



SGX-Listed Sapphire, Charting New Growth Strategy After Selling Steel Business, Acquires China Railway Infrastructure Specialist For RMB 360M (S\$76M)

- Purchase via cash and bond of RMB 282 million (S\$59.4 million); and issue of new Sapphire shares worth S\$16.5 million
- AAA-certified Ranken (“中铁隆”) is China’s second-largest privately owned integrated rail infrastructure company with significant contracts from state-owned enterprises in China, India and Bangladesh
- Ranken recorded net profit of RMB19.4 million (S\$4.1 million) for the six months ended 30 June 2014 and has a confirmed order book of RMB 2.1 billion (S\$442.1 million) to be delivered over 3 years
- Sapphire intends to propel growth via Ranken through increasing rail project order book, participating in urbanization plans and partnering with state-owned enterprises and governments in long-term infrastructure projects

Singapore, 25 November 2014 – Sapphire Corporation Limited (“Sapphire” or the “Company”) said today it plans to acquire a China-based Engineering, Procurement and Construction (“EPC”) business for RMB 360 million (S\$75.9 million) as part of a new corporate and turnaround strategy to propel growth via railway infrastructure and engineering projects after disposing its loss-making steel business.

Under the Proposed Transaction structured by Mr. Teh Wing Kwan, Group CEO of SGX Mainboard-listed Sapphire, the Company has entered into a conditional Subscription and Sale and Purchase Agreement (“Agreement”) to acquire the entire share capital of the Hong Kong incorporated Ranken Infrastructure Limited (“Ranken”) via issue of new Sapphire shares worth S\$16.5 million at \$0.10 each to all 34 beneficial owners of Ranken (the “Vendors”) and a subsequent capital injection of RMB 282 million (S\$59.4 million) (the “Proposed Transaction”).

Founded in 1998, based in Beijing and Chengdu, Ranken is now China’s second-largest privately-owned integrated rail transport infrastructure construction group and the only privately-owned operator in China which has obtained the prestigious full AAA-certification for design, construction and project consultation in the rail sector.

Ranken’s clients are mostly state-owned enterprises (“SOE”) and Fortune-500 companies in China. It has also successfully executed the second-largest railway infrastructure project in Bangladesh and other major projects in India.



While Ranken to date has undertaken and managed major infrastructure projects mostly on a Build-Transfer (“BT”) basis, Sapphire intends to leverage on Ranken’s capabilities and track record, to pursue accelerated growth via two strategies.

The first is to increase its order book of urban rail transit, high-speed rail and other major land transport infrastructure projects in China and overseas, particularly South East Asia and India.

The second is to enter into strategic partnerships or joint-ventures with SOEs or provincial governments for large-scale township planning and urban development projects under which Ranken can participate in long-term infrastructure projects on Build-Operate-Transfer (“BOT”) and, possibly, Build-Lease-Transfer (“BLT”) basis.

Sapphire will first provide a RMB 82 million (S\$17.3 million) interest-free loan that will be capitalised upon completion of the Proposed Transaction. It will also issue RMB 200 million (S\$42.1 million) worth of redeemable non-convertible corporate bonds which will also be fully capitalised upon redemption.

Sapphire will redeem the corporate bonds subject to Ranken achieving a targeted earnings before interest, tax, depreciation and amortization (“EBITDA”) of RMB 79 million (S\$16.6 million) for the 12 months ending 31 December 2014 and at least RMB 56 million (S\$11.8 million) for the six months ending 30 June 2015.

As part of the deal, Sapphire will also issue 165 million new Sapphire shares at S\$0.10 each (totalling S\$16.5 million) to the Vendors who effectively own 97.6% of Ranken. The new Sapphire shares to be issued, half of which must be held for at least one year before disposal, will enlarge Sapphire’s total share capital base by 20.4% from 810,949,000 shares currently to 975,949,000 shares.

Of the RMB 282 million (S\$59.4 million) cash and bond proceeds, RMB 190 million (S\$40 million) will be paid to the Vendors, who will then grant or procure personal guarantees from the founding vendors to secure at least RMB 237.5 million (S\$50.0 million) in banking facilities for Ranken’s working capital needs. The grant of personal guarantees is to align interests of the Vendors and Sapphire.

The remaining RMB 92 million (S\$19.4 million) will be used to acquire a land parcel and building, provided that an internationally recognized valuer can value it at not less than RMB 100 million (S\$21.1 million). Ranken is using part of the building for its back-office and will receive recurring rental income after the acquisition.

Ranken recorded revenues of RMB346.6 million (S\$71.2 million) with a net profit after tax of RMB19.4 million (S\$4.0 million) for the six months ended 30 June 2014.

It has outlined plans to grow revenue and net profit at double-digit compounded annual rates for the next three years. Its order book currently stands at RMB 2.1 billion (S\$442.1 million).

The acquisition is subject to approval by Sapphire shareholders at an extraordinary general meeting to be convened.



Mr. Teh said: “The proposed acquisition, if approved, will transform Sapphire into a value-added land transport infrastructure and engineering specialist following the disposal of the legacy steel business. The rail transit and high-speed rail sector has high potential as China and major emerging markets are placing high priority on infrastructure spending to boost domestic consumption and accelerate urbanization. In China alone, billions of dollars worth of infrastructure projects, many rail-related, have been approved so far this year.”

“By participating as a partner which will develop business structures as well as be involved in bidding, undertaking and financing larger scale infrastructure projects, Sapphire can gain early-entry participation in the projects whose value can be unlocked as they complete or mature,” he said.

Ms. Wang Heng, founder and single-largest shareholder of Ranken, said: “This transaction presents an important platform for Ranken to tap the international capital market so we can grow much faster. Having dealt with Mr. Teh and his team, I have confidence that his corporate structuring expertise will allow us to explore commercial and financing structures that can enhance our asset base and align our interests closely with principals of townships and long-term infrastructure projects.”

“Ms. Wang Heng is a highly qualified engineer by profession with a strong technical background. She is extremely hands-on and well respected in the industry,” Mr. Teh added.

In April 2014, Sapphire announced that it will record an estimated total income of S\$5.05 million (including gain on divestment and interest income) on the disposal of its loss-making steel business for a total of S\$70.0 million. The disposal is expected to be completed by 31 December 2014.

Upon completion of the Proposed Acquisition, expected in the January-March 2015 period (“1Q2015”), Ranken is expected to be the Group’s biggest revenue contributor for the financial year ending 31 December 2015 (“FY2015”).

****End of Press Release****

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About Sapphire Corporation Limited

Following the divestment of its steel business, Sapphire, backed by a Board of Directors with strong finance and investment records, has been actively looking out for investment propositions and merger & acquisition opportunities.

Listed on the Singapore Exchange since 1999, Sapphire currently owns 100% in the capital of Mancala Holdings Pty Ltd (“Mancala”), a specialist mining services company based in Australia that provide raised bore, shaft excavation, engineering services and other mining services. Mancala has a strong record of more than 100 completed projects both in Australia and internationally and operates the largest nickel mine in Son La Province, Vietnam.

About Ranken

Ranken Infrastructure Limited (“Ranken”) Is a general contracting enterprise with integration of engineering, construction, procurement, supervision, research and manufacture, mainly engaged in underground works, geotechnical works and metro, which has set foot in the areas of railway, expressway, municipal works, industrial and civil buildings, airport, hydraulic works. Founded in 1998, with headquarters in Chengdu, Sichuan province, Ranken has a registered capital 140 million RMB.