



## SGX-Listed Sapphire Reverses Three Years Of Losses To Post FY2014 Profit With Positive Cash Flows; Eyes New Growth In Rail Infrastructure After Disposing China Legacy Steel Business

| S\$ '000  | FY2014        | FY2013         |
|---|---------------|----------------|
| <b>Revenue</b>  | 58,487        | 6              |
| <b>Gross Profit</b>   | 14,741        | 1              |
| <b>Net Profit/(Loss)</b>  | 138           | (157,176)      |
| <b>After Charging</b>   |               |                |
| - Loss on disposal of non-core business                         | 754           | -              |
| - Unrealised foreign exchange loss                              | 2,400         | -              |
|   |               |                |
| <b>Operating cash inflows/(deficit) – Continuing Operations</b> | <b>3,756</b>  | <b>(5,113)</b> |
| <b>Cash at bank</b>   | <b>12,247</b> | <b>6,719</b>   |
| <b>Net Assets</b>   | <b>72,600</b> | <b>73,485</b>  |

**Singapore, 28 February 2015** – SGX Mainboard-listed Sapphire Corporation Limited (“Sapphire” or the “Group”) reversed three years of losses to post a net profit of S\$0.14 million for the financial year ended 31 December 2014 (“FY2014”) despite loss on disposal of its other non-core business and unrealised foreign exchange loss.

Sapphire recorded FY2014 gross profit of S\$14.7 million on revenue of S\$58.5 million, or a gross profit margin of 25.2%, largely arising from maiden consolidation of the financial performance of Mancala Australia, its mining services business in Australia.

Notably, operating cash flows for Continuing Operations in FY2014 improved sharply to S\$3.8 million compared to a deficit of S\$5.1 million in FY2013 due to operating ‘cash profit’ and better working capital management.

The FY2014 performance, which included a gain on disposal of its legacy Steel Business, lower fixed operating costs following corporate streamlining exercise and first-time profit contribution from Mancala Australia, contrasted sharply with a net loss of S\$157.2 million in FY2013 which reflected the continued weakness of the steel sector in China that had led to significant losses for Sapphire since FY2010.

Administrative expenses rose by S\$7.4 million to S\$13.5 million in FY2014 due mainly to S\$10.6 million costs incurred by Mancala Australia and acquisition-related expenses of S\$0.3 million. This was negated by a sharp decline of S\$3.1 million in Corporate Functions expenses following the Group’s streamlining exercise to improve corporate efficiencies. The Continuing Operations also recorded an accounting translation loss of S\$2.4 million.

To further streamline its operations, Sapphire had in October 2014, sold its non-core business in painting and renovation services – a business segment which Sapphire had shut down – and arising from which it incurred a loss on disposal of S\$0.8 million. As a result, Net loss for Continuing Operations was \$5.2 million in FY2014.

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Discontinued Operations recorded a net profit of S\$5.3 million after accounting for a gain on disposal of S\$24.2 million, reversing a net loss of S\$152.5 million.

Overall, the Group reported a net profit of S\$0.14 million for FY2014, reversing a loss of S\$157.2 million in FY2013. Excluding the loss on unrealised foreign exchange and loss on disposal of its non-core business, the Net Profit would have been S\$3.3 million for FY2014.

Cash at bank increased by S\$5.5 million to S\$12.2 million as at 31 December 2014 from S\$6.7 million as at 31 December 2013, due mainly to 'cash profit' and receipt of partial proceeds from disposal of the Steel Business, partially offset by repayment of finance lease obligations and short term bank borrowings of Mancala Australia.

Mr. Teh Wing Kwan, Group CEO and Managing Director of Sapphire, said, "After three consecutive years of financial losses due to the weakness of the legacy steel business in China, the turnaround in FY2014 underscores our continued efforts to return profitability even as we sought to chart a new era of recovery and growth."

"We have set in motion a corporate transformation as we pursue growth via railway infrastructure and engineering projects, following the disposal of the legacy Steel Business," said Mr. Teh, who has led Sapphire's restructuring since taking over as CEO in October 2013.

The Group announced on 25 November 2014 that it intends to acquire the entire share capital of Hong Kong incorporated Ranken Infrastructure Limited ("Ranken"), a profitable China-based Engineering, Procurement and Construction business for RMB 360 million (about S\$75.9 million).

Ranken specializes in undertaking and managing highly complex and large-scale municipal land transport infrastructure projects in China, India, Bangladesh and Saudi Arabia. It possesses full integrated Triple-A qualifications and licenses in relation to design, construction and project consultation in the rail transit sector in China.

Leveraging on Ranken's capabilities and track record, Sapphire plans to accelerate growth by increasing order book of metro, urban rail transit and other major land transport infrastructure projects in China and South East Asia; and participating in major long-term infrastructure projects by entering into strategic partnerships or joint-ventures with Chinese state-owned enterprises or provincial governments.

The acquisition of Ranken is subject to approval by Sapphire shareholders at an extraordinary general meeting to be convened. Ranken has an existing order book of RMB 2.1 billion (S\$442.1 million), and upon completion of the Proposed Acquisition is expected to be the Group's biggest revenue contributor for FY2015.

Concurrently, Mancala Australia continues to position itself as a mining services specialist to mine owners and operators amidst an increasing shift in focus from capital expenditures to

operational expenditures as mining operators focus on lowering costs further and improving optimization of existing assets.

“Amidst market volatility in the resource sector, Mancala Australia will continue to improve its own operating cost structure and production efficiencies with a view to improve return on asset and output per headcount for its mining services business in the long run”, Mr Teh said.

Given the above and the Group’s strategies to drive growth, the Board believes that the financial performance for FY2015 will remain profitable, barring unforeseen circumstances.

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

*Issued on behalf of the Company by WeR1 Consultants Pte Ltd:*

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**About Sapphire Corporation Limited**

Following the divestment of its steel business, Sapphire, backed by a Board of Directors with strong corporate 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.