

# **SAPPHIRE CORPORATION LIMITED**

**("Company")**

(Incorporated in the Republic of Singapore)

(Company Registration No. 198502465W)

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## **RESPONSES TO QUESTIONS RECEIVED IN RELATION TO THE ANNUAL GENERAL MEETING TO BE CONVENED ON 28 APRIL 2022**

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The Board of Directors (the "Board") of Sapphire Corporation Limited (the "Company" and together with its subsidiaries, the "Group") wishes to provide responses to the following questions received from the Securities Investors Association (Singapore) ("SIAS") in relation to the Company's upcoming annual general meeting to be convened on 28 April 2022. No questions were received from the shareholders of the Company as of the deadline of 10.00am on 21 April 2022. The Company's responses to the queries are set out in Annex A of this Announcement.

By Order of the Board

**SAPPHIRE CORPORATION LIMITED**

Wang Heng  
Chief Executive Officer and Executive Director

22 April 2022

**ANNEX A  
REPNSES TO QUESTIONS FROM SIAS**

No.	Question	Response
1	<p>At the annual general meeting scheduled to be held on 28 April 2022, resolution 1 is to receive and adopt the directors' statement and audited financial statements of the company for the year ended 31 December 2020.</p> <p>The AGM has been delayed for nearly a year due to the disposal of Ranken Railway, the related manpower reallocation and the resignation of the outgoing auditors (KPMG). The company has just published the half year results (for the six-months ended 30 June 2021) on 13 April 2022.</p> <p>For FY2020, revenue was RMB1.09 billion. Profit for the year was RMB28.0 million which included the post-tax gain on the disposal of Ranken Railway amounting to RMB36.2 million.</p>	
(i)	<p>Can management help shareholders understand the sentiment on the ground in the key cities as a new wave of COVID-19 infection spreads across China?</p>	<p>The Group's businesses of property management, city redevelopment services, leasing of warehouse and equipment and supply of materials for urbanisation projects are primarily conducted in Chengdu City, Sichuan Province, PRC.</p> <p>The Group's associated company, Ranken Railway Construction Group Co., Ltd ("Ranken Railway") major operations are currently in Chengdu City and Ziyang City in Sichuan Province, Beijing, Urumqi in Xinjiang Uyghur Autonomous Region and Ningbo City in Zhejiang Province.</p> <p>The sporadic cases reported in certain cities across China and the outbreak in Shanghai has not significantly affected the operations of the Group and its associated company.</p>
(ii)	<p>What is the level of influence and oversight of Ranken Railway which is now a 48.82% associated company?</p>	<p>Company's Executive Chairman, Mr Cheung Wai Suen, is also the Chairman of Ranken Railway's Board of Directors. Company's CEO, Ms Wang Heng, is also Ranken Railway's Director. The other three directors of Ranken Railway are nominated by Ranken Railway's controlling shareholder, Shandong Hi-Speed Road &amp; Bridge Investment Management Co., Ltd., and they also hold the appointment of General Manager, Deputy Manager and Chief Accountant. The other Deputy Managers, Chief Economist, Chief Engineer and other senior management personnel, are nominated by Company's subsidiary Chengdu KQR. Both Mr Cheung Wai Suen and Ms Wang Heng are responsible for strategic planning, overseeing key operational matters and marketing cum business development strategies, overall corporate and investment strategies of Ranken Railway.</p> <p>The following is a summary of Ranken Railway's Shareholder reserved matters, which requires more than two-thirds of the total shareholder votes for approval. As Chengdu KQR holds 49.82% of Ranken Railway, Chengdu KQR's votes would be necessary for the following to be approved.</p> <p>Ranken Railway's Shareholder reserved matters:</p> <ul style="list-style-type: none"> <li>(a) election and replacement of directors and supervisors (other than workers' union representatives), and the remuneration matters of such directors and supervisors;</li> <li>(b) review and approval of board meeting reports and supervisory committee meeting reports;</li> <li>(c) review and approval of the increase or reduction of the registered capital of Ranken Railway;</li> </ul>

		<p>(d) review and approval of separation, merger, dissolution, liquidation or alteration in the type of company of Ranken Railway;</p> <p>(e) review and approval of alterations to Ranken Railway's Articles of Association;</p> <p>(f) change of Ranken Railway's name, principal business activities or business scope;</p> <p>(g) review and approval of Ranken Railway's and subsidiaries' guarantees to and capital raising matters;</p> <p>(h) seeking or implementation of any proposals for acquisition, restructuring, disposal or other transactions resulting in the whole or the main assets or business of Ranken Railway (which account for 30% or more of Ranken Railway's annual audited operating revenue or profit) being sold or transferred to a third party; and</p> <p>(i) other matters required to be considered and approved at a general meeting of all shareholders as stipulated in the Articles.</p>
(iii)	<p>For FY2020, the group recognised allowance for impairment losses on other receivables amounting to RMB(15.6) million. Please elaborate further on the nature of the other receivables, the counter party (being another former subsidiary) and the reasons for the "under-performance". What are the efforts to collect these long-outstanding receivables?</p>	<p>Please refer to the Company's announcement dated 10 March 2021 for details of the nature of the other receivables.</p> <p>The counter party is in the business of specialised mining services business in Australia and had continued to make losses given the unfavorable macro environment triggered by the geopolitical flux and ongoing market volatility, which had further been burdened by the prolonged global travel restrictions amid the COVID-19 pandemic.</p> <p>The Company will continue to communicate with Mancala on their plans for the repayment and consider legal action, if necessary.</p>
	<p>The company has just published the half year results for the six-months ended 30 June 2021 on 13 April 2022. With the deconsolidation of Ranken Railway, revenue fell by RMB610 million to RMB30.5 million. Net profit for 1H2021 fell by RMB5.3 million to RMB4.7 million, net of non-controlling interest.</p>	
(iv)	<p>For the benefit of shareholders, can the board elaborate further on the business model of Sichuan Yilong Equipment Co., Ltd. ("Yilong"), one of the remaining operating subsidiaries? How much of Yilong's revenue is attributable to external customers?</p>	<p>Yilong is in the business of leasing of warehouse and equipment and supply of materials for urbanisation projects.</p> <p>Yilong owns a warehouse at Dayi County, Chengdu City, Sichuan Province, PRC. (13,000 square meters) and certain construction equipment available for lease.</p> <p>As of 30 June 2021, Yilong's revenue includes sales of goods of RMB 21.0 million and revenue from warehouse and equipment leasing of RMB 7.1 million. Of which RMB 17.4 million and RMB 6.5 million relating to sales of goods and lease revenue are transaction with associated company, respectively.</p>
(iv)	<p>What progress has Yilong made with the supply agreement with Sichuan Xinanda Transport Facilities Engineering Co., Ltd?</p>	<p>The Group recorded revenue of RMB 3.3 million from the supply agreement with Sichuan Xinanda Transport Facilities Engineering Co., Ltd for the 6 months ended 30 June 2021.</p>
2	<p>On 16 December 2020, the company announced that it was proposing a change of the auditors from KPMG to Moore Stephens LLP. Moore Stephens had given its consent to act as auditors by</p>	

	<p>way of a letter dated 11 November 2020 subject to the approval of the company's shareholders at an EGM.</p> <p>However, on 28 April 2021, the company then announced that it would propose another audit firm. A new proposed auditor (FKT) was eventually announced on 28 August 2021, over 8 months after the company first announced its intention to change auditors. FKT gave its consent to act as auditors by way of a letter dated 13 August 2021. At the EGM that was held on 9 November 2021, shareholders approved the appointment of Foo Kon Tan LLP as auditors of the company.</p>
(i)	<p>Would the board/audit committee clarify if Moore Stephens withdrew its consent to act as the auditors after December 2020? If not, what were the reasons to switch away from Moore Stephens LLP?</p> <p>Moore Stephens did not withdraw their consent to act as auditors of the Company.</p> <p>As disclosed in the Company's announcement dated 28 April 2021 and Circular dated 25 October 2021, although the proposed incoming auditors of the Company was initially Moore Stephens, further to Company's consultation with the SGX-ST, the Company decided to propose another auditing firm for appointment as the auditors of the Company in place of the former auditors.</p>
(ii)	<p>In addition, what were the reasons for the delay in selecting a new proposed auditor after the announcement not to proceed with Moore Stephens was made?</p> <p>In the four months subsequent to that decision, the Company evaluated candidates for appointment as auditors, and further consulted SGX-ST on auditor appointment, and eventually decided on FKT for appointment as auditors and thereafter sought and obtained approval of shareholders of the Company for such appointment.</p>
(iii)	<p>What were the search criteria used by the AC?</p> <p>The Audit Committee, in reviewing and deliberating on the suitability of other audit firms, had evaluated proposals from other audit firms and taken into consideration the Audit Quality Indicators Disclosure Framework issued by ACRA in ACRA's Audit Quality Indicators Disclosure Framework, and various factors such as the adequacy of resources and experiences of the audit firm to be selected and the audit engagement partner to be assigned to the audit, the audit firm's other engagements, the size and complexity of the Group, and the number and experience of supervisory and professional staff to be assigned.</p> <p>After evaluation, the Audit Committee recommended the appointment of FKT as auditors of the Company in place of KPMG. The quality and scope of audit services to be provided by FKT is comparable to the services previously provided by KPMG.</p> <p>The Board had taken into account the Audit Committee's recommendation, including the factors considered in their evaluation, and were satisfied that FKT would be able to meet the audit requirements of the Group. There was no change to the scope of the audit to be undertaken with the Proposed Change of Auditors. The Board had therefore accepted the Audit Committee's recommendation to appoint FKT in place of KPMG, subject to the approval of the Shareholders at the EGM.</p>
(iv)	<p>When does management expect to publish the full-year results for FY2021?</p> <p>As disclosed in the announcement dated 3 March 2022, Company expects to release the full-year results for FY2021 on or before 15 September 2022.</p>
(v)	<p>What is the progress made by FKT on the audit of the consolidated financial statements for the financial</p> <p>FKT is only able to commence on the audit for FY2021 after shareholders' approval is obtained for Resolution 7 ("To re-appoint Foo Kon Tan LLP as Auditors of the Company and to</p>

	year ended 31 December 2021?	authorise the Directors to fix their remuneration”) at the upcoming AGM on 28 April 2022.
3	<p>The company appointed Prof Zhang Weiguo on 14 January 2022. The profile of the director can be found on page 13.</p> <p>Key information on directors seeking their re-election can be found on pages 150 to 160.</p>	
(i)	<p>Can the nominating committee provide shareholders with greater clarity on the search and nomination process for directors, especially independent directors? In the corporate governance report, the NC simply stated that it “will source for potential candidates and resumes for review”.</p>	<p>The Board’s policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender and age. The Company commenced the search process through available networks to identify suitable candidates with accounting or finance-related knowledge and experience, corporate management experience or human resource management experience. In respect of each shortlisted candidate, the Nominating Committee (“NC”) then considered the composition of the Board, the independence to the Company, qualifications, expertise, as well as past and present experience of such candidate.</p> <p>Notwithstanding that Professor Zhang does not have prior experience as a director of a SGX-listed issuer and will be attending training on the roles and responsibilities of a director of a SGX listed issuer as prescribed by SGX, the NC had taken into account Professor Zhang’s directorship and leadership positions with corporations and academic organizations as well as his academic accomplishments in business management, in arriving at the NC’s recommendations on his suitability for appointment as independent director. As previously announced, Professor Zhang was the Director and President of Shandong Shipping Corporation (a large state-owned company in China) and has also served as a director of other companies.</p>
(ii)	<p>In particular, what was the rationale, the selection criteria and the search and nomination process that led to the NC’s recommendation of Professor Zhang Weiguo as required in the SGX template (see diagram below)? The director does not have prior experience as a director of an issuer listed on SGX. The director will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by SGX.</p>	