



Newly Acquired Australian Subsidiary Mancala Reports Maiden Profit for SGX-Listed Sapphire And Will Book Higher Gain on Disposal of Steel Business Despite its Continued Losses

Singapore, 15 May 2014 - Sapphire Corporation ("Sapphire" or "the Company") said today that its newly acquired Australian mining services company Mancala Australia ("Mancala") has posted a maiden profit contribution despite the carrying value of the China steel business that it is disposing has fallen by S\$4.2 million due to continued losses.

SGX-listed Sapphire, which completed the acquisition of Mancala on 7 January 2014, has begun consolidating mining services revenue of Mancala amounting to S\$15.8 million in the January-March 2014 period ("1Q2014") of the financial year ended 31 December 2014 ("FY2014"). Mancala recorded a Net Profit of S\$0.67 million in 1Q14.

After accounting for corporate expenses of S\$0.47 million, Sapphire recorded a net profit of S\$0.2 million for its continuing operations in 1Q14 (1Q13 loss: \$0.38 million) as well as a net loss of S\$2.1 million from its China steel business ("Discontinued Operations") which the Group is disposing.

Losses for the steel business had continued despite fixed cost savings arising from operational streamlining due to lower average selling prices and higher unit costs which compressed margins.

On 26 April 2014, Sapphire announced the proposed sale of its entire China steel business (including vanadium production) for S\$70.0 million. It wants to use the proceeds to propel its push into mining services while evaluating other strategic investment opportunities. The sale of China Steel Business is subject to shareholders' approval at an Extraordinary General Meeting to be convened.

As a result of further losses incurred by the discontinued steel business in 1Q14, the carrying value of the Discontinued Operations fell by S\$4.2 million to S\$61.8 million compared to S\$66.0 million as at 31 December 2013, which means Sapphire will record a higher net gain on disposal of approximately S\$6.8 million (compare to S\$3.8 million previously) as there will be no adjustment to the previously agreed sale consideration of S\$70 million.

The sale transaction will now result in a total gain of S\$8.05 million for Sapphire comprising a net gain on divestment of approximately S\$6.8 million (representing the net sale price less the carrying value of the available-for-sale financial assets) and interest income from the Bond of up to S\$1.25 million.



Following the appointment in October 2013 of Mr Teh Wing Kwan as Group CEO, Sapphire has since made various important strategic moves. Under Mr

Teh, Sapphire has acquired the entire share capital of Mancala, cut its loss-making minerals trading segment, streamlined operations, selling its loss-making steel business and looking out for strategic investments into other value-added engineering-related businesses for the mining and infrastructure sectors.

“We are pleased that our newly acquired mining services company has recorded its first revenue and profit following the completion of its acquisition in January 2014. Mancala will spearhead part of our new corporate strategies to expand mining services while we are evaluating other strategic investment opportunities,” Mr Teh said.

“The further losses of the discontinued steel business, despite operational streamlining, validates our decision to exit the steelmaking industry and chart a new direction for Sapphire moving forward,” he added.

Apart from Mancala, Sapphire has been actively exploring other strategic investments as part of its growth strategies.

End of Press Release

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