



SAPPHIRE CORPORATION LIMITED
Company Registration No. 198502465W
(Incorporated in Singapore)

Letter to Shareholders – Business Update and Profit Guidance for 3Q13

Dear Shareholders

In our 2Q results announcement dated 14 August 2013, the Board of Directors of Sapphire Corporation Limited (“Sapphire” or the “Group”) advised in Note 10 that the weak demand for steel in China has resulted in overcapacity in the industry and declining steel prices. The Board also cautioned on poor financial performance as a result of weak industry outlook.

We wish to update you that the Group is currently reviewing the business of its steelmaking operations in China. In general, we noted that the level of steelmaking overcapacity remain and believe that the impact is severe. We would like to further caution that the current industry is destocking, steel prices are falling and the overall industry outlook is likely to remain weak.

While the issue of overcapacity continue to exist and assets utilisation rates remain lower-than-optimum, steel prices have fallen yet costs have risen. Major costs have risen closer to the point of break-even selling price (in certain particular steel segments), as driven largely by higher imported materials price and local operating expenses. We further noted from certain research reports that some of the major steel manufacturers may have recently suffered from margin erosion, assets impairment and goodwill write-off. We believe that given these factors, there will be limited expansion opportunity in China over the medium term, prompting an even weaker industrial outlook.

Hence, we wish to inform you that the Group will record a loss in the 3Q13 (from preliminary review of our management accounts) and it is highly likely that this loss will be higher than that reported in our 2Q13 due mainly to lower operating margins and additional assets impairment. Further details will be provided in our 3Q13 results announcement.

As you may have read, on 9 October 2013, we announced that Sapphire has entered into a conditional sale and purchase agreement to acquire the entire equity stake in Mancala Holdings Pty Ltd ("Mancala"), a specialist mining services company based in Australia. We have been talking to the owners of Mancala for more operational details since then and are completing our due diligence. We will update you in due course.

In the meantime, we wish to advise our shareholders and investors to exercise caution when dealing in shares of Sapphire.

BY ORDER OF THE BOARD

Teh Wing Kwan
Group Chief Executive Officer

Date: 30 October 2013