

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

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**PROPOSED REDUCTION OF THE SHARE CAPITAL OF THE COMPANY**

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**1. INTRODUCTION**

The Board of Directors of Sapphire Corporation Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wish to announce that the Company is proposing a capital reduction exercise (the "**Proposed Capital Reduction**") pursuant to Section 78A read with Section 78C of the Companies Act (Chapter 50) of Singapore ("**Companies Act**").

The Proposed Capital Reduction entails the reduction and cancellation of the Company's share capital that is unrepresented by available assets arising from the legacy loss-making steel and other non-core businesses. The Group had previously disposed of its legacy and non-core businesses during its major corporate restructuring and transformation exercise, undertaken after the appointment of Group Chief Executive Officer and Managing Director, Mr Teh Wing Kwan ("**Mr Teh**"), in October 2013.

**2. DETAILS AND RATIONALE OF THE PROPOSED CAPITAL REDUCTION**

Under the strategic direction of Mr Teh, the Group has undergone a major restructuring exercise and initiated corporate turnaround strategies over the last two years.

In 2014, the Group invested in an Australia-based specialist mining services business, streamlined corporate functions, closed down unprofitable business units, and disposed of its legacy loss-making steel business and other non-core assets ("**Corporate Restructuring Exercise**"). Following the Corporate Restructuring Exercise, the Group ventured into the infrastructure sector in 2015 as a key turnaround strategy through the acquisition of a 100% equity stake in Ranken Infrastructure Limited ("**Ranken**") and its subsidiaries. Ranken is a profitable engineering, procurement and construction ("**EPC**") business specialising in design, construction and project consultation in China's rail transit sector ("**Infrastructure Business**"). As such, the Group's underlying assets now relate mainly to the infrastructure and mining services businesses.

Due to losses previously incurred by the Group in relation to its legacy steel and construction businesses, and following the Corporate Restructuring Exercise, the Company has an existing share capital which is unrepresented by available assets to the extent of S\$189,183,000 as at 31 December 2014 ("**Balance Sheet Date**"), based on the Company's latest audited balance sheet ("**Accumulated Losses**")

The purpose of the Proposed Capital Reduction is therefore to:

- (a) write off the Accumulated Losses through the cancellation of the Company's share capital to the extent of S\$189,183,000, with a view to further restructuring the Company's finances; and
- (b) rationalise the Company's balance sheet of the Company to reflect more accurately the value of its existing underlying assets (being the Infrastructure Business and Mining Services Business) and, going forward, the financial performance and condition of the Company.

Once the Accumulated Losses have been written off, the Company will be in a better position to retain profits and pay potential future dividends. It should be noted that the Company has no dividend policy, and the Directors will take into consideration the Group's working capital requirements and financial condition before declaring any dividends.

The Directors propose to carry out the Proposed Capital Reduction pursuant to Section 78A read with Section 78C of the Companies Act.

The Proposed Capital Reduction will be effected in the following manner:

- (a) by reducing the share capital of the Company from S\$277,067,000 to S\$87,884,000 via the cancellation of the Company's share capital that has been lost or is unrepresented by available assets to the extent of S\$189,183,000; and
- (b) thereafter applying an amount equal to S\$189,183,000, being the credit arising from the cancellation of the share capital of the Company, towards writing off the Accumulated Losses.

### **3. EFFECTS OF THE PROPOSED CAPITAL REDUCTION**

As at the date of this announcement, the Company has a paid-up share capital of S\$277,067,000. Upon completion of the Proposed Capital Reduction, the Company will have a paid-up share capital of S\$87,884,000.

The Proposed Capital Reduction will reduce the Company's Accumulated Losses as at the Balance Sheet Date by the cancellation of the Company's share capital to the extent of S\$189,183,000.

**There will be no change in the total number of issued ordinary shares ("Shares") in the Company held by the shareholders of the Company ("Shareholders") immediately after the Proposed Capital Reduction, nor will the Proposed Capital Reduction involve the payment to any Shareholders of any paid-up share capital of the Company.**

**The Proposed Capital Reduction is an accounting procedure that reduces the Company's existing share capital to write off Accumulated Losses. The Proposed Capital Reduction represents merely a change in the composition of reserves and does not entail any outflow of cash or change to the Company's assets.**

A summary of the financial effects of the Proposed Capital Reduction is set out below, for illustrative purposes only and based on:

- (A) the audited consolidated financial statements of the Group for the financial year ended 31 December 2014 (**Illustration A**); and
- (B) the latest unaudited consolidated financial statements for the financial year ended 31 December 2015 (**Illustration B**).

The financial effects of the Proposed Capital Reduction as illustrated, are based on, *inter alia*, the assumption that the Proposed Capital Reduction was completed on 31 December 2014 for Illustration A and 31 December 2015 for Illustration B.

a. Share Capital

	(A) As at 31 December 2014		(B) As at 31 December 2015	
	No. of Shares	Share Capital (\$S'000)	No. of Shares <sup>(1)</sup>	Share Capital (\$S'000)
<b>Immediately before the Proposed Capital Reduction</b>	810,949,328	260,489	976,845,247	277,067
<b>Immediately after the Proposed Capital Reduction</b>	810,949,328	71,306	976,845,247	87,884

The Proposed Capital Reduction will reduce the Company's paid-up share capital by S\$189,183,000 to write off the Accumulated Losses.

**The number of issued Shares and the percentage of Shares held by Shareholders will remain unchanged immediately after the Proposed Capital Reduction. No capital will be returned to the Shareholders.**

Note (1):

As previously announced on 26 February 2016 and 29 February 2016, the share consolidation exercise undertaken by the Company to consolidate every three (3) ordinary shares of the Company to one (1) ordinary share of the Company will be completed on 9 March 2016. It should be noted that the theoretical post-consolidation number of issued shares (before taking into account changes arising from the disregarding of fractional entitlements) of 325,615,082 will remain unchanged immediately after the Proposed Capital Reduction.

b. Shareholders' Fund

**(A) As at 31 December 2014**

	<u>Group</u>		<u>Company</u>	
	Immediately before the Proposed Capital Reduction (\$S'000)	Immediately after the Proposed Capital Reduction (\$S'000)	Immediately before the Proposed Capital Reduction (\$S'000)	Immediately after the Proposed Capital Reduction (\$S'000)
Share capital	260,489	71,306	260,489	71,306
Capital reserve	1,235	1,235	1,084	1,084
Other reserves	(1,353)	(1,353)	(1,353)	(1,353)
Merger reserve	418	418	-	-
Currency translation reserve	(690)	(690)	-	-
(Accumulated losses) / retained earnings	(187,499)	1,684	(189,183)	-
<b>Shareholders' fund</b>	<b>72,600</b>	<b>72,600</b>	<b>71,037</b>	<b>71,037</b>

**(B) As at 31 December 2015**

	<u>Group</u>		<u>Company</u>	
	Immediately before the Proposed Capital Reduction (S\$'000)	Immediately after the Proposed Capital Reduction (S\$'000)	Immediately before the Proposed Capital Reduction (S\$'000)	Immediately after the Proposed Capital Reduction (S\$'000)
Share capital	277,067	87,884	277,067	87,884
Capital reserve	(1,735)	(1,735)	(1,886)	(1,886)
Other reserves	(1,353)	(1,353)	(1,353)	(1,353)
Merger reserve	418	418	-	-
Currency translation reserve	(2,805)	(2,805)	-	-
(Accumulated losses) / retained earnings	(181,030)	8,153	(186,520)	2,663
<b>Shareholders' fund</b>	<b>90,562</b>	<b>90,562</b>	<b>87,308</b>	<b>87,308</b>

**c. NTA, EPS and Gearing**

**The Proposed Capital Reduction will not have any impact on the net tangible assets, earnings per Share and gearing of the Company or the Group in both Illustrations A and B.**

**4. CONDITIONS FOR THE PROPOSED CAPITAL REDUCTION**

The Proposed Capital Reduction is subject to, *inter alia*, the following:

- (a) the approval of Shareholders by way of a special resolution ("**Capital Reduction Resolution**") passed at an extraordinary general meeting to be convened ("**EGM**");
- (b) compliance with the relevant publicity requirements as prescribed in the Companies Act;
- (c) no application having been made for the cancellation of the Capital Reduction Resolution by any creditor of the Company within the timeframe prescribed in the Act; and
- (d) lodgement of the relevant documents with the Registrar of Companies ("**Registrar**") after the end of six weeks but before the end of eight weeks from the date of the Capital Reduction Resolution.

If, during the six weeks beginning with the Capital Reduction Resolution date, one or more applications for the cancellation of the Capital Reduction Resolution is made under Section 78D(2) of the Companies Act, for the Proposed Capital Reduction to take effect, the following conditions must be satisfied:

- (i) the Company must give to the Registrar notice of the application(s) for the cancellation of the Capital Reduction Resolution as soon as possible after such application(s) have been served on the Company by the creditor(s);
- (ii) the proceedings in relation to each application for the cancellation of the Capital Reduction Resolution must be brought to an end by either the dismissal of the application

under Section 78F of the Companies Act or without determination (for example, because the application has been withdrawn); and

- (iii) lodgement of the relevant documents with the Registrar of Companies within 15 days beginning with the date on which the last such proceedings were brought to an end in accordance with paragraph (ii) above.

## **5. CIRCULAR AND EGM**

A circular (the “**Circular**”) setting out further information on the Proposed Capital Reduction and enclosing the notice of the EGM will be despatched by the Company to Shareholders in due course.

## **6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the Directors or, as far as the Directors are aware, controlling shareholders of the Company has any interest, whether direct or indirect, in the Proposed Capital Reduction other than in their capacity as a Shareholder.

## **7. FURTHER ANNOUNCEMENTS**

The Company will continue to keep all its Shareholders updated on any material developments in relation to the Proposed Capital Reduction on a timely basis.

## **8. CAUTION IN TRADING**

As the Proposed Capital Reduction is subject to certain conditions being fulfilled, Shareholders are advised to exercise caution in trading their Shares in the Company and to read this announcement, any further announcements by the Company and the Circular 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

7 March 2016