

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

APPLICATION FOR WAIVER TO COMPLY WITH RULES 707(1) AND 711A OF THE LISTING MANUAL (“LISTING MANUAL”) OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”)

1. INTRODUCTION

- 1.1. The board of directors (the “**Board**” or “**Directors**”) of Sapphire Corporation Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the announcement dated 14 April 2023 where the Company has applied to SGX-ST for a waiver of the requirements to comply with Rules 707(1) and 711A of the Listing Manual, and an extension of time based on the Proposed Indicative Timeline to (i) hold the Company’s annual general meeting (“**AGM**”) for the financial year ended 31 December 2022 (“**FY2022**”), and issue its annual report for FY2022 (“**AR2022**”); and (ii) to issue its sustainability report for FY2022 (“**SR2022**”) (the “**April Waiver Application**”).
- 1.2. The Board also refers to the following :
- (a) the announcement dated 1 March 2023 in respect of the Company’s Unaudited Condensed Full Year Financial Statements for FY2022; and
 - (b) the announcement dated 7 March 2023 in respect of the Company’s Corrigendum to the Unaudited Condensed Full Year Financial Statements for FY2022.
- 1.3 The Board wishes to update that as the Company required more time to provide its responses to some clarifying questions from SGX-ST in relation to the April Waiver Application, the Company had, on the advice of SGX-ST, withdrawn the April Waiver Application on 18 May 2023.
- 1.4 The Board had on 30 June 2023, submitted a fresh waiver application to SGX-ST based on the updated proposed indicative timeline as set out in Paragraph 2 of this Announcement (“**Waiver Application**”).

2. PROPOSED INDICATIVE TIMELINE

2. The Company is facilitating the completion of the audit on the Company’s consolidated financial statements for FY2022 by its auditors, Foo Kon Tan LLP (“**FKT**”) as soon as possible. Subject to SGX-ST’s grant of waiver and extension of time, the Company intends to hold the AGM based on the following proposed indicative timeline (“**Proposed Indicative Timeline**”):

	Proposed Timeline	Indicative Milestone
1.	On the week of 4 July 2023	Finalisation of financial statements for FY2022 by FKT for management review
2.	On or before 7 July 2023	Clearance of the financial statements for FY2022 by FKT and management for typeset

3.	On or before 14 July 2023	Release of AR2022 and SR2022
4.	On or before 31 July 2023	Convening of AGM to approve the Company's consolidated financial statements for FY2022

3. INFORMATION ON THE WAIVER APPLICATION

3.1. The reasons for the Waiver Application are, amongst others, as follows :

- (a) the Group's significant subsidiaries, comprising Chengdu Kai Qi Rui Business Management Co., Ltd, Sichuan Yilong Equipment Co., Ltd and Chengdu Shengshi Jialong City Management Service Co., Ltd (collectively, **Significant Subsidiaries**), are audited by HLB ThinkBridge Shanghai Certified Public Accountants while its associated company, Ranken Railway Construction Group Co., Ltd ("**Ranken Railway**"), is audited by Baker Tilly Jinan Certified Public Accountants ("**Baker Tilly**"). Baker Tilly had replaced ShineWing Certified Public Accountants, who were the auditors of Ranken Railway in FY 2021 (the audits in relation to the Group's significant subsidiaries and its associated company, Ranken Railway collectively, the "**PRC Audits**" and HLB Thinkbridge Shanghai Certified Public Accountants and Baker Tilly collectively, "**PRC Auditors**");
- (b) the delay in the PRC Audits for financial year ended 31 December 2022 was further hampered by during the COVID-19 pandemic as the engagement team from each of the PRC Auditors has to travel to various project sites in different provinces to perform substantive test of details in validating the relevant audit assertions over revenue, cost of sale and other significant P/L items. Their planned onsite audits were hampered by (i) intermittent COVID-19 restrictions and measures of varying degrees imposed by the respective provincial governments to curb the spread of the COVID-19 virus following the rapid step-down of stringent zero-COVID restrictions which was announced in mid-December 2022 and (ii) various members within the engagement team have also tested positive for COVID-19 have to undergo self-isolation at different point of time during the audit period, further delaying the audit process. Secondly, there was a delay in the receipt of audit confirmations from the financial institutions to ascertain the veracity of the cash and cash equivalents and bank borrowings of the Significant Subsidiaries and Ranken Railway, following a change in the bank circularisation protocol. Furthermore, the engagement teams of each PRC Auditors have had to perform additional audit procedures to ascertain relevant assertions over the completeness, existence and accuracy of trade and other receivables, contract assets and trade and other payables as the response rate from the circularised confirmations was low. Upon completion of the outstanding audit procedures by the PRC Auditors, FKT will need to conduct their review on the PRC Auditor's work papers to determine the adequacy of work performed;
- (c) Ranken Railway has a 25% equity interest in Chengdu Derun Jinlong Environmental Management Co., Ltd ("**CDJ Environmental**"). CDJ Environmental is the operator of public private partnership ("**PPP**") arrangement which involves investment and financing, design, build, operate and transfer works in respect of the first phase of the Liveable Riverbank Project (the "**Project**") in Wuhou District, Chengdu. The Project meets the definition of a service concession arrangement in accordance with INT FRS 112 – Service Concession Arrangements at inception. Based on the latest draft audited financial statements, the share of associates' profits of Chengdu Derun is RMB7,102,000 (audited by component auditor) representing 13.37% of Ranken Railway's profit before tax of RMB53,126,000. Based on the latest draft audited financial statements, the share of associate's profit of Ranken Railway is

RMB25,026,000, representing 72.29% of the Group's profit before tax of RMB 34,619,000. As the new auditors of Ranken Railway, Baker Tilly requires more time to review the methodology of the valuation model of the service concession arrangement prepared by CDJ Environmental's management where the service income and finance income derived from the Project are determined based on certain assumptions applied during the construction and operational phase of the Project from FY2019 to FY2022;

- (d) on 12 June 2023, the Company convened an Audit & Risk Committee ("**ARC**") meeting where FKT updated the ARC the status of the audit of the consolidated financial statements of the Company for the financial year ended 31 December 2022. FKT presented their salient features memorandum and highlighted the following matters which were only resolved on 17 June 2023:
 - (i) delay in the finalisation of the allowance for impairment loss on trade and other receivables and contract assets in the books of Ranken Railway and its subsidiaries ("**Ranken Group**") prepared under International Financial Reporting Standards to be signed off by the component auditors of Ranken Group and the receipt of the related reporting deliverables such as the audit clearance report and the accompanying marked-for-identification financial schedules for purpose of equity accounting in the Group's financial statements; and
 - (ii) delay in the finalisation of the quantum of the provision for contingent liabilities; and
- (e) as the SR2022 should be read with the AR2022, it will not be practical for the SR2022 to be issued ahead of the AR2022 given the relativity of the aspects of governance and sustainability target between the two reports as references needed to the AR2022 when issuing the SR2022, especially in relation to aspects of governance and sustainability targets may be set out in SR2022.

4. APPLICATION TO ACRA FOR FURTHER EXTENSION OF TIME

The Company refers to the announcement dated 29 April 2023 where the Accounting and Corporate Regulatory Authority ("**ACRA**") had approved the Company's application for an extension of time (i) to hold its AGM for FY2022 on or before 30 June 2023 and (ii) to lodge its AR2022 by 30 July 2023 ("**ACRA Extension**"). Based on the updated Proposed Indicative Timeline, the Company will not meet the extended deadline to hold its AGM for FY2022 on or before 30 June 2023. As ACRA had specified that no further extension will be granted in addition to the ACRA Extension, the Company will not be seeking a further extension from ACRA and will pay the relevant penalties / fines which may be imposed by ACRA for not holding the AGM for FY2022 before the extended deadline.

5. FURTHER ANNOUNCEMENT

The Company will provide updates on the outcome of the Waiver Application in due course.

BY ORDER OF THE BOARD

Wang Heng
Executive Director and Chief Executive Officer
30 June 2023