



Media Release – Sapphire EGM

Singapore-listed Sapphire Raises Effective Stake in Steel Manufacturer to 51%, Marking A New Chapter With Steel and Vanadium Operations In PRC As New Core Business

EGM follows completion last month of acquisition by Sichuan Shuntong Mining Company of S\$35 million worth of Convertible Bonds

Singapore, 8 June 2009 – Shareholders of **Sapphire Corporation Limited** (“Sapphire” or the “Group”) have approved a proposal to increase its effective stake to 51% in Neijiang Chuanwei Special Steel Co., Ltd 内江川威特殊钢有限公司 (“Special Steel”), a leading hot-rolled steel coil (“HRC”) producer based in Sichuan province, PRC.

The transaction will turn Singapore Exchange listed Sapphire into a steel manufacturer focusing on HRC and vanadium products in the PRC.

Shareholders approved Sapphire’s proposal to acquire a 56.85% in Lucky Art Holdings Limited (“Lucky Art”), a special purpose vehicle which holds 70%-stake in Special Steel. This transaction will give Sapphire an additional indirect equity interests of 39.8% stake in Special Steel. Together with Sapphire’s existing 11.2% indirect stake in Special Steel, this raises the combined interest of Sapphire in the latter to a controlling 51%.

It paves the way for Sapphire to pursue steel-and vanadium-related products which offer potentially higher margins. Special Steel has over ten years’ experience in steel manufacture and is one of Sichuan’s leading HRC producers.



Special Steel's HRC production line and slitting line have an annual production capacity of between 600,000 to 900,000 tonnes, depending on thickness. For FY2006 – FY2008, revenues were RMB1.53 billion, RMB2.16 billion, and RMB1.99 billion with corresponding NPAT of RMB69.93 million, RMB71.51 million and RMB50.51 million (despite the downturn of the HRC market in 2008 and onset of global financial crisis).

Following today's EGM approval, six vendors from Trisonic will account for a total equity stake of 28.72% in Sapphire as a result of the share swap of the enlarged share capital. The six are Messrs Wang Jin (王劲), Shi Yinjun (石银君), Yang Xianlu (杨先露), Wu Wendong (吴文东), Zhang Yuangui (张远贵) and Li Hesheng (李和胜).

The transaction involves the issue of 4.39 billion new Sapphire shares priced at 1.25 Singapore cents. It is based on 39.8% (S\$54.91 million) of the unaudited net tangible asset of Special Steel as at 30 June 2008 of RMB630.94 million.

The six will continue to provide their value added inputs towards the growth of Special Steel, given their extensive experience and domain knowledge in the PRC steel industry. Sapphire in return will provide financial management and Board stewardship in the running of Special Steel.

Commenting on the EGM, Sapphire's Chief Executive Officer, Mr. Teo Cheng Kwee, said, "With today's shareholders' approval, Sapphire will embark on a new chapter in the PRC steel business as its core business. We are extending our collaboration in the last two years with Trisonic to a significantly higher level."

"With the six vendors continuing to be involved in providing domain industry related technical input, Sapphire is assured of continuity of the business through experienced managers with deep knowledge of the PRC steel industry. Together we will chart a new future which will also see the Group venturing into higher-grade steel such as vanadium related products," Mr Teo added.



Special Steel has earmarked RMB296 million to build new vanadium pentoxide and ferro-vanadium production lines. Phase I of the vanadium pentoxide production line for 2,500 metric tonnes has been completed.

Commenting of the EGM approval, Trisonic said in a statement, "Our past collaboration with Sapphire has enabled us to establish mutual trust and we are building on this working relationship such that the six vendors can leverage on their experience in the PRC steel industry to assist Special Steel to become a leading manufacturer of vanadium products."

Today's EGM comes less than a month after Sapphire announced on 7 May, 2009 that Sichuan Shuntong Mine Industry Ltd ("Shuntong") of the PRC has completed its purchase of S\$35 million worth of Convertible Bonds issued by Sapphire from Credit Suisse (Singapore) Limited and Centar Investments (Asia) Ltd.

Shuntong on 13 May 2009 converted S\$30 million worth of the Bonds for 3.13 billion new Sapphire shares, amounting to 20.4% stake in the enlarged share capital base of Sapphire after also taking into account the 4.39 billion new shares to be issued in conjunction with today's EGM.

Shuntong said in a separate statement, "Through our investment in Sapphire, we have gained access to the Sichuan vanadium industry that enables us to gain exposure to the downstream segment of the steel industry."

"To this end, we also strongly believe that Shuntong and Sapphire will be able to jointly tap the international capital markets for future expansion." Shuntong added.

Shuntong has stakes in iron ore and coal operations and its emergence as a substantial shareholder in Sapphire opens up opportunities in natural resources while opening up opportunities to jointly tap the international capital market for future expansion.



Taking into the account the conversion of S\$30 million of Convertible Bonds and the issue of new shares for the six vendors relating to Special Steel, Sapphire's enlarged share capital base will rise to 15.30 billion from 7.78 billion earlier.

ENDS

This document is intended to be read in conjunction with the circular to shareholders dated 14 May 2009 which can be downloaded from SGX website.

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About Sapphire Corporation

Sapphire Corporation Limited (Sapphire) is principally engaged in the manufacture of steel and vanadium products, mainly hot rolled coil (HRC), vanadium pentoxide (V₂O₅) & ferrovanadium (FeV80) and trading of minerals as well as investments in mining operations.

Our steel making subsidiary, Neijiang Chuanwei Special Steel Co., Ltd is part of Trisonic International Limited, an integrated steel-making group that is one of the largest steel producers in Sichuan. Trisonic owns two iron ore mines, two steel plants and a coke plant which are all located in Sichuan province.

Our mineral trading arm supports the group's value chain in the procurement of raw materials from the global market as well as supplying to steel producers in the PRC.