



MEDIA RELEASE

Sapphire's 2Q2012 net profit surges 78.3% to S\$3.64 million

- Net profit for 2Q2012 mainly a result of net gain from fair value hedge of \$5.7 million
- Net Asset Value per share remains stable at 31.12 cents
- Cash at bank healthy at S\$26.3 million
- Announces acquisition of Sichuan Longwei Metal Product Co., Ltd and Reinforcement bars production line

S\$'000	2Q2012	2Q2011	Change (%)	1H2012	1H2011	Change (%)
Revenue	48,936	51,501	(5.0)	70,662	71,816	(1.6)
Gross Profit	4,187	8,343	(49.8)	8,145	15,126	(46.2)
Gross Profit Margin (%)	8.6%	16.2%	-	11.5%	21.1%	-
Net Profit / (Loss) for the period	3,640	2,042	78.3	(3,532)	(13,082)	(73.0)

15 Aug 2012 – SGX Mainboard listed Sapphire Corporation Limited ("Sapphire" or the "Group"), which is primarily involved in the production of vanadium and steel-related products as well as mineral trading, announced today its net profit for the second quarter of 2012 (2Q2012) stands at S\$3.64 million, up 78.3% from the same period last year.

Revenue for 2Q2012 decreased by S\$2.6 million from S\$51.5 million in 2Q2011 to S\$48.9 million mainly due to lower revenue from manufactured steel products and processing of rebar which is offset by increase in revenue from trading of minerals.

Gross profit for 2Q2012 fell 49.8% to S\$4.2 million. Overall gross profit margins for 2Q2012 fell to 8.6% from 16.2% in 2Q2011 due to lower unit selling price of V₂O₅ flake, lower production of HRC and losses from trading of minerals.

The Group recorded a net profit of S\$3.6 million in 2Q2012, an increase of 78.3% from 2Q2011's S\$2.0 million, mainly a result of net gain from fair value hedge of \$5.7 million in 2Q2012 against net impact loss \$5.9 million from mark-to-market gain and impairment loss on available-for-sale financial assets in 2Q2011

Cash at bank and in hand continued to be healthy at S\$26.3 million, falling S\$8.1 million from S\$34.4 million in FY2011, as higher net cash outflow from operating activities and financing activities offset lower net cash inflow from investing activities.

For the 1H2012, the Group recorded revenue of S\$70.7 million and gross profit of S\$8.1 million. The net loss of S\$3.5 million for 1H2012 has narrowed significantly from the net loss incurred of S\$13.1 million for 1H2011.

The Group has announced on 13 August 2012 that it has signed 2 agreements for the acquisition of Longwei Metal Product Co., Ltd (Longwei) as well as the processing line for rebars from Chengyu Vanadium & Titanium Technology Co., Ltd (CVTT) through its fully owned subsidiary, Neijiang Chuanwei Special Steel Co., Ltd (Special Steel). The acquisition will require shareholders' approval from an Extraordinary General Meeting, to be announced at a later date.

The Group is of the view that the proposed acquisition is timely as it is in line with the Company's direction to grow the business organically, especially in the specialty steel sector which the China government is supporting in its 12th 5 year plan.

The proposed acquisition of Longwei will allow Sapphire to gain new recurring revenue streams through its cold rolled coil (CRC) steel production and, later, as a platform to scale up to produce silicon steel, a highly sought after specialty metal used in the electric generation industry which also commands higher margins. At the same time, the proposed

acquisition of the reinforcement bars production line will allow Sapphire to continue to yield from the processing of rebars for another 5 years. The processing arrangement terms also include a fixed minimum processing quantity per annum and fee that will disregard the fluctuation of market price and demand, with the risks being absorbed by CVTT.

Commenting on the results and acquisitions, Sapphire's Chief Executive Officer, Mr. Teo Cheng Kwee said, "Our view on China's economic outlook remains cautious as prices for steel products have been trending down since the beginning of 2012. However, we are still optimistic about the long term prospects of China's steel industry, especially the specialty steel sector which is still trailing China's step-up on industrialization and urbanization."

"Our proposed acquisition of the reinforcement bars production line and Longwei will address our immediate and mid-term objectives of improving our revenue stream, such as the 5-year rebar processing contract with CVTT and the new CRC product from Longwei's existing production line, while Longwei's auxiliary facility is being upgraded to start producing silicon steel at a later phase."

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About Sapphire Corporation Limited

Sapphire Corporation Limited is principally engaged in the production of steel and vanadium products, mainly vanadium pentoxide ("V₂O₅") flakes, rebars and hot rolled coils, and trading of minerals as well as investments in mining and resource-related businesses.

The Group's operations are undertaken by its core subsidiary, Neijiang Chuanwei Special Steel Co. Ltd ("Special Steel") which was part of an integrated steel-making group. The Group's mineral trading arm procures strategic minerals as raw materials for our steel plants, besides supplying to other customers in China.

Apart from Special Steel, the Group holds deemed interests of 9.47% in Neijiang Bowei Fuel & Chemical Co. Ltd, a coke plant, 11.69% in Chengyu Vanadium & Titanium Technology Co., Ltd, a steel plant, and a direct 9.2% in China Vanadium Titano-Magnetite Mining Company Limited – an iron ore producer listed on the Hong Kong Stock Exchange (stock code: HK893). All entities are part of the integrated steel group located in Sichuan Province, PRC.

Sapphire has been listed on the Singapore Exchange since 1999. Based in Singapore, the Group has subsidiaries and associate companies in China, Hong Kong and Malaysia.



Foo Tee Heng
Executive Director