SAPPHIRE CORPORATION LIMITED

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

PROPOSED DIVESTMENT OF ASSOCIATED COMPANIES

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1. INTRODUCTION

The Board of Directors of Sapphire Corporation Limited (the "**Company**") wishes to announce that the Company has entered into a sale and purchase agreement dated 13 October 2014 (the "**Agreement**") with Mr. Lee Wee Hiong (the "**Purchaser**"), pursuant to which the Company has agreed to sell the shares of its associated companies, being:

(a) 637,267 shares of Industrial Contracts Marketing (2001) Pte Ltd ("**ICM**"), representing 36.67% of its issued and paid-up share capital; and

(b) shares of Hainan I.R.E. Letian Construction & Decoration Engineering Co., Ltd. ("**Hainan I.R.E.**") representing 49% of its issued and paid-up share capital and an aggregate paid-up amount of RMB3,000,000

(collectively, the "**Sale Shares**"), to the Purchaser for the consideration of S$350,000.

ICM is a company incorporated in Singapore and is engaged in the business of provision of painting and renovation services. Hainan I.R.E. is a company incorporated in the People's Republic of China and is engaged in the business of provision of building renovation services.

2. INFORMATION ON THE PURCHASER

The Purchaser was employed as a Senior Project Manager of, a wholly-owned subsidiary of the Company. His scopes of work included project administration relating to painting and renovation works pertaining to Warranty Works (as defined below). He had resigned from his position on 30 September 2014.

3. PROPOSED DIVESTMENT

Subject to the terms and conditions of the Agreement:

(a) the Company shall sell, and the Purchaser shall purchase, the Sale Shares, free from any encumbrances and together with all rights, benefits and entitlements attaching thereto as at the date of completion, for the consideration of S$350,000 (the "**Consideration**");

(b) in satisfaction of the Consideration, the Purchaser shall (i) perform and assume all the obligations and liabilities of the Company and its subsidiary, Sapphire Construction and Development Pte Ltd, in respect of certain warranties that were given by them in relation to waterproofing and other works, and (ii) undertake any waterproofing and other works as may be required from time to time pursuant to such warranties ("**Warranty Works**");

(c) in the event that the cost of undertaking and performing the Warranty Works exceeds the Consideration, the Company shall pay the excess amount (the "**Excess Cost**") in cash to the Purchaser, provided that such Excess Cost shall be subject to a cap of S$100,000 and the Purchaser produces evidence reasonably satisfactory to the Company that such Excess Cost has been incurred; and

(d) the Purchaser shall also perform and assume all such obligations and liabilities of the Company under a sub-contract agreement entered into between the Company and C H Contract Services ("**CHCS**") for the engagement of CHCS by the Company to undertake and perform waterproofing and other works

(collectively, the "**Transaction**").

The Consideration was determined by the Company and the Purchaser at arm's length and on a willing-buyer willing-seller basis, taking into account of the net assets values of ICM and Hainan I.R.E less total estimated cost of performing the Warranty Works.

As set out in its unaudited management accounts, the net asset value of the shares of ICM and the shares of Hainan I.R.E. held by the Company is S$0.9 million and negative S$36,000 respectively as at 30 June 2014.

4. FINANCIAL EFFECTS

The proposed Transaction is not expected to have any material effect on the net tangible assets and earnings per share of the Company for the financial year ending 31 December 2014.

There will be an accounting loss of approximately S$0.50 million on disposal of ICM and Hainan I.R.E base on sales consideration of $0.35 million and the Company share of net assets of the associates of $0.85 million as at 30.9.2014. However, on completion, the Company will have an estimated total cost savings of approximately S$0.60 million, being the total operating expenses which the Company would have incurred from the date of completion till the end of the contractual period for Warranty Works if there is no completion of the Transaction.

5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or the controlling shareholders of the Company has any interest, direct or indirect, in the proposed Transaction other than through their shareholdings in the Company.

6. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Agreement has been made available for inspection at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898, during normal business hours, for three (3) months from the date of this announcement.

BY ORDER OF THE BOARD

Teh Wing Kwan
Executive Director and Group Chief Executive Officer

14 October 2014