

SAPPHIRE CORPORATION LIMITED

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

UNAUDITED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018 (“FINANCIAL STATEMENT”) – CLARIFICATION ANNOUNCEMENT

The Board of Directors (the “**Board**”) of Sapphire Corporation Limited (the “**Company**”) together with its subsidiaries (collectively known as the “**Group**”), would like to clarify in response to the queries from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) dated 21 March 2019, regarding the Financial Statements And Related Announcement - Full Yearly Results (the “**Announcement**”) issued by the Company on 1 March 2019.

The queries from the SGX-ST with regard to page 18 of the Financial Statement and the Company’s responses are as follows:

Query 1: Explain the nature and basis for the “reversal of revenue due to modification of a build-and-transfer contract”

Answer 1:

This relates to a build-and-transfer contract that was completed in previous years. The work performed had been recorded as contract assets pending for final audit and certification by the customer before receipt of payment. The reversal was due to a lower amount being certified by the customer and the amount reversed was based on final audit and certification.

Query 2: Explain the reason for “unwinding of discount for long-term receivables”

Answer 2:

This relates to an amount due from a former subsidiary company which had been discounted for the time value of money as the receivable was not expected to be received within the next 12 months in FY2017. The Group recorded a loss on discount on long-term receivable in FY2017 and with passage of time, the Group recorded the unwinding of discount for long-term receivables in FY2018.

Query 3: Provide the Board’s opinion on the reasonableness of the methodologies used to determine the value of the impairment of the trade receivables; and

Answer 3:

The appropriateness of the methodologies and reasonableness of assumptions proposed by the management of the Group to assess the value of the impairment of trade receivables were reviewed the external auditors for the Group who found the assessment reasonable.

Reviewing such methodologies and noting the external auditors’ abovementioned assessment, the Board is of the opinion that such methodologies are reasonable.

Query 4: Explain the Company's efforts to recover the ECL.

Answer 4:

As disclosed in the Announcement, the higher impairment losses on doubtful receivables and contract assets were due to (a) the receipt of termination letters for the Group's two projects in Sri Lanka after the year ended 31 December 2018 and (b) the adoption of SFRS(I) 9, where the Group recorded a forward-looking expected credit loss ("ECL") on all trade and other receivables and contract assets.

In respond to (a), in accordance with the terms of the contract, the customer will do a valuation to agree or determine the value of the Works, Goods and Contractor's Documents, and any other sums due to the Group. The Group will do its utmost effort in recovering the amounts based on documents supporting the value of work done as well as discussing and negotiating with the customer.

In respond to (b) the ECL had been recorded based on a forward-looking ECL and there is no actual loss to the Group.

By Order of the Board
SAPPHIRE CORPORATION LIMITED

Wang Heng
Chief Executive Officer and Executive Director
26 March 2019