

SAPPHIRE CORPORATION LIMITED

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

RESPONSE TO SGX QUERIES

The Board of Directors (the “**Board**”) of Sapphire Corporation Limited (the “**Company**”) together with its subsidiaries (collectively known as the “**Group**”) refers to the announcements made by the Company on 1 March 2023 and 7 March 2023 in relation to the Company’s unaudited financial statements for the full year ended 31 December 2022 (“**Financial Statements**”) via SGXNET.

The Company sets out below its responses to the query raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

SGX query 1:

It is noted that RMB43.8m and RMB20.6m of Trade and Other receivables respectively, are from associated companies. Please indicate the Board's opinion and its corresponding explanation, on the collectability of such receivables.

Company’s response:

The RMB43.8m and RMB20.6m of Trade and Other receivables respectively are due from an associated company, Ranken Railway. The Board is of the opinion that such receivables are expected to be collectable, based on the review of the financial position, credit standing and historical payment records of Ranken Railway.

SGX query 2:

Please indicate whether the transactions underlying the other receivables are in the ordinary course of business.

Company’s response:

The transactions underlying the other receivables are not in the ordinary course of business except for RMB 1,443,000 which are deposits and will be separately disclosed in the audited financial statements for the financial year ended 31 December 2022. Please see response to SGX query 4 for further clarification.

SGX query 3:

Please provide a breakdown by aging for the Trade and Other receivables, and indicate whether such receivables are still within the credit terms of the contracts.

Company's response:

Below shows the breakdown by aging for the Trade and Other receivables:

	Third Parties	Associated Company (Ranken Railway)	Total
	RMB'000	RMB'000	RMB'000
Current (or not past due)	15,969	64,471	80,440
TOTAL	15,969	64,471	80,440

The assessment for the impairment of Trade and Other receivables had been applied based on current policies for assessment of receivables impairment of which no impairment was deemed required as of 1 March 2023. Subject to the audit review, there may be further changes to the impairment which will be updated in our further announcements as well as in our audited financial statements for financial year ended 31 December 2022.

SGX query 4:

Please illustrate the nature of the other receivables as well as the Trade receivables and provide the breakdown by nature.

Company's response:

Below illustrates the nature of the other receivables as well as the Trade receivables:

	Trade receivables	Trade receivables (Ranken Railway)	Other receivables	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade – Warehousing, premises and equipment leasing	328	3,325	–	3,653
Trade – Sale of goods	6,473	30,410	–	36,883
Trade – Rendering of services	5,017	10,121	–	15,138
Trade – Deposits	–	–	828	828
Trade – Deposits (Ranken Railway)	–	–	615	615
Non-trade	–	–	323	323
Loan to an associated company (Ranken Railway)	–	–	20,000	20,000
Loan to an unrelated individual	–	–	3,000	3,000
TOTAL	11,818	43,856	24,766	80,440

SGX query 5:

Please explain whether there have been any changes to the credit sale policies during the financial year.

Company's response:

There have been no changes to the credit sale policies during the financial year.

SGX query 6:

It is noted that the other receivables from associated companies had been fully impaired for the year ended 31 Dec 2021, while there has been no impairment recognised on the same for the year ended 31 Dec 2022. Please explain whether there have been any changes to the policies for assessment of receivables impairment.

Company's response:

For the year ended 31 December 2021, the fully impaired other receivables of RMB 14.8 million was due solely from Mancala Holdings Pty Ltd. For the year ended 31 Dec 2022, the other receivables from associated companies of RMB 20.6million is due solely from Ranken Railway. There are no changes to the policies for the assessment of receivables impairment. The reason for the difference in the impairment recognised was due to the different entities of which the other receivables was due from.

SGX query 7:

It is noted that the Company has a net cash outflow used in operating activities of RMB13.1m and a net profit of RMB25.9m for the financial year ended 31 December 2022. Please explain why the Company is unable to generate net cash inflow from its operating activities, despite the Company's net profit position for the financial year.

Company's response:

As disclosed in Page 21 of the FY2022 results announcement "Review of Cash Flows (FY2022 vs FY2021)" section: "Operating cash outflow reduced by RMB 1.4 million mainly due increase in trade and other payables set off by the cash outflow due to increase in trade and other receivables. The operating cash outflow for FY2022 of RMB 13.1 million is after accounting for (a) operating profit before working capital changes of RMB 5.1 million and (ii) net working capital changes of RMB 13.9 million, net of tax payment of RMB 4.4 million." The share of profit of equity-accounted investees (net of tax) of RMB 20.7 million, mainly due to the equity-accounting for share of profits of Ranken Railway as well as interest income from banks of RMB 5.7 million are excluded from Company's net profit of RMB 25.9 million in the determination of operating profit before working capital changes of RMB 5.1 million. The net cash outflow from its operating activities, despite the Company's net profit position for the financial period/year was due to net working capital changes of RMB 13.9 million, which includes (a) increase in trade receivables of RMB 5.6 million from Ranken Railway (b) increase in other receivables of RMB 28.2 million of which RMB 20.6 million is due from Ranken Railway and RMB 7.2 million is increase in prepayments, offset by higher current liabilities of RMB 16.7 million due to a longer credit period given for purchases of construction materials, increase in other payables to third parties, increase in accrued operating expenses and lower current tax liabilities due to payment.

By Order of the Board

SAPPHIRE CORPORATION LIMITED

Wang Heng
Chief Executive Officer and Executive Director
16 March 2023