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

ENTRY INTO 2025 COVERED GUARANTEE AGREEMENT WITH SHANDONG HI-SPEED ROAD & BRIDGE GROUP CO., LTD.

*All capitalised terms used in this Announcement which are not defined herein shall have the meanings ascribed to them in the Company's (i) circular to shareholders dated 9 October 2020 on the Proposed Transaction relating to Ranken Railway ("**Ranken Disposal Circular**"), and (ii) the announcements dated 10 August 2021, 14 August 2024 and 28 February 2025.*

1. INTRODUCTION

1.1 The board of directors (the "**Board**") of Sapphire Corporation Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refer to the announcements dated 10 August 2021 in relation to entry into the covered guarantee agreement between Chengdu KQR, Ranken Railway and the Guarantor on 9 August 2021 ("**2021 CG Agreement**"), pursuant to which Chengdu KQR would provide a covered guarantee to the Guarantor ("**2021 Covered Guarantee')** based on the terms as set out in the 2021 CG Agreement.

1.2 On 30 June 2023 , Chengdu KQR, Ranken Railway and the Guarantor entered into a revised covered guarantee agreement ("**2023 CG Agreement"**) based on the same terms and conditions as set out in the 2021 CG Agreement, except for the Aggregate Value of the covered guarantee, which increased from not more than RMB 146,450,872 to not more than RMB 185,184,657 ("**2023 Covered Guarantee**"). Of the 2023 Covered Guarantee, RMB 183.8 million was recorded in the Group's audited financial statement at 31 December 2023 and the rationale for such increase was disclosed in the Reply to SGX Queries on 20 March 2024.

2. THE 2025 COVERED GUARANTEE

2.1. The Board wishes to announce that Chengdu KQR, Ranken Railway and the Guarantor has entered into a revised covered guarantee agreement ("**2025 CG Agreement**") on 4th July 2025 (the "**2025 Covered Guarantee**") that with effect hereof, the provision of the 2025 Covered Guarantee ("**2025 CG Transaction**")shall be on substantially the same terms and conditions relating to provisions of the 2021 Covered Guarantee and the 2023 Covered Guarantee, save for those as disclosed in paragraph 2.2 below.

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2.2. The changes in material terms and conditions for the 2025 Covered Guarantee which deviate from the provisions of the 2021 Covered Guarantee and the 2023 Covered Guarantee are set out below for the ease of reference. :

	Changes in material terms for 2025 Covered Guarantee	*Remark / Explanatory Notes*
Aggregate Value of the 2025 Covered Guarantee	The limit of the covered-guarantee provided by Chengdu KQR shall be RMB 350,000,000 ("**2025 Principal Guarantee**") multiplied by the capital contribution percentage of Chengdu KQR in Ranken Railway, and shall be subject to results	*For the avoidance of doubt, the 2025 Covered Guarantee to be provided by Chengdu KQR herein shall be capped at RMB*

	from indebtedness actually paid by the Guarantor on behalf of Ranken Railway multiplied by the capital contribution percentage of Chengdu KQR in Ranken Railway.	*174,373,500 (being RMB 350,000,000 x 49.82%), compared to 2023 Covered Guarantee limit of RMB 185,184,657 and 2021 Covered Guarantee limit of RMB 146,450,872.*
Conditions Precedent to Chengdu KQR's obligation for its provision of the covered guarantee (the "**Additional Conditions Precedent**")	2.2.1.1) Ranken Railway must seek approval from **ALL** Ranken Railway's shareholders 2.2.1.2) The usage of such proceeds borrowed must be approved unanimously by all the directors of Ranken Railway. 2.2.2) For any projects that is not unanimously approved by all the directors of Ranken Railway to take on such projects ("**High Risk Projects**") Ranken Railway must incorporate a project company to operate the High Risk Projects, and the funds utilized for the High Risk Projects must not come from the borrowed funds in relation to the 2025 CG Agreement ("**Other Sources of Funds**"). The Other Sources of Funds used for the High Risk Projects is also subjected to a maximum limit as determined by Ranken Railway's Constitution dated 19 August 2024 Clause Number Twenty-Seven (8), corresponding to the value of assets attributing to 30% of Ranken Railways' operating revenue or profit	*The 2025 CG Agreement has expressly set out that **ALL** shareholders' approval must be obtained from the Guarantor, Chengdu KQR and the Company's Executive Chairman, Mr. Cheung Wai Suen ("**Mr Cheung**") that own 49.82%, 49.82% and 0.36% interest in Ranken Railway, respectively. As disclosed in the Ranken Disposal Circular, Mr. Cheung's voting rights in Ranken Railway has been delegated to the Guarantor.* *The use such proceeds would require approval from all directors of Ranken Railway , including both Mr Cheung and Ms Wang Heng who are also currently on the board of Ranken Railway.* If either Mr Cheung or Ms Wang Heng does not agree for Ranken Railway to take on those projects which are deemed "high risk" based on their own assessment, then no proceeds from the borrowings arising from the provision of 2025 Covered Guarantee shall be used. The Board, as part of its risk management control, specifically requires this

		to be included as part of the Conditions Precedent as funds from such borrowing proceeds must be deployed in projects which are unanimously approved by the Board of Ranken Railway, including Mr Cheung or Ms Wang Heng.

While the Additional Conditions Precedent have just been included in the 2025 CG Agreement, all the Board Matters of Ranken Railway had previously been approved unanimously by all directors of Ranken Railway since the completion of Ranken Disposal, notwithstanding that such conditions precedent were not included in the 2021 and 2023 CG Agreements. As disclosed in the results announcements for 1H2024 and FY2024, the management has considered (i) the requirements for the Covered Guarantee and the Guarantee Rationale including pertinent conditions to the Ranken Disposal and (ii) the financial position, profitability and credit standing of Ranken Railway in providing such guarantee. The management has further noted that the audited Net Asset Value of Ranken Railway as at 31 December 2024 was RMB 828 million (as reported under the PRC GAAP), which remained higher than the borrowings under the 2025 Principal Guarantee.

It is expected that Chengdu KQR will further execute a covered guarantee fee agreement with Ranken Railway within twenty business days from the date of the 2025 CG Agreement pursuant to which Chengdu KQR shall continue to receive fee income equivalent to 1% per annum of the Aggregate Value of the amount under the 2025 Covered Guarantee. The covered guarantee fee income for the 2023 Covered Guarantee had been reported in the Group's audited financial statement for FY2024. Ranken Railway has been paying 1% per annum of the Principal Guarantee to the Guarantor for the Guarantor's provision of the Principal Guarantee to Ranken Railway's lenders.

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3. RATIONALE FOR THE 2025 COVERED GUARANTEE

3.1 The Company had disclosed additional details and its rationale in relation to the provision of the Covered Guarantee on 14 August 2024 and 28 February 2025 in its unaudited results announcement for 1H2024 and FY2024, respectively under "Investment in Associates" (the "**Rationale for the Covered Guarantee**"). The extracts of which are as follows

(a) Chengdu KQR will remain a 49.82% shareholder of Ranken Railway after completion of the Ranken Disposal Agreement. Accordingly, Ranken Railway may, from time to time, require capital support from Chengdu KQR – whether in the form of equity or loan – given the scale of its operations, as required under PRC laws and the requirements of the Shenzhen Stock Exchange (as informed by the Investor to the Company), as disclosed in the Ranken Disposal Circular. As such, given that the equity shareholding of the Investor and Chengdu KQR are equal n Ranken Railway:

- *any working capital loans as may be extended by the Investor to Ranken Railway after completion of the Ranken Disposal Agreement would have to be extended and/or matched by Chengdu KQR in accordance with its 49.82% shareholding in Ranken Railway and shall be on the same terms with that of the Investor; and*
- *any full guarantee(s) provided by the Investor to the lender(s) for banking facilities granted to Ranken Railway ("Principal Guarantee") would have to be secured by a covered guarantee from Chengdu KQR in respect of the Principal Guarantee based on its 49.82% shareholding in Ranken Railway (the "Covered Guarantee"). In the event of default by Ranken Railway, the Investor shall fulfil its payment obligations in full under the Principal Guarantee and seek recourse from Chengdu KQR under the Covered Guarantee.*

(b) It was further disclosed in the Ranken Disposal Circular that "Ranken Railway would be placed in a more favourable position to secure project contracts in the PRC, and may be able to enjoy lower interest rates on external borrowings from financial institutions, given its status as an indirect SOE following the Proposed Transaction" (the "Guarantee Rationale"). As such, management understands from the Investor that the provision of Principal Guarantee would allow Ranken Railway to borrow at lower interest rates compare to other non-secured financing facilities.

3.2 Having considered that the Guarantor is part of the State-Owned Enterprises ("**SOE**") which is listed on the Shenzhen Stock Exchange in China, the management notes that Ranken Railway's lenders, would only accept the Guarantor's provision of guarantee for favourable borrowing rates given its credit standing assessment (the "**Guarantor's Credit Standing**"). As such, the Guarantor, being the sole guarantor for the Principal Guarantee, would have to seek Chengdu KQR to provide the corresponding covered guarantee. In addition, the management further notes that the Guarantor will only be able to provide the Principal Guarantee to the lenders of Ranken Railway if Chengdu KQR provides the corresponding covered guarantee to the Guarantor according to the relevant SOE regulations and the Shenzhen Stock Exchange rules (the "**SOE and SSE Rules and Regulations**"). More specifically, the followings are extracted accordingly for reference:

a. According to Article 7 of the relevant SOE regulations the "Guarantee Management Measures for Provincial Enterprises in Shandong Province", *"when a provincial enterprise provides a guarantee for a controlled enterprise in excess of its equity ratio, the decision shall be made by the board of directors of the provincial enterprise. The amount of the guarantee in excess of the equity ratio shall be fully counter-guaranteed by other shareholders or third parties of the guaranteed enterprise"*; and

b. According to "Guidelines on Self-regulation of Listed Companies of the Shenzhen Stock Exchange Rule No. 1 - Standardized Operation of Main Board Listed Companies" Article 6.2.5, *"where a listed company provides guarantees for its holding subsidiaries or joint-stock companies, other shareholders of such holding subsidiaries or joint-stock companies shall provide risk control measures such as equal guarantees in proportion to their investment. If such shareholders fail to provide risk control measures such as equal guarantees in proportion to their investment to the holding subsidiaries or joint-stock companies of the listed company, the board of directors of the listed company shall disclose the main reasons and, based on the analysis of the operating conditions and debt repayment capacity of the guaranteed party, fully explain whether the risk of the guarantee is controllable and whether it harms the interests of the listed company"*

3.3 The provision of the 2025 Covered Guarantee has been entered into, after taking into consideration of (i) the Rationale for the Covered Guarantee; and (ii) the Guarantor's Credit Standing and (iii) the SOE and SSE Rules and Regulations, as disclosed in the above. In addition, the Management, having assessed the financial position, profitability and credit standing of Ranken Railway, has considered that the provision of the 2025 Covered Guarantee is in the best interest of the Company and in the manner which is consistent with the rationale as set out in the Ranken Disposal Circular.

4. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

4.1 For the purposes of Chapter 10 of the Listing Manual, the relative figures computed on the relevant bases set out in Rule 1006 of the Listing Manual in respect of the 2025 CG Transaction based on the audited consolidated financial statements of the Group for FY2024 are as follows:

Rule 1006	Bases	Relative figures (%)
(a)	The net asset value ("**NAV**") of the assets to be disposed of, compared with the Group's latest announced NAV [(1)] Pursuant to Rule 1003(4)(a), the reference to "net asset value of the assets to be disposed of" shall mean the aggregate value of the financial assistance.	30.1%[(1) (3)]
(b)	The net profits attributable to the equity interest to be disposed of, compared with the Group's net profits	Not applicable as the 2025 CG Transaction is not a disposal or acquisition.
(c)	The aggregate value of the Consideration given or received, compared with the Company's market capitalisation[(2)] based on the total number of issued shares of the Company ("**Shares**") excluding treasury shares Pursuant to Rule 1003(4)(b), the reference to "aggregate value of the consideration given or received" shall mean the aggregate value of the financial assistance.	192.1%[(2)(3)]
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable as no securities will be issued by the Company in connection with the provision of the 2025 Covered Guarantee
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. If the reserves are not directly comparable, the Exchange may permit valuations to be used instead of volume or amount	Not applicable as the provision of the 2025 Covered Guarantee is not a disposal of mineral, oil or gas assets by a mineral, oil and gas company

Notes:

(1) Based on RMB 579,254,000, the latest announced NAV of the Group as at 31 December 2024 from the Group's audited consolidated financial statements for FY2024.

(2) Based on 407,589,893 Shares in issue as at2 July 2025 and the weighted average price of S$0.0396 (and at an exchange rate of S$1 : RMB 5.624) of the Shares transacted on the same date, the last market day preceding the date of the 2025 CG Agreement when the Shares were transacted as there were no transaction of the Shares on 3 July 2025.

(3) Based on the limit of the Aggregate Value of covered guarantee of RMB 174,373,500 provided by Chengdu KQR to the Guarantor under the 2025 CG Agreement (RMB 350,000,000 multiplied by the current capital contribution percentage of Chengdu KQR in Ranken Railway at 49.821%).

4.2 Whilst the relative figures under Rules 1006(a) and (c) exceed 20%, the 2025 CG Transaction is not regarded as a major transaction as defined under Rule 1014 of the Listing Manual for the reasons as explained in Paragraph 3.3 below and is thus not subjected to the prior approval of shareholders of the Company ("**Shareholders**"). For the avoidance of doubt, while the Company had previously stated in the 2021 CG Announcement that it would convene an EGM to seek Shareholders' approval for the 2021 Covered Guarantee, the Board and management are of the view that this is no longer applicable, having carefully considered (i) the provision under Rule 1002(1) of the Listing Manual as explained herein; and (ii) that there would be no material change in risk profile in connection with the entry into the 2025 Covered Guarantee (as explained in Note 7 below).

4.3 Rule 1002(1) of the Listing Manual excludes the provision of financial assistance to the issuer, or its subsidiary or associated company. Whilst the 2025 Covered Guarantee constitute financial assistance to be provided to the Guarantor, it is ultimately meant to guarantee the repayment obligations of Ranken Railway, the Company's associated company. As disclosed in "Investment in Associates" in the results announcement for 1H2024 and FY2024, any full guarantee(s) provided by the Guarantor to the lender(s) for banking facilities granted to Ranken Railway ("Principal Guarantee") would have to be secured by a covered guarantee from Chengdu KQR in respect of the Principal Guarantee based on its 49.82% shareholding in Ranken Railway (the "Covered Guarantee"). In the event of default by Ranken Railway, the Guarantor shall fulfil its payment obligations in full under the Principal Guarantee and seek recourse from Chengdu KQR under the Covered Guarantee. *Please also refer to the Rationale for the 2025 Covered Guarantee for further details, including the Guarantor's Credit Standing, and the SOE and SSE Rules and Regulations.*

5 FINANCIAL EFFECTS OF THE 2025 CG TRANSACTION

5.1 The Group's accounting position for financial guarantee contracts (such as the covered guarantee contemplated in the 2025 CG Transaction) is to initially measure it at fair value in accordance with SFRS(I) 9 and subsequently measure it at the higher of the loss allowance determined in accordance with SFRS(I) 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15. Expected credit losses ("ECL") are probability weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Group and the Company expects to recover.

The financial effects of the 2025 CG Transaction set out below are based on the audited consolidated financial statements of the Group for FY2024.

(a) Net Tangible Assets ("**NTA**")

Assuming that the 2025 CG Transaction had been effected on 31 December 2024, being the end of the most recently completed financial year of the Company, the effect of the 2025 CG Transaction on the NTA per Share would be as follows, after accounting for lower provision for the covered guarantee of RMB 99,400:

	Before the 2025 CG Transaction	**After the 2025 CG Transaction**
NTA (RMB '000)	578,806	578,905
Number of Shares	407,589,893	407,589,893
NTA per Share (RMB cents)	142.01	142.03

(b) Earnings per Share ("**EPS**")

Assuming that the 2025 CG Transaction had been effected on 1 January 2024, being the beginning of the most recently completed financial year of the Company and as at the date of this Announcement, the effect of the Proposed Transaction on the EPS would be as follows after accounting for lower provision for the covered guarantee of RMB 99,400 as well as a lower covered guarantee fees income for FY2024 net of reversal of tax of RMB 19,900:

	Before the 2025 CG Transaction	**After the 2025 CG Transaction**
Earnings after tax and minority interest (RMB '000)	1,376	1,456
Weighted average number of Shares	407,589,893	407,589,893
EPS (RMB cents)	0.34	0.36

5.2 In the event that Ranken Railway is not able to fulfil its payment obligations under the relevant loan facilities on which the 2025 Covered Guarantee is to be provided (the "**Event**"), the effects on the Company's and the Group's financials attributed to the 2025 CG Covered Guarantee will depend on the extent of which Chengdu KQR would need to fulfil its obligations under the 2025 CG Agreement, and the provision for such contingent liability as may be required under such circumstances, which may result in additional impairment of the carrying value of Ranken Railway arising from the obligations of Chengdu KQR not covered by the 2025 Covered Guarantee, and such financial effects may differ depending on the circumstances and the extent of the financial effects cannot be quantified with certainty as at the date of this Announcement.

6 INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Mr. Cheung Wai Suen, the Executive Chairman of the Company, is a shareholder of Ranken Railway (0.36%) and Chengdu KQR (2.01%). Although Mr Cheung Wai Suen is a Interested Person, from Chapter 9 Part V Exceptions Rule 915 (3) of the Listing Manual, "A transaction between an entity at risk and an investee company, where the interested person's interest in the investee company**,** other than that held through the issuer**,** is less than 5%", hence Rules 905, 906, and 907 of the Listing Manual are not required to be complied.

Save as disclosed above, none of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the above 2025 CG Transaction, other than their shareholding and respective capacities as a Director and/or substantial shareholder of the Company.

7 NO MATERIAL CHANGE IN RISK PROFILE

7.1 The Board and management are of the opinion that there has been or will be no material change in the risk profile of the issuer arising from the provisions of the 2025 Covered Guarantees having considered that:

(a) There is no change in the principal activities and core business of Ranken Railway, which had also been the principal business of the Group for FY2016 to FY2019. Following the completion of the Ranken Disposal in 2020, it remains as the Group's principal associated company;

(b) It was disclosed and foreshadowed in the Ranken Disposal Circular dated 9 October 2020 that "*Notwithstanding that Ranken Railway will cease to be a subsidiary of the Company upon Completion, Chengdu KQR will remain a 49.82% shareholder of Ranken Railway. Accordingly, Ranken Railway may require capital support from Chengdu KQR – whether in the form of equity or loan – given the scale of its operations, as required under PRC laws and the requirements of the Shenzhen Stock Exchange (as informed by the Investor to the Company)."* The provision of 2025 Covered Guarantee forms part of such capital support; and

(c) Ranken Railway Disposal was completed on 27 October 2020 following which Ranken Railway ceased to be a subsidiary of the Group. It was subsequently disclosed in the Group's audited financial statements (i) for FY2020 that Chengdu KQR had provided RMB 148 million of guarantee directly to the lenders of Ranken Railway for the banking facilities granted to Ranken Railway when it was the Group's principal subsidiary; and (ii) for FY2021 that Chengdu KQR continued to provide RMB 35 million of guarantee directly to the lenders of Ranken Railway for the banking facilities of Ranken Railway, being the Group's associated company; and (iii) for FY2021 that Chengdu KQR had provided RMB 98 million of covered guarantee to the Guarantor, the rationale of which were included the Ranken Disposal Circular;

(d) The changes in material terms and conditions for the 2025 Covered Guarantee (as set out in paragraph 2.2 above (i) limit the covered guarantee amount to a lower threshold of approximately RMB 174.37 million compared to that of the 2023 Covered Guarantee, (ii) allow Chengdu KQR to vote at his own discretion for matter pertaining to provision for 2025 Covered Guarantee and (iii) restrict deployment of such related funds to only projects which are unanimously approved by all the directors of Ranken Railway, including Mr Cheung and Ms Wang Heng, who are also the Executive Chairman and CEO of the Company, respectively.

8 AUDIT AND RISK COMMITTEE STATEMENT

The audit and risk committee of the Company (the "**ARC**") has reviewed the above interested person transaction as well as the Rationale for the provision of the 2025 Covered Guarantee. The ARC is of the view that the 2025 CG Transaction are on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

9 DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the 2025 CG Agreement and the 2025 CGFI Agreement will be made available for inspection during normal business hours at the registered office of the Company at 1 Robinson Road, #17-00 AIA Tower, Singapore 048542, for a period of three (3) months from the date of this Announcement.

By Order of the Board

WANG HENG
Executive Director and Chief Executive Officer
30 July 2025