

**PROPOSED DISPOSAL OF MANCALA HOLDINGS LIMITED
AND MANCALA HOLDINGS PTY LTD**

1. Introduction

The Board of Directors (the “**Board**”) of Sapphire Corporation Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the Company’s announcements on 6 January 2016 and 15 July 2016 relating to its mining services business and wishes to announce that the Company has on 30 December 2016 entered into conditional sale and purchase agreements (collectively, the “**SPAs**”) with each of China Vanadium Titano-Magnetite Mining Company Limited (“**CVT**”) (the “**CVT SPA**”) and Toe Teow Heng (“**TTH**”) (the “**TTH SPA**”) (collectively known as the “**Purchasers**”).

Subject to the terms and conditions of the SPAs, the Company has agreed to sell and the Purchasers have agreed to purchase, an aggregate of 81% in the issued and paid up share capital of Mancala Holdings Limited (“**Mancala Holdings**”) (the “**Sale Shares**”) for an aggregate consideration of HK\$63,200,000 (the “**Sale Consideration**”). Pursuant to the SPAs, CVT has agreed to acquire 49% of the issued and paid up capital of Mancala Holdings (the “**CVT Sale Shares**”) for a purchase consideration of HK\$38,200,000 and TTH has agreed to acquire 32% of the issued and paid up capital of Mancala Holdings (the “**TTH Sale Shares**”) for a purchase consideration of HK\$25,000,000 (collectively, the “**Proposed Transaction**”).

For the purpose of the Proposed Transaction, the Company, Mancala Holdings and Mancala Holdings Pty Ltd (“**Mancala**”) will undertake an internal restructuring exercise whereby, *inter alia*, Mancala Holdings will become the legal and beneficial owner of the entire share capital of Mancala in consideration for new shares in Mancala Holdings to be issued to the Company (the “**Restructuring Exercise**”), prior to the completion of the Proposed Transaction.

Following the completion of the Proposed Transaction, the Company will own 19% in the capital of Mancala Holdings and thus, both Mancala Holdings and Mancala (together with its subsidiaries) (the “**Disposal Group**”) will cease to be subsidiaries of the Group.

2. Information on the assets to be disposed of

Mancala Holdings is a company incorporated in the Cayman Islands with an authorized share capital of US\$50,000,000 and an issued and paid up share capital of US\$1.00. Mancala Holdings is an investment holding company. As at the date of this announcement, Mancala Holdings is a wholly-owned subsidiary of the Company.

Immediately upon completion of the Restructuring Exercise, the issued and paid up share capital of Mancala Holdings will be increased to US\$6,000,000 by way of an issue and allotment of 5,999,999 new shares in Mancala Holdings to the Company.

Mancala is a private limited company incorporated in Australia, with an issued and paid up share capital of A\$298,817 comprising 400,200 class A shares and 100,000 class B shares. Mancala and its subsidiaries are engaged in the business of providing specialist mining services detailed below and its corporate structure is set out in Appendix A to this announcement:

Name of entity	Principal Activities	Country of incorporation/Place of business	Effective equity interest held by the Group
Mancala Holdings Pty Ltd	Mining equipment hire	Australia	100%
Mancala Pty Ltd	Vertical boring and shaft contractor	Australia	100%
Mancala Asia Ltd	Mining labour hire	Hong Kong	100%
MCL Vietnam Industries Co. Ltd (" MCL ")	Contract mining	Vietnam	49% *
Mancala Mining Pty Ltd	Alliance mining	Australia	100%
Mancala Mine Services Pty Ltd	Mining labour and equipment hire	Australia	100%
Spectrum Resources Australia Pty Ltd	Dormant	Australia	100%

* Although the Group owns less than half of MCL's voting rights, the Group controls MCL by virtue of the shareholders' agreement with its other investor, and is entitled to all results of MCL.

3. Information on the Purchasers

CVT is a company incorporated in the Cayman Islands and is listed on the main board of The Stock Exchange of Hong Kong Limited ("**SEHK**") as at the date of this announcement.

CVT is primarily engaged in mining, ore processing, iron pelletising and the sale of iron concentrates, iron pellets and titanium concentrates to steel producers and downstream users of titanium-related products. It owns several vanadium-bearing titano-magnetite mines and one ordinary iron ore mine located in Sichuan province, a region with abundance of vanadium-bearing titano-magnetite resources in China. While CVT has recently experienced the volatility of the commodity prices due to weak market conditions, it intends to form an integrated mining group via collaboration with foreign mining experts for productivity improvement and business diversification opportunities within the mining sector.

In August 2016, CVT invited Mancala to visit a major underground magnetite (Fe₃O₄) mine in relation to quotations for consultancy contracts (the "**Mancala Site Visit**"). Mancala has since recommended various incremental changes to the existing mining methods and processing operations of CVT, such as specifically for (i) higher recovery of magnetite, (ii) improvement in productivity (iii) reduction in technical risk (relating to the proposed long hole stoping mining method) and (iv) evaluation of a mechanized mining approach. In addition, CVT intends to explore collaboration opportunities with Mancala via joint mines development, joint assessment of technical risks and deployment of innovative mining methods by offering mining services to other concessions of ferrous metals. The Mancala Site Visit subsequently led to specific discussions in relation to CVT's proposed investment in Mancala.

TTH, a sophisticated investor, is also a director and shareholder of ICH Gemini Asia Growth Fund Pte Ltd ("**ICH Gemini Asia**"), which is a private equity fund managed by ICH Gemini Pte Ltd ("**ICH Gemini**"), a Registered Fund Management Company with the Monetary Authority of Singapore. As an individual investor, TTH has invested in equity and bonds in various businesses. TTH also understands the strategic partnership opportunities between Mancala and CVT.

4. Consideration

The Sale Consideration was agreed upon at arm's length and on a willing-buyer-willing-seller basis, taking into account (i) operational capabilities and track records of the Disposal Group in the fields of raise boring, shaft excavation and mining services in the resource sector; (ii) the experience of the Mancala Group in the provision of mining services; and (iii) the net asset value of the Disposal Group as at 30 June 2016.

On completion of the Proposed Transaction, the Sale Shares shall be transferred to the Purchasers and the Sale Consideration payable by CVT and TTH, upon completion, are to be satisfied by the following means:

Consideration payable by CVT

- (a) Part of the consideration of HK\$3,200,000 to be satisfied in cash ("**CVT Cash Consideration**"); and
- (b) the remainder of the consideration of HK\$35,000,000 by the issue and allotment of 95,890,410 new ordinary shares in the share capital of CVT (the "**CVT Consideration Shares**"), deemed fully paid at an issue price of HK\$0.365 per Consideration Share.

On completion of the CVT SPA, the CVT Sale Shares shall be transferred to CVT upon full settlement of the CVT Cash Consideration and the CVT Consideration Shares shall be issued and allotted to the Company within five (5) business days after the date of transfer of the CVT Sale Shares.

In the Company's separate announcement dated 30 December 2016 (the "**Update on Mancala Holdings Pty Ltd Announcement**"), the Company has also announced the issue of the Second Corporate Bonds (as defined in Update on Mancala Holdings Pty Ltd Announcement dated 30 December 2016) to the Vendors (as defined in the Update on Mancala Holdings Pty Ltd Announcement dated 30 December 2016) wherein the Company will transfer 75,525,506 shares in CVT (from the CVT Consideration Shares the Company shall receive in accordance with the CVT SPA) to the Vendors for the partial redemption of the Second Corporate Bonds of with an aggregate face value of A\$4,685,417 (or approximately HK\$27.6 million). The remaining 20,364,904 shares in CVT, which the Company will continue to hold as an investment (the "**Investment Shares**"), represents 0.9% of CVT's enlarged share capital after the issuance of the CVT Consideration Shares, with a value of approximately HK\$7.4 million (or S\$1.3 million in equivalent).

The value of the Investment Shares accounts for 1.45% of the Group's audited consolidated net asset value as at 31 December 2015.

As the Investment Shares represent less than 10% of CVT's enlarged share capital after the issuance of the CVT Consideration Shares and the cost of investment for the Investment Shares is less than 5% of the Group's latest audited consolidated net tangible assets, no disclosure is required to be made Pursuant to Rule 704(17) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Consideration payable by TTH

The full consideration of HK\$25,000,000 shall be satisfied in cash ("**TTH Cash Consideration**"). The TTH Cash Consideration of HK\$25,000,000 shall be payable upon completion of the TTH SPA.

5. Loan from CVT

Under the CVT SPA, CVT may, at its discretion, provide an interest-free loan of up to HK\$32,500,000 to the Disposal Group after Completion. Such loan, if any, shall be secured by additional floating charge over the equipment of the Disposal Group or such other security as may be required by CVT. The aforementioned loan shall be subject to the terms of any formal agreement to be entered into between the Company and the Disposal Group.

6. Rationale

Focused Strategy in Infrastructure Business

Following the completion of the acquisition of Ranken Infrastructure Limited on 1 October 2015, the core business of the Group is now infrastructure engineering. The business of infrastructure engineering accounted for approximately 87% of the Group's revenue for the nine (9) months ended 30 September 2016 ("**9M2016**") and is expected to remain as a key revenue driver for the Group going forward. Revenue contribution from Mancala was and is expected to remain insignificant. For 9M2016, the Group reported approximately S\$152.7 million and S\$8.0 million in revenue and Net Profit After Tax ("**NPAT**") respectively for its infrastructure business, excluding mining services business. It is also not synergistic for the Group to fund Mancala's future expansion plans and satisfy the redemption of Second Corporate Bond from the internally-generated resources of its infrastructure business.

The Board thus believes that the Proposed Transaction will allow the Group to rationalise its resources and allow the Group to focus growth initiative towards expanding its infrastructure business in China and other emerging markets in Asia while adopting a "passive investing strategy" for its mining services business by maintaining a minority stake of 19% in the Disposal Group.

7. Independent Valuation for the Disposal Group

The Company has engaged an independent professional firm, RSM Corporate Advisory Pte Ltd ("**RSMCA**"), to estimate the indicative value range of the Disposal Group based on "market approach" which uses valuation multiples of comparable listed companies as indicators. According to its valuation report, RSMCA has estimated the indicative value range of 100% of the Disposal Group to be in the range of **A\$11.0 to A\$16.1 million** as at 30 June 2016.

The deficit of the proceeds over the book value of the Disposal Group is estimated to be approximately S\$0.9 million based on the Sale Consideration of S\$11.1 million (Note: the valuation of the entire Disposal Group for the Proposed Transaction is S\$13.7 million). Including the fair value adjustment for the amount of the Final Tranche Consideration (as defined in Update on Mancala Holdings Pty Ltd Announcement dated 30 December 2016), the net accounting effect of the Proposed Transaction as a whole is estimated to be a net gain of S\$0.2 million, based on the latest announced financial statements of the Group.

8. Use of proceeds

The Company intends to use the cash proceeds of HK\$28.2 million (approximately S\$5.0 million) and HK\$35.0 million in CVT shares (approximately S\$6.1 million) arising from the Proposed Transaction as follows:

Use of proceeds	Percentage Allocation
(a) Cash	
- Working capital purpose	35% to 45%
- Future investments	55% to 65%
(b) Shares in CVT	
- To be held as quoted investment	21%
- For partial redemption of the Second Corporate Bonds (please refer to above section 4 in this announcement and the Update on Mancala Holdings Pty Ltd Announcement dated 30 December 2016 for more details)	79%

9. Material terms and conditions of the Proposed Transaction

9a. Conditions Precedent

The Proposed Transaction is conditional upon the fulfillment of, inter alia, the following conditions precedent unless waived, on or prior to the date of completion of the Proposed Transaction (“**Completion**”) (the “**Completion Date**”): -

- (a) CVT has completed a due diligence review of the financial, business, operating and legal position of the Disposal Group, and all such other matters as deemed necessary by CVT in its absolute discretion, in relation to the Disposal Group, and CVT is satisfied with the results of such review;
- (b) Mancala Holdings and the Company have obtained such approval(s) from its board of directors and/or shareholders in connection with SPAs and the transactions contemplated thereunder as may be necessary;
- (c) Mancala Holdings and the Company have obtained all necessary third party, governmental and regulatory consents, approvals and waivers (including but not limited to, where applicable, approval from the SGX-ST,) where required for the transactions contemplated thereunder (including the Restructuring Exercise), and the Purchasers shall each have received a copy of each such consents, approvals and waivers in such form and substance satisfactory to the Purchasers, such consents, approvals and waivers not having been amended or revoked before Completion, and if any such consents, approvals or waivers are subject to conditions, such conditions are acceptable to the Purchasers;
- (d) CVT has obtained such approval(s) from its board of directors and/or shareholders in connection with CVT SPA and the transactions contemplated thereunder as may be necessary;
- (e) CVT has complied with all applicable disclosure, shareholders' approval, if required, and other requirements under the listing rules of the Stock Exchange of Hong Kong Limited (“**SEHK Listing Rules**”) for the transactions contemplated under CVT SPA;
- (f) SEHK has approved the application for the listing of and permission to deal in the CVT Consideration Shares and such approval not having been withdrawn or revoked before Completion;

- (g) the Company and Mancala Holdings have procured the irrevocable waiver and / or discharge of any and all encumbrances, rights of pre-emption or any other restrictions on transfer in respect of the Sale Shares conferred on any other person under the articles of association of Mancala Holdings or otherwise, if any when applicable;
- (h) all other applicable consents, approvals and waivers (whether governmental, regulatory or otherwise) have been granted for the transaction contemplated under the SPAs and not having been withdrawn or revoked by third parties (including without limitation, any governmental bodies, securities exchange and other relevant authorities), and if such consents are obtained subject to any conditions and where such conditions affect any of the parties, such conditions are acceptable to the party concerned;
- (i) the listing and quotation of the shares of CVT on the SEHK not having been halted or suspended (other than any temporary suspension or halt in the trading of such shares, pending the publication of an announcement in relation to the transactions contemplated under CVT SPA on the SEHK or for any other reason, in compliance with the SEHK Listing Rules) and the shares of CVT not being de-listed or subject to any delisting procedures prior to and on the completion date for the CVT SPA;
- (j) all representations, warranties and undertakings of the parties under the SPAs being complied with, are true, accurate and correct in all material respect as at the date of the CVT SPA and the TTH SPA respectively and each day up to and including the completion dates for the respective SPAs; and
- (k) the Restructuring Exercise has been completed and the Purchasers each having received a copy of the register of members of Mancala Holdings evidencing the completion of the Restructuring Exercise.

9b. Completion date and long stop date

The expected completion date for the CVT SPA is a business day falling within five (5) business days from the date on which all conditions precedent for the CVT SPA have been fulfilled or such other date as the parties may agree in writing, and the long stop date is the date falling two (2) months from the date of the CVT SPA or such other date as the parties may agree in writing.

The expected completion date for the TTH SPA is the date falling five (5) days from the date on which all conditions precedent for the TTH SPA have been fulfilled or such other date as the parties may agree in writing, and the long stop date is the date falling two (2) months from the date of the TTH SPA or such other date as the parties may agree in writing.

Upon completion of the CVT SPA, the Company shall have a right to nominate the appointment of one director to the board of CVT.

10. Relative figures for the Proposed 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 Proposed Transaction and based on the latest announced unaudited financial statements of the Group (“**Latest Announced Financial Statements**”) for the period ended 30 September 2016 are as follows:

Bases in Rule 1006		
		S\$'000
(a)	Net asset value of the assets to be disposed ⁽¹⁾	12,064
	Net asset value of the Group ⁽²⁾	94,943
	Relative figure	12.71%
(b)	Net profits/(losses) ⁽³⁾ attributable to Mancala ⁽¹⁾	(322)
	Net profits/(losses) of the Group ⁽²⁾	11,200
	Relative figure	(2.88%)
(c)	Value of the consideration ⁽⁴⁾	11,130
	Market capitalisation ⁽⁵⁾ of the Company	98,293
	Relative figure	11.32%
(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 the unaudited management accounts of Mancala for the nine months ended 30 September 2016 multiplied by 81% (on a pro rata basis).
- (2) Based on the unaudited results announcement of the Group dated 9 November 2016 for the nine months ended 30 September 2016.
- (3) “Net profits/(losses)” means profit or loss before income tax, minority interests and extraordinary items.
- (4) Based on the Sale Consideration of HK\$63.2 million translated using exchange rate of S\$1: HK\$5.6786.
- (5) “Market capitalisation” is determined by multiplying the number of shares of the Company in issue, being 325,797,342 shares, by the value weighted average price of such shares of S\$0.3017 per share on 30 December 2016.

As 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, and the Company is required to immediately announce the Proposed Transaction on signing of SPAs.

11. Financial Effects of the Proposed Transaction

The pro forma financial effects of the Proposed Transaction set out below have been prepared based on:

- (a) audited consolidated financial statements of the Group for the financial year ended 31 December 2015, being the most recently completed financial year; and
- (b) unaudited consolidated financial statements of the Group for the financial period ended 30 September 2016, being the most recently announced financial period.

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 Proposed Transaction.

Net Tangible Assets (“NTA”) per Share

- (a) Assuming that the Proposed Transaction was completed on **31 December 2015**, the effect on the NTA per share of the Group will be as follows:

	Before the Proposed Transaction	After the Proposed Transaction
Consolidated NTA attributable to Shareholders (S\$'000)	74,127	74,072 ⁽¹⁾
Number of Shares ('000) ⁽²⁾	325,612	325,612
Consolidated NTA per Share attributable to Shareholders (cents)	22.77	22.75

Notes:

- (1) The pro forma effects of the Proposed Transaction on NTA have been computed (i) based on the Sale Consideration of HK\$63.2 million (equivalent to S\$11.5 million) less 81% of audited NTA of Mancala as at 31 December 2015 of A\$12.3 million (equivalent to S\$12.7 million). HK\$ and A\$ were translated at historical rate of S\$1: HK\$5.4825 and S\$1: A\$0.9682 respectively, assuming the transaction was completed on 31 December 2015 and (ii) after accounting for fair value adjustment for the amount of Final Tranche Consideration (as defined in Update on Mancala Holdings Pty Ltd Announcement dated 30 December 2016) payable to Vendors which would result in an overall net loss of approximately S\$55,000 arising from the disposal.
- (2) The number of shares used for the computation of the NTA per share have been presented after adjusting for the effect of the share consolidation on 9 March 2016.

- (b) Assuming that the Proposed Transaction was completed on **30 September 2016**, the effect on the NTA per share of the Group will be as follows:

	Before the Proposed Transaction	After the Proposed Transaction
Consolidated NTA attributable to Shareholders (S\$'000)	77,454	77,811 ⁽¹⁾
Number of Shares ('000) ⁽²⁾	325,797	325,797
Consolidated NTA per Share attributable to Shareholders (cents)	23.77	23.88

Notes:

- (1) The pro forma effects of the Proposed Transaction on NTA have been computed (i) based on the Sale Consideration of HK\$63.2 million (equivalent to S\$11.5 million) less 81% of audited NTA of Mancala as at 30 September 2016 of A\$11.4 million (equivalent to S\$11.9 million). HK\$ and A\$ were translated at historical rate of S\$1: HK\$5.4825 and S\$1: A\$0.9682 respectively, assuming the transaction was completed on 30 September 2016 and (ii) after accounting for fair value adjustment for the amount of Final Tranche Consideration (as defined in Update on Mancala Holdings Pty Ltd Announcement dated 30 December 2016) payable to Vendors which would result in an overall net accounting gain of S\$0.4 million arising from the disposal.
- (2) The number of shares used for the computation of the NTA per share have been presented after adjusting for the effect of the share consolidation on 9 March 2016.

Earnings per Share ("EPS")

- (a) Assuming that the Proposed Transaction was completed on **1 January 2015**, the effect on the EPS of the Group will be as follows:

	Before the Proposed Transaction	After the Proposed Transaction
Consolidated Profit after tax and minority interests (S\$'000)	6,469	4,849 ⁽¹⁾
Weighted Average Number of Shares ('000) ⁽²⁾	284,364	284,364
Consolidated Profit per Share (cents)	2.27	1.71

Notes:

- (1) The pro forma effects of the Proposed Transaction on the profit after tax and minority interest have been computed (i) based on the Sale Consideration of HK\$63.2 million (equivalent to S\$10.8 million) less 81% of audited Net Assets of Mancala as at 1 January 2015 of A\$9.9 million (equivalent to S\$10.8 million). HK\$ and A\$ were translated at historical rate of S\$1: HK\$5.8685 and S\$1: A\$0.9235 respectively, assuming the transaction was completed on 1 January 2015 (ii) after accounting for fair value adjustment for the amount of Final Tranche Consideration (as defined in Update on Mancala Holdings Pty Ltd Announcement dated 30 December 2016) payable to Vendors; and (iii) by excluding the net profit of Mancala for FY2015.
- (2) The weighted average number of shares used for the computation of the earnings per share have been presented after adjusting for the effect of the share consolidation on 9 March 2016.

- (b) 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 Proposed Transaction	After the Proposed Transaction
Consolidated Profit after tax and minority interests (S\$'000)	7,544	7,652 ⁽¹⁾
Weighted Average Number of Shares ('000) ⁽²⁾	325,681	325,681
Consolidated Profit per Share (cents)	2.32	2.35

Notes:

- (1) The pro forma effects of the Proposed Transaction on the profit after tax and minority interest have been computed (i) based on the Sale Consideration of HK\$63.2 million (equivalent to S\$11.5 million) less 81% of audited Net Assets of Mancala as at 1 January 2016 of A\$12.6 million (equivalent to S\$13.0 million). HK\$ and A\$ were translated at historical rate of S\$1: HK\$5.4825 and S\$1: A\$0.9682 respectively, assuming the transaction was completed on 1 January 2016 (ii) after accounting for fair value adjustment for the amount of Final Tranche Consideration (as defined in Update on Mancala Holdings Pty Ltd Announcement dated 30 December 2016) payable to Vendors; and (iii) by excluding the net loss of Mancala for 9M2016:
- (2) The weighted average number of shares used for the computation of the earnings per share have been presented after adjusting for the effect of the share consolidation on 9 March 2016.

12. Interests of Directors and Controlling Shareholders

Save for their shareholdings in the Company, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Transaction.

13. Service Contracts

There is no person who is proposed to be appointed as Director of the Company in connection with the Proposed Transaction. Accordingly, no service contract is proposed to be entered into between the Company and any person.

14. Further announcements

The Company will provide further updates and make such announcements on the Proposed Transaction as may be necessary and/or appropriate and in compliance with the Listing Manual where applicable.

15. Documents Available for Inspection

Copies of (i) the CVT SPA; and (ii) the TTH SPA are available for inspection during normal business hours at the registered office of the Company at 1 Robinson Road, #17-00 Singapore 048542 for a period of three (3) months from the date of this announcement.

16. Caution in trading

Shareholders are advised to exercise caution in trading their Shares as there is no certainty or assurance as at the date of this announcement that the Proposed Transaction will proceed to completion. 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.

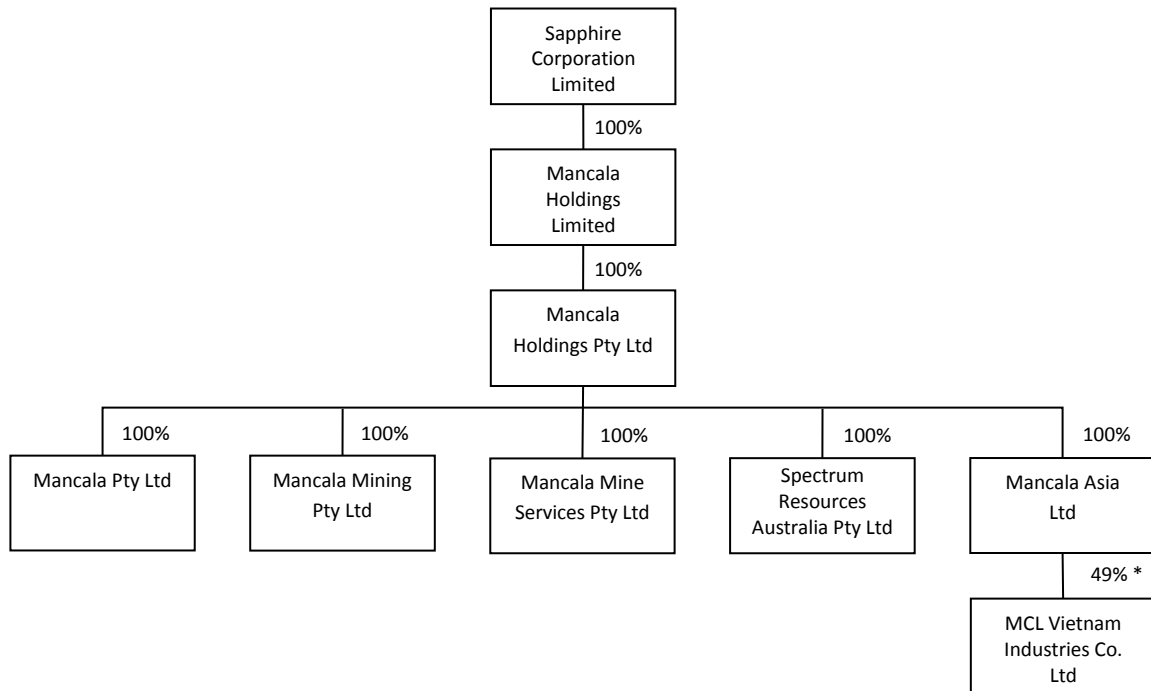
By Order of the Board
SAPPHIRE CORPORATION LIMITED

Teh Wing Kwan
Group Chief Executive Officer and Managing Director

30 December 2016

APPENDIX A

CORPORATE STRUCTURE AFTER RESTRUCTURING EXERCISE



* Although the Group owns less than half of MCL's voting rights, the Group controls MCL by virtue of the shareholders' agreement with its other investor, and is entitled to all results of MCL.