

Letter to Shareholders – from Managing Director and Group CEO

Dear Shareholders,

We last met at Sapphire's Annual General Meeting at the end of April 2015, and many of you stayed back for more than an hour after the meeting. From the questions I gathered during our conversations, I know you have been following on Sapphire's corporate restructuring plans closely, you are keen on our corporate development and obviously, you have been very supportive. All this has been most encouraging for the Board and myself. I also need to thank some of you who wrote me emails (including snail mail which I received) in appreciation of the Board's efforts over the last 18 months.

We have just announced that we will hold an Extraordinary General Meeting (EGM) on 2 September 2015 for the proposed acquisition of Ranken Group. My office has just sent you a printed copy of the Circular for your review, in which you will find the details of Ranken's business background, track record, management, licenses and qualifications. To recap, Ranken specialises in design, construction and project consultation for the rail transit sector in China, Bangladesh and India. Being able to confirm the EGM date for you to review our strategic earnings-accretive investment in Ranken is a significant progress in our corporate transformation.

Over the next 3 – 6 months,

- Mancala will continue to monitor fixed operating costs closely as its business operates in a highly volatile industry that has caused cyclical swings in orders but it was good that Mancala met production schedules for its nickel mine project in Vietnam. The streamlined operations of Mancala should help to take better advantage if bigger orders return. Meanwhile, we are also exploring strategic collaboration opportunities with other junior miners in this region;
- We aim to complete the proposed acquisition of Ranken before the end of October 2015. Meanwhile, we need to extend the long-stop date (a date by which the Ranken deal need to be legally completed), considering the process for legal completion – the supplemental agreement for extension is now ready to sign and we will announce the extended date soon. To complete the deal, you need to first evaluate it in the upcoming EGM (slightly more than 2 weeks from now). On your approval at the EGM, we will issue 165 million new Sapphire shares at S\$0.10 each. We shall then finish audit reviews on Ranken's financials for FY2014 and 1H2015 so that we could finalise the total cash consideration payable. If the audit reviews could satisfy us that Ranken has met certain pre-tax earning targets (as stated in the Shareholder's Circular) during the periods under review, we will pay up to RMB 282 million in cash. We will update shareholders in due course;
- We will continue to engage in active discussions with state-owned enterprises in China to discuss investments in and quote jobs for larger-scale infrastructure projects on a Public-Private-Partnership (PPP) basis. After all, both Sapphire and Ranken have been in discussion as to how major infrastructure projects could be invested, funded or participated in via alternative financing modes on such basis. In this regard, we will keep shareholders updated on Ranken's orders book in hand and the details of such strategic investments (if any); and

- We may set up local subsidiaries in Singapore or this region, as Ranken's expertise in land transport infrastructure and engineering will position us to undertake projects in new frontier markets across Asia (outside China), where infrastructure is a high priority for public and private sector investments.

The acquisition of Ranken represents a sustainable revenue stream for Sapphire. This will generate additional earnings and reduce our reliance on existing mining services operations, in view of the volatile commodity prices in the mining industry.

I look forward to meeting with you at the EGM soon in September. Please join us and again, feel free to speak with the Board during the meeting – I will also stay back to chat with you afterwards.

Yours truly,

Teh Wing Kwan
Managing Director and Group Chief Executive Officer

18 August 2015