



## **MEDIA RELEASE**

### **SAPPHIRE PROPOSES TO ACQUIRE REMAINING 30% EQUITY STAKE IN NEIJIANG CHUANWEI SPECIAL STEEL, MAKING IT A WHOLLY OWNED SUBSIDIARY**

- **Proposed acquisition of the remaining 30% equity interest in Special Steel to be funded via the repayment of exchangeable loans**
- **Full ownership of Special Steel will enhance the Group's financial performance based on incremental profits and the strong growth potential of its vanadium pentoxide (V<sub>2</sub>O<sub>5</sub>) business**
- **Positive impact on profit attributable to shareholders and Earning Per Share (EPS)**

**Singapore, 30 June 2011** – SGX Mainboard-listed Sapphire Corporation Limited (“Sapphire” or “the Group”), which is principally involved in the manufacture of vanadium and steel-related products, announced today that the Group has entered into an equity transfer agreement with Sichuan Chuanwei Group Co., Ltd (“Chuanwei Group”) and Weiyuan Steel Co., Ltd (“Weiyuan”) for the acquisition (“Proposed Acquisition”) of the remaining 30% equity interest in Neijiang Chuanwei Special Steel Co., Ltd. (“Special Steel”) at a purchase consideration of US\$38.75 million.(S\$47.585 million based on exchange rate of US\$1:S\$ 1.228)

Special Steel, a company established in the People's Republic of China (the “PRC”), is involved in the business of manufacturing and producing vanadium and steel products, mainly vanadium pentoxide (V<sub>2</sub>O<sub>5</sub>) flakes, rebars and hot rolled coils. Sapphire currently holds 70% of Special Steel indirectly through its wholly-owned subsidiary, Lucky Art. Chuanwei Group and Weiyuan hold 29.43% and 0.57%, respectively, of the remaining 30% equity interest in Special Steel.

Based on the agreement, payment for the consideration shall be made by utilising the US\$36.595 million Exchangeable Loans (announced on 24 August 2010) granted by Sapphire's wholly-owned subsidiary, Sapphire Mineral Resources (HK)

Limited (“SMRHK”) to Festive Chief Limited (“FCL”) and Champ Lane Limited (“CLL”) as well as from the outstanding interest payment of US\$1,919,194 from CLL and FCL.

### **Rationale for acquisition**

Commented Sapphire’s Chief Executive Officer, Mr Teo Cheng Kwee, “The proposed acquisition is in line with the Group’s growth strategy to increase its bottom line by leveraging on the huge market demand for vanadium in the PRC to expand its V<sub>2</sub>O<sub>5</sub> output. Making Special Steel a wholly owned subsidiary will not only enhance the Group’s financial performance based on incremental profits and the strong potential of its vanadium pentoxide business, but will also give the Group full control so that we can better steer Special Steel’s business strategies and recognise its full contribution.”

In FY2010, Special Steel recorded a net profit after tax of approximately RMB 99.4 million (equivalent to approximately S\$19.1 million based on exchange rate of S\$1: RMB 5.2165)

The consideration, which was arrived at on a willing-buyer and willing-seller basis, is computed based on a 1.3% premium over the proportionate estimated Net Tangible Assets (“NTA”) of Special Steel, which amounted to RMB 816.7 million (equivalent to approximately S\$47.585 million based on exchange rate of S\$1: RMB 5.2165) as at 30 June 2011.

Based on the book value and NTA value of Special Steel as at 31 December 2010, the book value and NTA value of the Sale Shares which accounted for 30% of the shareholdings in Special Steel as at 31 December 2010 were proportionately approximated as S\$45.7 million and S\$45.7 million, respectively.

Sapphire needs to seek shareholder approval for this proposed acquisition at an extraordinary general meeting to be convened soon.

### **Financial Impact of Acquisition**

This transaction is expected to have a positive impact on the Group’s earnings per share (EPS) for the financial year ending 31 December 2011.

The table below shows the financial effects of the proposed transaction based on the audited consolidated financial statements of the Company for the financial year ended 31 December 2010, and assuming that the acquisition had been completed on 1 January 2010 for illustrating the financial effects on the EPS of the Company.

<b>Earnings Per Share</b>	<b>Pre-Acquisition</b>	<b>Post-Acquisition</b>
Profit attributable to shareholders (S\$ million)	75.7	<b>82.6</b>
EPS (cents)	9.42	<b>10.28</b>

- End -

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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 (“V<sub>2</sub>O<sub>5</sub>”) 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. 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 strategic stakes in Neijiang Bowei Fuel & Chemical Co. Ltd, a coke plant, Weiyuan Steel Co. Ltd, a steel plant, and 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.