

SAPPHIRE CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 198502465W)

PROPOSED CHANGE OF AUDITORS FROM KPMG LLP TO MOORE STEPHENS LLP

1. INTRODUCTION

- 1.1. The board of directors (the “**Board**” or “**Directors**”) of Sapphire Corporation Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce the Company’s intention to undertake a change of the auditors of the Company (“**Auditors**”) from KPMG LLP (“**KPMG**”) to Moore Stephens LLP (“**Moore Stephens**”) (the “**Proposed Change of Auditors**”).
- 1.2. The Company will be seeking approval from the shareholders of the Company (“**Shareholders**”) for the Proposed Change of Auditors at an extraordinary general meeting of the Company to be convened (“**EGM**”).

2. DETAILS OF THE PROPOSED CHANGE OF AUDITORS

- 2.1. The incumbent Auditors, KPMG, had been re-appointed at the last annual general meeting of the Company (“**AGM**”) held on 29 June 2020, to hold office until the conclusion of the next AGM of the Company. KPMG was first appointed as Auditors on 9 July 1993 and has served as the Auditors since the financial year ended 31 December 1993.
- 2.2. As part of ongoing good corporate governance initiatives as well as to manage its overall business costs and expenses amidst the challenging business climate, management had proposed that it would be an opportune time to review the appointment of Auditors. The proposed review would accord the Group an opportunity to benchmark audit fees and realise cost efficiencies.
- 2.3. The Board is of the view that the Proposed Change of Auditors is in the best interests of the Company and the Shareholders because the quantum of professional fees for the audit services proposed by Moore Stephen is more competitive in comparison to that charged by KPMG. The Company expects that the Proposed Change of Auditors will allow the Group to make substantial savings in audit fees based on fee proposal for audit services for the Group for FY2020 provided by each of KPMG and Moore Stephens.
- 2.4. Accordingly, the Board is of the view that it would be in the interests of the Company and the Shareholders to appoint Moore Stephens as Auditors in place of KPMG in respect of the current financial year ending 31 December 2020, subject to the approval of the Shareholders at the EGM.
- 2.5. On 25 November 2020, KPMG had applied to the Accounting and Corporate Regulatory Authority (“**ACRA**”) to seek ACRA’s consent to resign as Auditors, specifying the below as reasons for its resignation:
 - (a) following completion of the proposed disposal by the Group of equity interests in, and material dilution of its effective interests in, Ranken Railway Construction Group Co., Ltd. (“**Ranken Railway**”) (“**Proposed Disposal**”), on 27 October 2020, there was a reduced contribution from Ranken Railway;
 - (b) at the last AGM, the Company was not able to foresee with certainty the completion of the Proposed Disposal; and

- (c) in view of the reduced contribution from Ranken Railway on completion of the Proposed Disposal and following a review of fee proposals from various audit firms which found that the fee proposal from Moore Stephens would be the most competitive, the Company has decided to appoint Moore Stephens as its Auditors. The aforesaid review was also part of the Company's efforts to manage its overall business costs and expenses amidst current challenging economic conditions.
- 2.6. KPMG's written statement stating its reasons for its resignation as auditors of the Company ("**Written Statement**") has been extracted and reproduced in the appendix to this announcement.
- 2.7. On 3 December 2020, KPMG received a letter ("**ACRA Letter of Consent**") from ACRA consenting to the resignation of KPMG as Auditors and also provided the Company with its notice of resignation (the "**Notice of Resignation**"). Pursuant to Section 205AB(5) of the Companies Act, Chapter 50 of Singapore ("**Companies Act**") the resignation of KPMG will take effect on the latest of the following dates: (a) on the day (if any) specified by KPMG in the Notice of Resignation, (b) on the day on which the Registrar of Companies ("**Registrar**") notifies KPMG and the Company of its consent to the resignation, or (c) on the day (if any) fixed by the Registrar. In accordance with Section 205AB(5) of the Companies Act, the resignation of KPMG as Auditors took effect on 3 December 2020.
- 2.8. Moore Stephens had given its consent to act as Auditors by way of a letter dated 11 November 2020 subject to Shareholders' approval for the same. Pursuant to Rule 712(3) of the Listing Manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited and Section 205AF of the Companies Act, the Proposed Change of Auditors must be specifically approved by Shareholders in a general meeting. As ACRA had issued its consent to KPMG's resignation pursuant to the ACRA Letter of Consent, the appointment of Moore Stephens will be effective upon the approval of Shareholders being obtained at the EGM. Upon the appointment, Moore Stephens will hold office until the conclusion of the next AGM of the Company.
- 2.9. The Directors would like to highlight that the Proposed Change of Auditors is in no way the result of any disagreement.
- 2.10. The Directors wish to express their appreciation for the past services rendered by KPMG.

3. CIRCULAR

A circular containing, *inter alia*, the notice of EGM and the details of the Proposed Change of Auditors will be despatched to the Shareholders in due course.

4. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Change of Auditors, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

BY ORDER OF THE BOARD

Wang Heng
Executive Director and Chief Executive Officer
16 December 2020

APPENDIX

Written Statement

Extract of the Statement by Auditor

The reasons for the resignation are set out below:

As part of the Company's efforts to manage its overall business costs and expenses amidst the current challenging economic conditions, the Board had reviewed proposals from various audit firms, and has determined that the fee proposal from Moore Stephens LLP is the most competitive. As such, the Company is appointing Moore Stephens LLP in place of KPMG with effect from the current financial year ending 31 December 2020.

The reasons why the change was not considered prior to the reappointment of the auditor at the last Annual General Meeting are set out below:

The reason for the change is due to the completion of the disposal of a significant subsidiary, Ranken Railway, on 27 October 2020. At the last AGM, the Company was not able to foresee with certainty the completion date of the aforementioned disposal. With the reduced contribution from Ranken Railway post-disposal, the Company has decided after the completion of the disposal to appoint Moore Stephens LLP to reduce the audit fees that will be incurred.

Any disputes with management of company(ies) are set out below:

There are no disputes with management.

Any matters which may have the effect of undermining the independence or integrity of the audit process are set out below:

None noted.