

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

UPDATES TO THE:

PROPOSED TRANSACTION RELATING TO RANKEN RAILWAY

1. The Board refers to the announcements dated 2 June 2020, 3 July 2020, 9 October 2020, 12 October 2020, 23 October 2020, 24 October 2020, 26 October 2020 and 30 October and the circular to shareholders of the Company dated 9 October 2020 ("**Circular**") in relation to the Proposed Transaction relating to Ranken Railway. All capitalized terms used in announcement which are not defined herein, shall have the meaning as ascribed to them in the Circular.

To seek SGX-ST's approval for Release from Escrow Account

2. The Board refers to the undertaking provide by the Company to the SGX-ST that the remaining 35.7% of the Net Proceeds amounting to RMB 91,698,444, being the Tranche 2 Escrowed Sum, is to be held in escrow in the Escrow Account until the earlier of:
- (i) (1) Chengdu KQR becoming a principal subsidiary of the Company as defined under the Listing Manual, that is, the audited consolidated pre-tax profits (excluding non-recurrent income and expenses, as well as income and expenses generated by activities outside the ordinary course of business) of Chengdu KQR for a full financial year after the completion of the sale of such percentage of equity interests in Ranken Railway held by Chengdu KQR and the subscription by the Investor for additional equity interests in Ranken Railway, shall account for 20% or more of the audited consolidated pre-tax profits of the Group (including discontinued operations that have not been disposed and excluding the non-controlling interest relating to that subsidiary and excluding any gain or loss from the disposal of Ranken Railway) for such full financial year; and (2) such pre-tax profits(excluding non-recurrent income and expenses, as well as income and expenses generated by activities outside the ordinary course of business) of Chengdu KQR in such full financial year exceeding 20% of the pre-tax profits of the Group for FY2019 of RMB 9.1 million (collectively, the "**Financial Conditions**"), after which Company will seek SGX-ST's approval, and the receipt of SGX-ST's approval, for the Company to cease such escrow arrangement. The first full financial year's results of Chengdu KQR for the purposes of fulfilling the Financial Conditions will be FY2021; or
 - (ii) the completion of the acquisition of a business which is able to satisfy the SGX- ST 's requirements for a new listing; or
 - (iii) three (3) years from 27 October 2020 (being the date of completion of the sale of such percentage of equity interests in Ranken Railway held by Chengdu KQR and the subscription by the Investor for additional equity interests in Ranken Railway).
- 3 In view that such profits of Chengdu KQR as based on the unaudited management accounts of FY2021 already exceeds RMB 9.1 million, the Board wishes to update that subject to the audited accounts of FY2021 showing such profits of Chengdu KQR to exceed RMB 9.1 million thereby fulfilling the Financial Conditions, the Company will be seeking SGX-ST's approval to cease the above escrow arrangement of the Tranche 2 Escrowed Sum.

Withdrawal of Consultation with SGX-ST on the Proposed Scrip Distribution Scheme

4. The Board also refers to the undertaking provided by the Company to the SGX-ST that the Dividend Allocation Sum, being part of the Tranche 1 Escrowed Sum and an amount equivalent

to 36.3% of the Net Proceeds, will be allocated for distribution to Shareholders by way of dividends. The Dividend Allocation Sum, less PRC withholding tax, losses at the Company level for the current financial year of distribution and expenses related to undertaking a capital reduction exercise to write off all accumulated losses of the Group, and which is estimated to amount to approximately 30.0% of the Net Proceeds, will be distributed to the Shareholders in the form of dividends. Pending such distribution, the Dividend Allocation Sum will remain in the Escrow Account.

5. As SGX-ST had informed the Company that SGX-ST has no comments to the Proposed Capital Reduction (as defined in the announcement dated 3 June 2022 ("**Previous Announcement**")), the Board wishes to update that the Company intends to fulfill the undertaking set out in paragraph 4 above by distribution to the Shareholders in the form of the Proposed Cash Distribution after the completion of the Proposed Capital Reduction instead of earlier proposed distribution in the form of dividends pursuant to the Proposed Scrip Distribution Scheme (as defined in the Previous Announcement). There is no change to the arrangement that pending such distribution, the Dividend Allocation Sum will continue to remain in the Escrow Account.
6. In view of paragraph 4 and 5 above, the Board wishes to further update that the Company has withdrawn its consultation with SGX-ST in relation to the Proposed Scrip Distribution Scheme since the Company will no longer proceed with the Proposed Scrip Distribution Scheme and shall fulfill the undertaking of distribution to Shareholders as set out in paragraph 4 in the form of the Proposed Cash Distribution.

BY ORDER OF THE BOARD

Wang Heng
Executive Director and Chief Executive Officer
4 July 2022