

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

SALE AND LEASE BACK OF ASSETS

1. Introduction

The Board of Directors (the “**Directors**”) of Sapphire Corporation Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that its subsidiary, Ranken Railway Construction Co., Ltd (“**Ranken**” or the “**Seller**”) has concluded two (2) sale and leaseback agreements (“**Agreements**”) with Chengdu Jinkong Financial Leasing Co., Ltd. (成都金控融资租赁有限公司) (“the **Lessor**”) for the sale and lease back of two (2) tunnel boring machines and their auxiliary parts (“**TBM**” or the “**Assets**”) for an aggregate consideration of RMB 70 million (“**Consideration**”). On completion of the sale, Ranken will lease the two (2) TBM back from the Lessor for a period of three (3) years with quarterly lease repayments of aggregate RMB 6.8 million (collectively, the “**Transaction**”).

2. Information on the TBM

No. of units:	Two (2)
Model Specification:	EPB-6250
Description:	6250mm Tunnel Boring Machines earth pressure support or Earth Pressure Balance Shields (EPB)
Manufacturer:	Herrenknecht

3. Other Principal terms of the Agreement

- (a) The aggregate consideration was arrived at on an arm’s length willing buyer, willing seller basis and taking into consideration the terms of the lease back arrangement. It shall be paid to Ranken in full upon satisfactory of pertinent terms and conditions including, inter alia:-
- Corporate guarantee and personal guarantee to be provided by Chengdu Kai Qi Rui Business Management Co., Ltd (a 98%-owned subsidiary of the Group) and Mr. Cheung Wai Suen (an Executive Director of the Group) respectively; and
 - Floor 8 of Ranken’s commercial building located at No. 189 Wukexi Second Road Wuhou District, Chengdu City Sichuan Province, PRC to be pledged as security.
- (b) In the event that there is a change in the China Loan Prime Rates during the lease period, the amount of lease repayment shall be adjusted accordingly. The existing interest rate for the Transaction is approximately 6% per annum.
- (c) Ranken shall have the option to purchase the TBM for RMB One Thousand (RMB 1,000) each at end of the lease period.

4. Rationale and Intended Use of Proceeds

The TBM were purchased under finance leases in May 2014 and October 2014 and the existing finance lease obligations have since been substantially repaid.

As previously announced, the Group's existing order book was approximately RMB 2.5 billion as at 31 March 2017 (the "**Order Book**"). Meanwhile, the Group has also been tendering new contracts and exploring other business opportunities in China and other part of emerging Asia via collaboration with various strategic partners ("**Business Initiatives**"). Given that, the sale and leaseback of the TBM will provide additional resources for working capital support and capital investment in relation to execution of the Order Book and the Business Initiatives, if any.

It is intended that the net proceeds, after taking into account of expenses incidental to the transaction, be applied as follows:

- (a) approximately 5% for repayment of existing finance lease obligations of the TBM; and
- (b) approximately 95% for the Group's working capital / capital investments (including new equipment and / or site facilities).

5. Relative figures for the Transaction

The relative figures computed on the bases set out in Rule 1006 of the listing manual of the SGX-ST (the "**Listing Manual**") in respect of the Agreement and based on the latest announced unaudited financial statements of the Group ("**Latest Announced Financial Statements**") for the period ended or as at 31 March 2017 are as follows:

Bases in Rule 1006		
		RMB'000
(a)	Net asset value of the assets to be disposed ⁽¹⁾	29,025
	Net asset value of the Group ⁽²⁾	470,227
	Relative figure	6.17%
(b)	Net profits/(losses) attributable to the disposal of TBM ⁽³⁾	NIL
	Net profits/(losses) of the Group ⁽⁴⁾	13,650
	Relative figure	N.M.
(c)	Value of the proceeds	70,000
	Market capitalisation ⁽⁵⁾ of the Company	502,862
	Relative figure	13.92%
(d)	Number of equity securities issued for the Proposed Acquisition (comprising of the Consideration Shares)	N.A.
	Number of shares of the Company in issue	N.A.
	Size of relative figure	N.A.

Notes:

- (1) Based on Ranken's management accounts as at 31 March 2017.
- (2) Based on the unaudited results announcement of the Group dated 12 May 2017 for the three months ended 31 March 2017.

- (3) There is no profit / loss attributable to the disposal of the TBM as they are leased back by the Group and accounted for as finance lease. In accordance with FRS 17 – Leases, if a sale-and-leaseback results in a finance lease, then any gain on the sale is deferred and recognised as income over the lease term.
- (4) “Net profits/(losses)” means profit or loss before income tax, minority interests and extraordinary items from both the continuing and discontinued activities of the Group.
- (5) “Market capitalisation” is determined by multiplying the number of shares of the Company in issue, being 326,071,915 shares, by the value weighted average price of such shares of S\$0.3126 per share on 27 June 2017 at exchange rate of S\$1: RMB 4.9334.

The relative figures as computed on the above bases exceeds 5% but does not exceed 20%, the Proposed Transaction constitutes a “disclosable transaction” within the meaning of Chapter 10 of the Listing Manual.

6. Financial Effects of the Agreement

The consideration of RMB 70.0 million less net book value of the Assets as at 31 March 2017 would result in a total gain on disposal of approximately RMB 41.0 million from the Transaction and the gain on disposal is to be deferred and recognised over the lease term in accordance with Financial Reporting Standard (FRS) 17 – Accounting for Leases. As such, there is no aggregate profit / loss attributable to the Transaction to be reported on the date of completion of the disposal as the Assets are leased back by the Group and will then be accounted for as finance lease.

The pro forma financial effects of the Transaction set out below have been prepared based on audited consolidated financial statements of the Group for the financial year ended 31 December 2016, being the most recently completed financial year.

The pro forma financial effects are only presented for illustration purposes, and are not intended to reflect the actual future financial situation of the Group after completion of the Transaction.

Net Tangible Assets (“NTA”) per Share

Assuming that the Transaction was completed on 31 December 2016, the effect on the NTA per share of the Group will be as follows:

	Before the Transaction	After the Transaction
Consolidated NTA attributable to Shareholders (RMB’000)	391,600	391,600
Number of Shares (’000) ⁽²⁾	325,797	325,797
Consolidated NTA per Share attributable to Shareholders (RMB cents)	120.2	120.2

Notes:

There is no aggregate profit / loss attributable to the Transaction to be reported on the date of completion of the disposal in accordance with FRS 17 and the Assets are leased back by the Group and be accounted for as finance lease. As such, completion of the Transaction has no effect on the NTA of the Group.

Earnings per Share ("EPS")

Assuming that the Proposed Transaction was completed on 1 January 2016, the effect on the EPS of the Group will be as follows:

	Before the Transaction	After the Transaction
Consolidated Profit after tax and minority interests (RMB'000)	46,834	46,834
Weighted Average Number of Shares ('000)	325,710	325,710
Consolidated Profit per Share (RMB cents)	14.4	14.4

Notes:

There is no aggregate profit / loss attributable to the Transaction to be reported on the date of completion of the disposal in accordance with FRS 17 and the Assets are leased back by the Group and be accounted for as finance lease. As such, completion of the Transaction has no effect on the EPS of the Group.

7. Interests of Directors and Controlling Shareholders

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the above transactions, other than in their respective capacities as a Director and/or controlling shareholder of the Company and Mr Cheung Wai Suen's direct interest in Chengdu Kai Qi Rui Business Management Co., Ltd and Ranken Railway Construction Group Co., Ltd of 2% and 0.4% respectively.

8. Caution in trading

Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stockbrokers, solicitors or other professional advisors if they have any doubts about the actions they should take.

By Order of the Board

SAPPHIRE CORPORATION LIMITED

Teh Wing Kwan

Group Chief Executive Officer and Managing Director

28 June 2017