertaking Shareholder directly holds 91,171,293 Shares, representing approximately 27.96% of the total number of issued Shares of the Company while Ms Wang Heng directly holds 500,000 Shares, representing approximately 0.15% of the total number of issued Shares of the Company. The remaining Shares are held by the Independent Shareholders.

We have considered the following key scenarios:

Scenario	Description	Remarks
Undertaking Shareholder Maximum Subscription Scenario	The issued share capital of the Company will comprise of 407,589,893 issued Shares and only the Undertaking Shareholder subscribe for its <i>pro rata</i> entitlements of 22,792,823 Rights Shares, and all Excess Rights Shares pursuant to the Irrevocable Undertaking. In this scenario, the Proposed Rights Issue will be fully subscribed.	Shareholders other than the Undertaking Shareholder will face dilution in their shareholdings.
Undertaking Shareholder Minimum Subscription Scenario	The issued share capital of the Company will comprise of 407,589,893 issued Shares and all Shareholders subscribe for their <i>pro rata</i> entitlements of Rights Shares. In this scenario, the Proposed Rights Issue will be fully subscribed.	No shareholding dilution.

The potential changes in the shareholder structure of the Company, based on the total number of issued Shares of the Company as at the Latest Practicable Date, arising from the Proposed Rights Issue assuming: (i) the Undertaking Shareholder Maximum Subscription Scenario; and (ii) the Undertaking Shareholder Minimum Subscription Scenario, are set out below:

	Before the Proposed Rights Issue		After the Proposed Rights Issue			
	As at the Latest Practicable Date		Undertaking Shareholder Maximum Subscription Scenario		Undertaking Shareholder Minimum Subscription Scenario	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Undertaking Shareholder	91,171,293	27.96	172,689,271	42.37	113,964,116	27.96
Ms Wang Heng	500,000	0.15	500,000	0.12	625,000	0.15
Independent Shareholders	234,400,622	71.89	234,400,622	57.51	293,000,777	71.89
Total	326,071,915	100.00	407,589,893	100.00	407,589,893	100.00

Pursuant to the Proposed Rights Issue, the Undertaking Shareholder may potentially hold up to approximately 42.37% of the enlarged issued share capital of the Company. Correspondingly, the aggregate shareholding interests of the Independent Shareholders could potentially be subjected to a dilution of 14.38%, from approximately 71.89% to approximately 57.51% following the completion of the Proposed Rights Issue.

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6.6 Other relevant considerations

6.6.1 Commentaries from the Company's announcement

We wish to highlight an extract of the following statement made by the Company in its FY2018 financial results announcement:

"Environmental conservation and water environmental improvement projects

On the back of increasingly stringent environmental protection regulations in China, investments in environmental conservation and water environmental improvement projects in China is expected to reach RMB 3.3 trillion under China's 13th Five-Year Plan.

In addition to its strengths in urban railway infrastructure construction, the Group has built up a growing track record by successfully completing many iconic city water environmental projects in China. The Group had secured an EPC Contract of RMB 832 million related to its Public-Private-Partnership ("PPP") Project for the first phase of Wuhou District, "Liveable River Bank" project in Chengdu, Sichuan Province, China.

The Group intends to continue pursuing strategic collaborations such as the cooperation agreement signed with Hong Kong mainboard-listed Beijing Enterprises Water Group Co., Ltd. in May 2017, and may also evaluate industry consortiums through which to participate, construct and operate large-scale infrastructure projects on a Public-Private Partnership ("PPP") basis."

As mentioned in Section 3.2 above, the Consortium, through CDJ Environmental Management Co., will carry out investment and financing, design, build, operate and transfer work for the first phase of the Project. The Group expects to continue pursuing strategic collaborations as well as evaluate industry consortiums through which to participate, construct and operate large-scale infrastructure projects on a public-private partnership basis. This is in line with the use of proceeds of the Proposed Rights Issue, as set out in Section 2.7 of the Circular, to make strategic investments and development of water and environmental management projects including the PPP projects such as the "Liveable River Bank" project.

6.6.2 Inter-conditionality of the Proposed Rights Issue and the Proposed Whitewash Resolution

Independent Shareholders should note that the Proposed Rights Issue and the Proposed Whitewash Resolution are inter-conditional upon each other. Accordingly, in the event that any of the resolutions are not approved by the Independent Shareholders at the EGM, the other resolution will not be passed.

6.6.3 Support from the Undertaking Shareholder

As at the Latest Practicable Date, the Undertaking Shareholder directly holds 91,171,293 Shares, representing approximately 27.96% of the total number of issued Shares of the Company. As an indication of its support and commitment to the Company and the Proposed Rights Issue, the Undertaking Shareholder has provided the Irrevocable Undertaking for the subscription of all its entitlements of 22,792,823 Rights Shares and all Excess Rights Shares, which will help to raise net proceeds of approximately S\$9.98 million, after deducting estimated expenses of approximately S\$0.46 million, based on the Undertaking Shareholder Maximum Subscription Scenario.

We believe that this underscores the Undertaking Shareholder's support for the Proposed Rights Issue and demonstrates its commitment to and confidence in the prospect of the Group.

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6.6.4 No material changes to the existing management of the Group

We understand from the Company that following the completion of the Proposed Rights Issue, it is not envisaged that there will be material changes to the existing management of the Group which may affect the operation of the Group's business activities.

6.6.5 Share trading activities of the Undertaking Shareholder

Upon the completion of the acquisition of Ranken on 1 October 2015, the Undertaking Shareholder received 165.0 million Consideration Shares as part of the consideration of the acquisition. After the completion of the Share Consolidation on 9 March 2016, the Undertaking Shareholder's shareholding interests in the Company was 55.0 million Shares.

On 9 September 2016, the Undertaking Shareholder acquired an additional 36,171,293 Shares from ACH Investments Pte Ltd at a price of approximately S\$0.265 per Share via an off-market transaction, increasing its total shareholding interests in the Company from 55.0 million to 91,171,293 Shares.

Save as disclosed above, there was no other acquisition or disposal of Shares to date by the Undertaking Shareholder.

6.6.6 Alternative fund-raising options

We understand that the Company has been exploring various means of fundraising including external borrowings and debt instruments prior to proceeding with the Rights Issue. Having considered the rising interest rate environment, the Proposed Rights Issue would be a more suitable equity fundraising solution to strength the financial position and capital base of the Group and allow Shareholders with an opportunity to invest in new equity of the Company.

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7. OUR OPINION

In arriving at our recommendation in respect of the Proposed Whitewash Resolution, we have taken into consideration, *inter alia*, the following factors summarised below as well as elaborated elsewhere in this Letter. The following should be read in conjunction with, and in the context of, the full text of this Letter.

- (a) the rationale of the Proposed Rights Issue and the use of net proceeds from the Proposed Rights Issue for the growth and expansion of the Group's business either organically or through acquisitions and joint ventures;
- (b) the Rights Shares being offered to all entitled Shareholders on a *pro rata* basis;
- (c) an assessment of the Issue Price of the Rights Shares as follows:
 - (i) a discount of 9.9%, 11.7%, 5.9% and 36.9% to the VWAP of the Shares for the 1-month, 3-month, 6-month and 12-month periods prior to the release of the Announcement respectively;
 - (ii) a premium of 6.7% over the VWAP of the Shares during the period between the Announcement and the Latest Practicable Date; and
 - (iii) a premium of 4.9% over the VWAP of the Shares as at the Latest Practicable Date,
- (d) shares trading pattern as compared to the historical NTA per Share of the Group:
 - (i) the Issue Price represents a discount of approximately 52.6% to the Group's NTA per Share of S\$0.27 as at 31 December 2018;
for the four (4) financial quarters prior to the Announcement Date,
 - (ii) the Shares have always been trading at a discount to the NTA per Share, save for Q4FY2017, where the Shares traded above the NTA per Share; and
 - (iii) the average Share price over the relevant periods has always traded at a discount to the NTA per Share, save for Q4FY2017, where the average Share price was above the NTA per Share,
- (e) comparison of the Issue Price with the market statistics of the Completed Rights Issues as follows:
 - (i) the Issue Price is priced at a discount of 11.1% to the last transacted Share price of S\$0.144 prior to the release of the Announcement, which is within the range of the Completed Rights Issues but below the mean and median discounts of the Completed Rights Issues of 28.9% and 32.2% respectively; and
 - (ii) the Issue Price is priced at a discount of 9.1% to the theoretical ex-rights price, based on the last trading price of the Shares of S\$0.144 prior to the release of the Announcement, which is within the range of the Completed Rights Issues but below the mean and median discounts of the theoretical ex-rights prices of the Completed Rights Issues of 19.5% and 20.0% respectively,
- (f) the financial effects of the Proposed Rights Issue;
- (g) the maximum potential dilution in the shareholding interests of the Independent Shareholders from 71.89% to 57.51%; and

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- (h) other relevant considerations as set out in Section 6.6 of this Letter, namely:
- (i) commentaries from the Company's announcement; (ii) inter-conditionality of the Proposed Rights Issue and the Proposed Whitewash Resolution; (iii) support from the Undertaking Shareholder; (iv) no material changes to the existing management of the Group; (v) share trading activities of the Undertaking Shareholder; and (vi) alternative fund-raising options.

Having regards to the considerations as set out above and the information available to us as at the Latest Practicable Date, we are of the opinion that the Proposed Whitewash Resolution (in relation to the Proposed Rights Issue) is fair and reasonable and not prejudicial to the interests of the Independent Shareholders.

We therefore advise the Independent Directors to recommend to the Independent Shareholders to vote in favour of the Proposed Whitewash Resolution.

We wish to highlight that we were neither a party to the negotiations entered into by the Company in relation to the Proposed Rights Issue, nor were we involved in the deliberations leading up to the decision on the part of the Directors to enter into the Proposed Rights Issue, and we do not warrant the merits of the Proposed Rights Issue.

We have prepared this Letter for the use of the Independent Directors for their benefit, in connection with and for the purpose of their consideration of the Proposed Whitewash Resolution and should not be relied on by any other party. The recommendation made by the Independent Directors to the Shareholders in relation to the Proposed Whitewash Resolution shall remain the sole responsibility of the Independent Directors.

We have prepared this Letter for the use of the Independent Directors in connection with and for the purposes of their consideration of the Proposed Rights Issue. The recommendation made by them to the Independent Shareholders in relation to the Proposed Rights Issue shall remain the sole responsibility of the Independent Directors.

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose other than for the purpose of the EGM at any time and in any manner without prior written consent of RHTC in each specific case.

This Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours sincerely
For and on behalf of
RHT Capital Pte. Ltd.

Khong Choun Mun
Chief Executive Officer

Mah How Soon
Managing Director

APPENDIX B – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2016, FY2017 AND FY2018

The audited consolidated financial statements of the Group for FY2016, FY2017 and FY2018, as well as the review thereof are set out below:

Financial performance of the Group

(RMB'000)	Audited FY2016	Audited FY2017 ⁽¹⁾	Audited FY2018
Continuing operations			
Revenue	1,078,209	1,308,719	1,796,982
Cost of sales	(947,073)	(1,155,165)	(1,662,993)
Gross profit	131,136	153,554	133,989
Other income	23,856	5,886	9,359
Selling and distribution costs	(4,299)	(8,795)	(10,545)
Administrative expenses	(59,252)	(56,783)	(58,149)
Impairment loss on trade and other receivables and contract assets	–	(3,223)	(15,447)
Other expenses	(7,958)	(12,177)	(8,634)
Profit from operating activities	83,483	78,462	50,573
Finance costs	(12,004)	(25,673)	(20,421)
Profit before tax	71,479	52,789	30,152
Tax expense	(14,779)	(20,614)	(13,329)
Profit from continuing operations	56,700	32,175	16,823
Discontinued operations⁽²⁾			
(Loss) / profit from discontinued operations, net of tax	(8,486)	843	–
Profit for the year	48,214	33,018	16,823
Profit attributable to:			
Owners of the Company	46,834	31,775	16,364
Non-controlling interests	1,380	1,243	459
Profit for the year	48,214	33,018	16,823

Sources: Company's annual reports for FY2016, FY2017 and FY2018.

Notes:

- (1) The financial results for FY2017 have been restated following the adoption of the new financial reporting framework, Singapore Financial Reporting Standards (International) on 1 January 2018.
- (2) The divestment of 81.0% in the issued and paid up share capital of Mancala was completed on 28 February 2017. Accordingly, the financials of Mancala had been presented as discontinued operations on the income statement of the Group.

Review of operating results

FY2017 vs FY2016

Revenue rose by RMB 230.5 million to RMB 1,308.7 million in FY2017 mainly due to a higher number of ongoing projects in China.

In line with the higher revenue, gross profit edged up 17.1% to RMB 153.6 million from RMB 131.1 million in FY2016, whereas gross profit margin narrowed to 11.7% compared to 12.2% in FY2016. The lower margin was mainly due to higher costs of materials.

Other income fell to RMB 5.9 million, a drop of RMB 18.0 million from FY2016. This was due mainly to the absence of one-off consultancy fees, fair value gain related to the acquisition of Mancala, unwinding of discount on retention monies and net foreign exchange gain, which were recorded in FY2016 but not FY2017.

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Selling and distribution costs rose by RMB 4.5 million to RMB 8.8 million, due mainly to Ranken's higher travelling expenses and project tendering costs, including costs for project assessments.

Administrative expenses fell by RMB 2.5 million to RMB 56.8 million due mainly to cost control exercises.

Impairment loss on trade and other receivables and contract assets rose by RMB 3.2 million to RMB 3.2 million mainly due to allowance for impairment losses of doubtful receivables.

Other expenses rose by RMB 4.2 million to RMB 12.2 million, due mainly to fair value loss on financial assets, and discounting effect on long-term receivables. These were mitigated by lower loss on disposal of fixed assets.

Finance costs rose by RMB 13.7 million to RMB 25.7 million due mainly to higher refinancing costs during the year.

Tax expense was RMB 20.6 million, attributable to provision for income tax on taxable profits for Ranken's operations.

In 2017, the mining services business made a net loss of RMB 3.2 million for the 2 months period ended 28 February 2017. On completion of the disposal of Mancala Group, the Group recognised a gain on disposal of RMB 4.1 million, resulting in a net profit from Discontinued operations of RMB 0.8 million.

Given the above, net profit for FY2017 fell by 32.2% to RMB 31.8 million from RMB 46.8 million for FY2016, net of non-controlling interest.

FY2018 vs FY2017

Revenue rose by RMB 488.3 million to RMB 1,797.0 million mainly due to the Group's continued to focus on the execution of ongoing projects.

However, gross profit fell by RMB 19.6 million to RMB 134.0 million. Overall gross profit margin in FY2018 was 7.5% as compared to 11.7% in FY2017. The Group's gross profit margin was mainly affected by a reversal of revenue due to modification of a build-and-transfer contract, rising costs of construction materials such as cement, construction sand and gravel due to government directives issued to limit production in order to reduce pollution and environment impact as well as the sale of railway sleepers (which commanded lower margins).

Other income rose by RMB 3.5 million to RMB 9.4 million due mainly to fair value gain on financial assets, unwinding of discount for long-term receivables, higher rental income and government grants.

Selling and distribution costs rose by RMB 1.8 million to RMB 10.5 million, due mainly due higher travelling expenses.

Administrative expenses rose by RMB 1.4 million to RMB 58.1 million, due mainly to Ranken's higher staff costs, offset by lower corporate expenses in FY2018.

Impairment loss on trade and other receivables and contract assets rose by RMB 12.2 million to RMB 15.4 million mainly due to the receipt of termination letters for two projects in Sri Lanka after the year ended 31 December 2018; and the adoption of SFRS(I) 9, where a forward-looking expected credit loss on all trade and other receivables and contract assets were recorded and none in FY 2017.

Other expenses fell by RMB 3.5 million to RMB 8.6 million, due mainly to the absence of discount on long-term receivable and fair value loss on financial assets and lower loss on disposal of plant and equipment.

Finance costs fell by RMB 5.3 million to RMB 20.4 million mainly due to lower interest expense incurred for banks and financing company and corporate bond, offset by higher interest expense for finance leases.

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Tax expense fell by RMB 7.3 million to RMB 13.3 million due to lower operating profit.

The Group has ceased to recognise the financial results of the Mining Services Business from 28 February 2017, being the date of completion of disposal.

Given the above, net profit for FY2018 fell by 48.5% to RMB 16.4 million from RMB 31.8 million for FY2017, net of non-controlling interest.

Financial position of the Group

The financial position of the Group as at 31 December 2018 is set out as follows:

	1 January 2017 ⁽¹⁾ RMB'000	Group 31 December 2017 ⁽¹⁾ RMB'000	31 December 2018 RMB'000
Assets			
Property, plant and equipment	99,649	138,328	170,634
Intangible assets and goodwill	71,815	71,134	70,453
Investment properties	59,504	57,094	54,684
Associate	–	–	25,000
Other investments	100	12,630	4,970
Other receivables	–	21,310	14,153
Deferred tax assets	16,437	13,794	13,971
Total non-current assets	247,505	314,290	353,865
Other investments	–	4,529	5,815
Inventories	9,423	32,603	23,432
Contract assets	754,229	949,703	980,244
Trade receivables	304,870	340,224	379,457
Other receivables	105,397	203,234	229,143
Assets held for sale ⁽²⁾	198,973	–	–
Cash and cash equivalents	145,167	125,748	203,949
Total current assets	1,518,059	1,656,041	1,822,040
Total assets	1,765,564	1,970,331	2,175,905
Equity			
Share capital	413,393	413,839	413,839
Reserves	54,918	86,164	92,078
Equity attributable to owners of the Company	468,311	500,003	505,917
Non-controlling interests	8,588	9,831	10,219
Total equity	476,899	509,834	516,136
Liabilities			
Other payables	19,620	–	–
Loans and borrowings	14,419	120,145	27,829
Deferred tax liabilities	7,028	6,852	6,677
Total non-current liabilities	41,067	126,997	34,506

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	1 January 2017 ⁽¹⁾	Group 31 December 2017 ⁽¹⁾	31 December 2018
	RMB'000	RMB'000	RMB'000
Trade payables	526,341	650,445	970,570
Other payables	182,993	170,199	175,084
Contract liabilities	256,866	348,437	215,152
Loans and borrowings	159,619	144,201	253,968
Current tax liabilities	23,418	20,218	10,489
Liabilities held for sale ⁽²⁾	98,361	–	–
Total current liabilities	1,247,598	1,333,500	1,625,263
Total liabilities	1,288,665	1,460,497	1,659,769
Total equity and liabilities	1,765,564	1,970,331	2,175,905

Source: Company's annual report for FY2018

Notes:

- (1) The financial position as at 1 January 2017 and 31 December 2017 have been restated following the adoption of the new financial reporting framework, Singapore Financial Reporting Standards (International) on 1 January 2018.
- (2) The assets and liabilities held for sale relates to that of Mancala where the divestment of 81.0% in the issued and paid up share capital of Mancala was completed on 28 February 2017.

Review of financial position

FY2017 vs FY2016

Total non-current assets rose by RMB 66.8 million to RMB 314.3 million due mainly to (i) recognition of a 19% stake in Mancala as available-for-sale financial assets, (ii) long-term receivables from a former subsidiary company ("**Mancala**") and (iii) additions of plant and equipment and site facilities by Ranken for recently secured projects, net of depreciation during the year.

Total current assets rose by RMB 138.0 million to RMB 1,656.0 million due mainly to (i) changes in current assets (excluding disposal group, Mancala), which rose by RMB 337.0 million and offset by (ii) the absence of assets held for sale of RMB 199.0 million following the completion of the disposal of the Mining Services Business. Significant changes (excluding those of the disposal group) during the year were:

- Other investments rose by RMB 4.5 million, which comprised quoted shares classified as financial assets at fair value.
- Inventories rose by RMB 23.2 million to RMB 32.6 million, due to inclusion of railway sleeper stock for the Meng Hua project.
- Contract assets rose by RMB 195.5 million to RMB 949.7 million mainly due to work completed in stages that have yet to be certified (and thus not invoiced and not recognized as trade debtors) during the year.
- Trade receivables related to Ranken's projects rose by RMB 35.4 million to RMB 340.2 million.
- Other receivables, deposits and prepayment, which comprised mainly (i) Ranken's materials procured on behalf of project owners and (ii) security deposits placed with project owners (refundable on project completion), rose by RMB 97.8 million to RMB 203.2 million.
- Cash and cash equivalents fell by RMB 19.4 million to RMB 125.7 million, due mainly to net cash outflow in investing activities resulting from higher capital expenditure requirements.

APPENDIX B – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2016, FY2017 AND FY2018

Total non-current liabilities rose by RMB 85.9 million to RMB 127.0 million due mainly to refinancing of bank loans, bond proceeds and new finance lease liabilities, net of repayment during the year.

Total current liabilities rose by RMB 85.9 million to RMB 1,333.5 million due mainly to (i) higher current liabilities (excluding disposal group, Mancala), which increased by RMB 184.3 million, and offset by (ii) the absence of liabilities held for sale of RMB 98.4 million following the disposal of Mancala. Significant changes (excluding those of the disposal group) during the year were:

- Trade payables related to Ranken's projects rose by RMB 124.1 million to RMB 650.4 million.
- Other payables and accruals fell by RMB 12.8 million to RMB 170.2 million due mainly to settlement of consideration payable to Mancala's vendor.
- Contract liabilities rose by RMB 91.6 million to RMB 348.4 million, mainly due to higher cash advances from clients as new projects commence the construction phase.
- Current loans and borrowings fell by RMB 15.4 million to RMB 144.2 million as the Group continued to pay down its working capital borrowings and finance lease obligations.

Total equity attributable to owners of the Company or Shareholders' Equity rose by RMB 31.7 million to RMB 500.0 million due to current year earnings and issuance of shares net of expenses under the Shares Award Scheme, offset by net movements in foreign currency translation reserve and fair value movement of available-for-sale financial asset.

FY2018 vs FY2017

Total non-current assets rose by RMB 39.6 million to RMB 353.9 million, mainly due to (i) increase in plant and equipment which was mainly for the purchase of a tunnel boring machine by way of finance lease and other plant and equipment for on-going projects, net of depreciation during the year and (ii) investment in associates, partially offset by (iii) repayment by a former subsidiary company ("Mancala") resulting in lower other receivables and (iv) decrease in fair value of equity investments at FVOCI (long-term other investments).

Total current assets rose by RMB 166.0 million to RMB 1,822.0 million, mainly due to the following significant changes during the year:

- Other investment rose by RMB 1.3 million to RMB 5.8 million due to the quoted shares classified as financial assets carried at fair value through profit or loss rose and resulted in a fair value gain.
- Inventories fell by RMB 9.2 million to RMB 23.4 million due to sale of railway sleeper stock for the Meng Hua project.
- Contract assets rose by RMB 30.5 million to RMB 980.2 million mainly due to work completed in stages that have yet to be certified (and thus not invoiced and not recognized as trade debtors) during the year.
- Trade receivables related to Ranken's projects rose by RMB 39.2 million to RMB 379.5 million.
- Other receivables, deposits and prepayment, which comprised mainly (i) Ranken's materials procured on behalf of project owners and (ii) security deposits placed with the project owners (refundable on project completion) rose by RMB 25.9 million to RMB 229.1 million.
- Cash and cash equivalents rose by RMB 78.2 million to RMB 203.9 million, mainly due to strong positive operating cash inflow, partially offset by cash outflow for the investing activities (mainly purchase of plant and equipment for on-going projects and investment in associate) and the financing activities (net repayment of loans and borrowings).

APPENDIX B – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2016, FY2017 AND FY2018

Total non-current liabilities fell by RMB 92.5 million to RMB 34.5 million, mainly due to reclassification of long term bond and certain long term finance lease liabilities to current liabilities during the year.

Total current liabilities rose by RMB 291.8 million to RMB 1,625.3 million, mainly due to the following significant changes during the year:

- Trade payables related to Ranken's projects rose by RMB 320.1 million to RMB 970.6 million, mainly due to higher operating activities during the year.
- Other payables and accruals rose by RMB 4.9 million to RMB 175.1 million, mainly due to higher other payables to third parties offset by amount paid to vendors of Mancala during the year.
- Contract liabilities fell by RMB 133.3 million to RMB 215.2 million, mainly due to lower billings in excess of contract work to be completed in stages.
- Current loans and borrowings rose by RMB 109.8 million to RMB 254.0 million mainly due to long term bond and certain long term financial lease liabilities are now due within the next 12 months, a new secured borrowings from a financing company, partially offset by repayment during the year.

Total equity attributable to owners of the Company or Shareholders' Equity rose by RMB 5.9 million to RMB 505.9 million due to current year earnings and movements of foreign currency translation reserve, net of net change in fair value of equity investments at FVOCI, the effects of the adoption of SFRS(I) 9 and dividend declared.

Consolidated statement of cash flows

	2016 RMB'000	2017 RMB'000 ⁽¹⁾	2018 RMB'000
Cash flows from operating activities			
Profit before tax	71,479	52,789	30,152
Adjustments for:			
Allowance for impairment losses on doubtful receivables and contract assets	–	3,223	15,447
Amortisation of intangible assets	681	681	681
Depreciation of property, plant and equipment	53,334	45,572	59,343
Depreciation of investment properties	2,309	2,410	2,410
Discount on long-term receivables	–	2,227	–
Change in fair value of financial asset designated as fair value through profit or loss	–	2,855	–
Change in fair value of financial asset mandatorily at fair value through profit or loss	–	–	(1,115)
Unwinding of discount for long term receivable	–	–	(1,062)
Other investment written off	–	–	150
Interest income	(691)	(378)	(363)
Interest expense	12,004	25,673	20,421
Loss on disposal of property, plant and equipment, net	1,525	499	36
Share awards scheme	237	446	–
Unwinding of discount on retention monies	(3,522)	–	–
Operating profit before working capital changes	137,356	135,997	126,100

**APPENDIX B – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FY2016, FY2017 AND FY2018**

	2016 RMB'000	2017 RMB'000 ⁽¹⁾	2018 RMB'000
Changes in:			
Inventories	(2,935)	(23,180)	9,171
Construction work in progress, net	(102,791)	–	–
Contract assets	–	(195,474)	(39,470)
Contract liabilities	–	91,571	(133,285)
Trade and other payables	286,994	132,444	331,930
Trade and other receivables	(107,251)	(112,058)	(65,364)
Release of fixed deposits pledged, net	6,947	2,631	35
Cash flows generated from continuing operations	218,320	29,300	229,082
Tax paid	(17,044)	(21,334)	(22,385)
Net cash generated from continuing operating activities	201,276	7,966	206,697
Net cash used in operating activities from discontinued operations ⁽²⁾	26,972	(5,057)	–
	228,248	2,909	206,697
Cash flows from investing activities			
Acquisition of other investments	(100)	(54)	–
Acquisition of property, plant and equipment	(55,915)	(78,210)	(60,178)
Investment in associate	–	–	(25,000)
Interest received	691	378	363
Proceeds from sale of property, plant and equipment	216	1,703	1,199
Refund of deposit to a potential acquirer of a former subsidiary	–	(6,076)	–
Net cash used in investing activities from continuing activities	(55,108)	(82,259)	(83,616)
Net cash generated from investing activities from discontinued operations ⁽²⁾	(359)	13,101	–
	(55,467)	(69,158)	(83,616)
Cash flows from financing activities			
Interest paid	(12,004)	(23,144)	(16,835)
Repayment to a previous shareholder of Ranken's subsidiary	(4,930)	(19,180)	(6,920)
Proceeds from refinancing of finance lease liabilities	–	70,000	–
Proceeds from bank loans	126,000	155,000	129,000
Proceeds from secured borrowing from financial institution	–	–	45,000
Proceeds from bond issued	15,000	35,000	–
Payment of finance lease liabilities	(27,537)	(28,985)	(35,837)
Payment of bank loans	(206,000)	(146,000)	(142,000)
Repayment of bond issued	(35,000)	–	(15,000)
Payment of transactions costs related to financial liabilities	–	(8,075)	–
Release of fixed deposits pledged, net	–	2,631	35
Dividends paid to owners of the Company	–	–	(1,566)
Net cash (used in)/generated from financing activities from continuing activities	(144,471)	37,247	(44,123)
Net cash used in financing activities from discontinued operations ⁽²⁾	(16,790)	(2,250)	–
	(161,261)	34,997	(44,123)

APPENDIX B – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2016, FY2017 AND FY2018

	2016 RMB'000	2017 RMB'000 ⁽¹⁾	2018 RMB'000
Net increase/(decrease) in cash and cash equivalents	11,520	(31,252)	78,958
Cash and cash equivalents at 1 January	139,355	134,517	117,729
Cash and cash equivalents classified as held for sale (at end of the year)/at beginning of the year	(17,435)	17,435	–
Effect of exchange rate fluctuations on cash held	1,077	(2,971)	(647)
Cash and cash equivalents at 31 December	<u>134,517</u>	<u>117,729</u>	<u>196,040</u>

Sources: Company's annual reports for FY 2016, FY 2017 and FY 2018

Notes

- (1) The cash flows for FY2017 have been restated following the adoption of the new financial reporting framework, Singapore Financial Reporting Standards (International) on 1 January 2018.
- (2) The cash flows for discontinued activities relates to that of Mancala where the divestment of 81.0% in the issued and paid up share capital of Mancala was completed on 28 February 2017.

FY2016 vs FY2017

Operating cash flow from continuing operations for FY2017 fell by RMB 193.3 million to RMB 8.0 million after accounting for (i) operating profit before working capital changes of RMB 136.0 million and (ii) net working capital changes of RMB 106.7 million, net of tax payment of RMB 21.3 million.

Cash flows used in investing activities from continuing operations for FY2017 were RMB 82.3 million, due mainly to Ranken's investment in equipment and site facilities for its recently secured projects.

Cash flows generated from financing activities from continuing operations for FY2017 were RMB 37.2 million, due mainly to proceeds from bank loans, finance lease liabilities and bonds for refinancing of Ranken's working capital, offset by repayment of bank loans, finance lease liabilities and interest expense, and loan from a previous shareholder of Ranken's subsidiary.

Given the above, cash and cash equivalents fell by RMB 16.8 million to RMB 117.7 million (net of fixed deposits pledged of RMB 8.0 million) during FY2017.

FY2018 vs FY2017

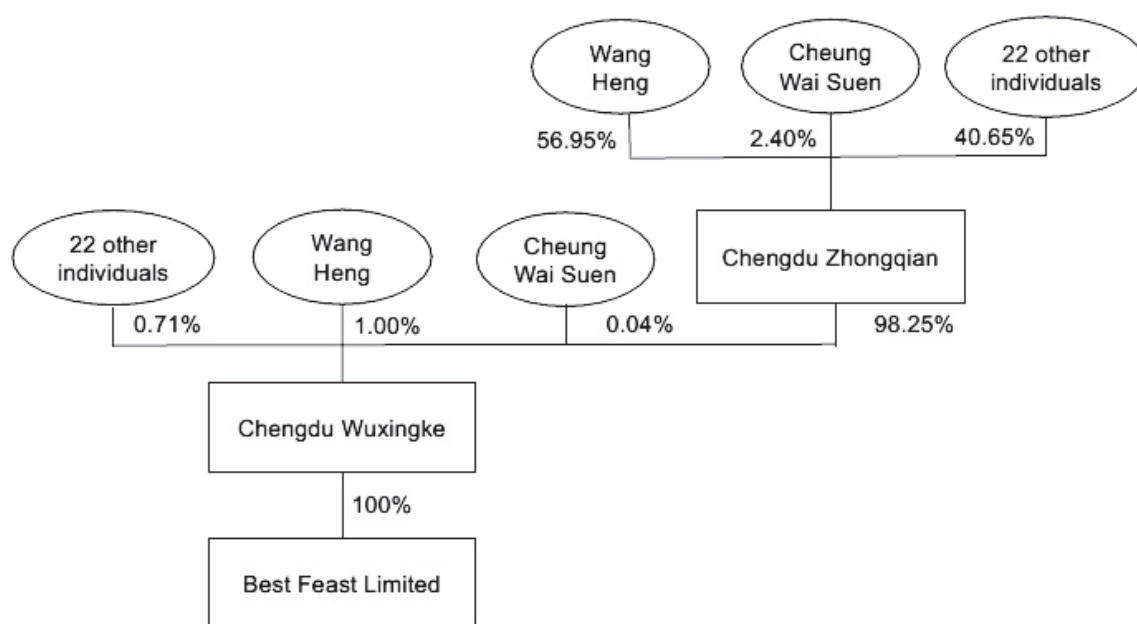
Operating cash flow from continuing operations for FY2018 rose by RMB 198.7 million to RMB 206.7 million after accounting for (i) operating profit before working capital changes of RMB 126.1 million and (ii) net working capital changes of RMB 103.0 million, net of tax payment of RMB 22.4 million.

Cash flows used in investing activities from continuing operations for FY2018 rose by RMB 1.4 million to RMB 83.6 million, mainly due to investment of RMB 25 million for 25% shareholding in CDJ Environmental, a company incorporated for water treatment and municipal environmental protection PPP project in Chengdu, Sichuan Province, China, offset by lower payment for purchase of plant and equipment for on-going projects.

Cash flows used in financing activities from continuing activities for FY2018 were RMB 44.1 million, mainly due to net repayment of Ranken's loans and borrowings and costs when the loans and a bond were due during the year.

Given the above, cash and cash equivalents rose by RMB 78.3 million to RMB 196.0 million (net of fixed deposits pledged of RMB 7.9 million).

**APPENDIX C – SHAREHOLDING STRUCTURE OF THE
UNDERTAKING SHAREHOLDER**



NOTICE OF EXTRAORDINARY GENERAL MEETING

SAPPHIRE CORPORATION LIMITED

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

Unless otherwise defined, all capitalised terms which are not defined herein shall bear the same meanings as used in the circular dated 15 April 2019 issued by Sapphire Corporation Limited (the “Circular”).

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (“**EGM**”) of the Shareholders of Sapphire Corporation Limited (the “**Company**”) will be held at 10 Anson Road #28-15, International Plaza, Singapore 079903 on 30 April 2019 at 11.00 a.m. for the purposes of considering, and if thought fit, passing, with or without modifications, the following resolutions, which will be proposed as ordinary resolutions:

ORDINARY RESOLUTION 1 – THE RIGHTS ISSUE

THAT:

Subject to the passing of Ordinary Resolution 2 herein in this Notice of EGM:

- (a) a non-renounceable non-underwritten Rights Issue by the Company of up to 81,517,978 new ordinary shares in the capital of the Company (the “**Rights Shares**”) at an issue price of S\$0.128 per Rights Share (“**Issue Price**”), on the basis of one (1) Rights Share for every four (4) existing Shares held by shareholders of the Company (the “**Shareholders**”) as at a time and date as the Directors may, in its absolute discretion, determine (the “**Books Closure Date**”), fractional entitlements to be disregarded (“**Rights Issue**”), be and is hereby approved;
- (b) the Board of Directors be and is hereby authorised to:
 - (i) allot and issue such number of Rights Shares as the Directors may determine up to a maximum of 81,517,978 Rights Shares at the Issue Price of S\$0.128 per Rights Share;
 - (ii) provisionally allot and issue up to 81,517,978 Rights Shares, at an issue price of S\$0.128 for each Rights Share, on the basis of one (1) Rights Share for every four (4) existing Shares held by the Shareholders as at the Books Closure Date, fractional entitlements to be disregarded, subscribed on the terms and conditions set out below and/or otherwise on such terms and conditions as the Directors may think fit:
 - (1) the provisional allotments of the Rights Shares under the Rights Issue shall be made on a non-renounceable non-underwritten basis to the Shareholders whose names appear in the Register of Members of the Company or the records of The Central Depository (Pte) Limited (“**CDP**”) as at the Books Closure Date and who have, at least three (3) Market Days prior thereto, provided to CDP or the share registrar of the Company (the “**Share Registrar**”), as the case may be, addresses in Singapore for the service of notices and documents;
 - (2) no provisional allotment of the Rights Shares shall be made in favour of, and no application form or other documents in respect thereof shall be issued or sent to Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not, at least three (3) Market Days prior thereto, provided to CDP or the Share Registrar, as the case may be, addresses in Singapore for the service of notices and documents (the “**Foreign Shareholders**”);

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (3) the entitlements to Rights Shares which would otherwise accrue to Foreign Shareholders shall be dealt with by the Company in such manner and on such terms and conditions as the Directors may, in their absolute discretion, deem fit;
 - (4) provisional allotments of the Rights Shares not taken up, or which represent fractional entitlements disregarded in accordance with the terms of the Rights Issue, shall be used to satisfy Excess Applications (if any) or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company; and
 - (5) the Rights Shares when issued and fully paid-up will rank *pari passu* in all respects with the then existing Shares save for any dividends, rights, allotments or other distributions that may be declared or paid, the Record Date of which falls before the date of issue of the Rights Shares; and
- (c) the Directors be and are hereby authorised to take such steps, enter into all such transactions, arrangements and agreements and execute all such documents as may be advisable, necessary or expedient for the purposes of giving effect to the Rights Issue, with full power to assent to any condition, amendment, alteration, modification or variation as may be required by the relevant authorities or as such Directors or any of them may deem fit or expedient or to give effect to this Ordinary Resolution or the transactions contemplated pursuant to or in connection with the Rights Issue.

ORDINARY RESOLUTION 2 – THE WHITEWASH RESOLUTION

THAT:

Subject to the passing of Ordinary Resolution 1 herein in this Notice of EGM and the satisfaction of all the conditions set out in the Securities Industry Council's ("**SIC**") letter dated 5 March 2019, the Shareholders of the Company (other than the Undertaking Shareholder and Wang Heng ("**Concert Party Group**")) do hereby, on a poll taken, unconditionally and irrevocably waive their rights to receive a mandatory general offer under Rule 14 of the Code from the Concert Party Group in accordance with Rule 14 of the Singapore Code on Takeovers and Mergers ("**Code**"), in respect of all or any part of the Shares held by such Shareholders, in the event that their subscription of the Rights Shares under the Rights Issue results in the Concert Party Group incurring an obligation to make a mandatory general offer pursuant to Rule 14 of the Code.

Voting Exclusion: The Company will, in accordance with the conditional waiver by the SIC, disregard any votes cast on this resolution by the Concert Party Group and any parties not independent of them.

BY ORDER OF THE BOARD

Gwendolyn Gn Jong Yuh
Company Secretary
Singapore
15 April 2019

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) Save as provided in the Company's constitution, a member entitled to attend and vote at the EGM and who is not a relevant intermediary may appoint not more than two (2) proxies to attend and vote in his stead. A shareholder of the Company entitled to attend and vote at the EGM and who is a relevant intermediary may appoint more than two (2) proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the shareholder.

"**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50) of Singapore.

- (2) A proxy need not be a member of the Company. Where a member appoints two (2) proxies, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the Depository Register and any second named proxy as an alternate to the first named or at the Company's option to treat the instrument of proxy as invalid.
- (3) The instrument appointing a proxy or proxies shall be in writing in any usual or common form (including the form approved from time to time by the Depository) or in any other form which the Directors may approve and: (i) in the case of an individual, shall be signed by the appointor or his attorney if the instrument of proxy is delivered personally or sent by post, or authorised by that individual through such method and in such manner as may be approved by the Directors if the instrument is submitted by electronic communication; (ii) in the case of a corporation, shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation if the instrument of proxy is delivered personally or sent by post, or authorised by that corporation through such method and in such manner as may be approved by the Directors if the instrument of proxy is submitted by electronic communication.
- (4) A Depositor's name must appear on the Depository Register maintained by CDP as at 72 hours before the time fixed for holding the EGM in order for the Depositor to be entitled to attend, speak and vote at the EGM.
- (5) The instrument appointing a proxy must be deposited at 80 Robinson Road #11-02, Singapore 068898 not less than 72 hours before the time appointed for holding the above EGM.
- (6) **Personal Data Privacy:** By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, or by attending the EGM, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty. In addition, by attending the EGM and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for any of the Purposes.

PROXY FORM

SAPPHIRE CORPORATION LIMITED

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

PROXY FORM Extraordinary General Meeting

IMPORTANT

- For investors who have used their CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") to buy shares in the capital of Sapphire Corporation Limited, this Circular is forwarded to them at the request of their Agent Banks and/or SRS Operators (as the case may be) and is sent for their information only.
- This Proxy Form is not valid for use by such CPF Investor or SRS Investor and shall be ineffective for all intents and purposes if used or purported to be used by them.
- By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 15 April 2019.

I/We* _____ (Name) _____

(NRIC/Passport No.) of _____

(Address) being a member/members* of SAPPHIRE CORPORATION LIMITED (the "Company") appoint

Name	Address	NRIC/Passport Number	Proportion of Shareholdings to be represented by proxy	
			No. of Shares	%

And/or* failing him/her*

Name	Address	NRIC/Passport Number	Proportion of Shareholdings to be represented by proxy	
			No. of Shares	%

or, failing him/her/them*, the Chairman of the Extraordinary General Meeting of the Company ("EGM") as my/our* proxy/proxies* to attend and to vote for me/us* on my/our* behalf at the EGM of the Company to be held 10 Anson Road #28-15, International Plaza, Singapore 079903 on 30 April 2019 at 11.00 a.m. and at any adjournment thereof.

I/We* direct my/our* proxy/proxies* to vote for/against* the Ordinary Resolutions to be passed at the EGM as indicated below by way of a poll. If no specific direction as to voting is given, my/our* proxy/proxies* will vote or abstain from voting at his/her/their* discretion, as he/she/they will on any other matter arising at the EGM. If no person is named in the above boxes, the Chairman of the EGM shall be my/our* proxy/proxies* to vote, for or against the Ordinary Resolutions to be passed at the EGM as indicated below, for me/us and on my/our behalf at the EGM and at any adjournment of the EGM.

Ordinary Resolutions		No. of Votes For*	No. of Votes Against*
1.	To approve the Rights Issue		
2.	To approve the Whitewash Resolution		

* If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2019

Total number of Shares held in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature(s) of Member(s) or Common Seal
of Corporate Shareholder



*Delete accordingly **IMPORTANT: PLEASE READ NOTES OVERLEAF**

PROXY FORM

NOTES:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A shareholder of the Company who is not a relevant intermediary (as defined below) is entitled to appoint not more than two (2) proxies to attend and vote at the EGM of the Company. Where such shareholder appoints more than one proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. If no percentage is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the Depository Register and any second named proxy as an alternate to the first named or at the Company's option to treat the instrument of proxy as invalid.
3. A shareholder of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the EGM of the Company, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder. Where such shareholder appoints more than one proxy, the number of shares in relation to which each proxy has been appointed shall be specified in the proxy form. In such event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.

"relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act (Chapter 36) of Singapore in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. The instrument appointing a proxy or proxies must be deposited at 80 Robinson Road #11-02, Singapore 068898, not less than 72 hours before the time appointed for the EGM, failing which the instrument may be treated as invalid.
 5. The instrument appointing a proxy or proxies shall be in writing in any usual or common form (including the form approved from time to time by the Depository) or in any other form which the Directors may approve and: (i) in the case of an individual, shall be signed by the appointor or his attorney if the instrument of proxy is delivered personally or sent by post, or authorised by that individual through such method and in such manner as may be approved by the Directors if the instrument is submitted by electronic communication; (ii) in the case of a corporation, shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation if the instrument of proxy is delivered personally or sent by post, or authorised by that corporation through such method and in such manner as may be approved by the Directors if the instrument of proxy is submitted by electronic communication.
 6. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with section 179 of the Companies Act (Chapter 50) of Singapore.
 7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.
 8. A Depositor's name must appear on the Depository Register maintained by CDP not less than 72 hours before the time appointed for holding the EGM in order for him to be entitled to attend, speak and vote at the EGM.
 9. In the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by CDP to the Company.
 10. Terms not defined herein have the meanings ascribed to them in the circular to the shareholders of the Company dated 15 April 2019.
 11. The submission of an instrument or form appointing a proxy or proxies by a member of the Company does not preclude him/her from attending and voting in person at the EGM if he wishes to do so.
 12. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM.