

**SP CORPORATION LIMITED
AND ITS SUBSIDIARIES**
(Registration No. 195200115K)

**DIRECTORS' STATEMENT AND
FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2018**

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS

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SP CORPORATION LIMITED AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

The Directors of the Company present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2018.

In the opinion of the Directors:

- (a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 12 to 81 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2018, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

The Directors of the Company in office at the date of this statement are as follows:

Mr Peter Sung	(Chairman)
Mr Boediman Gozali (alias Tony Wu)	(Managing Director and Chief Executive Officer)
Mr Cheng Hong Kok	
Mr David Lee Kay Tuan	(Appointed on 1 August 2018)
Mr William Nursalim alias William Liem	
Mr Tan Lye Huat	

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The Directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company or of related corporations as recorded in the Register of Directors' Shareholdings kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act") except as follows:

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

Name of Directors and companies in which interests are held:

Name of Directors and companies in which interests are held	Shareholdings registered in name of Director		Shareholdings in which Director is deemed to have an interest	
	At beginning of year or date of appointment, if later	At end of year	At beginning of year or date of appointment, if later	At end of year
Holding Company				
<u>Tuan Sing Holdings Limited</u>				
<u>(Ordinary shares)</u>				
Mr David Lee Kay Tuan	250,000	250,000	-	-
Mr Tan Lye Huat	-	-	500,000	500,000
Mr William Nursalim alias William Liem	-	-	546,383,829	628,814,529
Holding Company				
<u>Tuan Sing Holdings Limited</u>				
<u>\$80 million 5-year 4.50% per annum Notes due 2019</u>				
<u>pursuant to the \$900,000,000 Multicurrency Medium</u>				
<u>Term Note Programme ("MTN Programme")</u>				
Mr William Nursalim alias William Liem	\$500,000	\$500,000	-	-
<u>\$150 million 3-year 6% per annum Notes due 2020</u>				
<u>pursuant to the MTN Programme</u>				
Mr David Lee Kay Tuan	\$500,000	\$500,000	-	-
Mr William Nursalim alias William Liem	\$500,000	\$500,000	-	-
Mr Tan Lye Huat	-	-	\$500,000	\$500,000

By virtue of Section 7 of the Act, Mr William Nursalim alias William Liem is deemed to have an interest in the Company and in all the related corporations of the Company.

There was no change in any of the above-mentioned Directors' interests between the end of the financial year and 21 January 2019.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

4 SHARE OPTIONS

During the financial year, there were no options granted to take up unissued shares of the Company or any corporation in the Group.

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

5 AUDIT AND RISK COMMITTEE

The Audit and Risk Committee of the Company consists of three non-executive Directors, two of whom are independent Directors. At the date of this statement, the members of the Audit and Risk Committee are:

Mr Cheng Hong Kok (Chairman)	(Independent and Non-Executive)
Mr David Lee Kay Tuan	(Non-Independent and Non-Executive)
Mr Tan Lye Huat	(Independent and Non-Executive)

The Audit and Risk Committee performed the functions specified in Section 201B(5) of the Act, the SGX-ST Listing Manual and the Singapore Code of Corporate Governance.

The Audit and Risk Committee has met four times during the financial year ended 31 December 2018 and had reviewed, inter alia, the following, with the executive Director, external and internal auditors of the Company, where relevant:

- (a) the audit plans of the internal and external auditors, the scope of the internal audit procedures and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;
- (b) the Group's financial and operating results and accounting policies;
- (c) the consolidated financial statements of the Group, the statement of financial position and statement of changes in equity of the Company before their submission to the Directors of the Company and the external auditors' report on those financial statements;
- (d) the quarterly, half-yearly and annual announcements on the results and financial position of the Company and the Group;
- (e) the interested person transactions as specified under Chapter 9 of the SGX-ST Listing Manual Rules;

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

5 AUDIT AND RISK COMMITTEE (cont'd)

- (f) the co-operation and assistance given by management to the Group's external and internal auditors; and
- (g) the re-appointment of the external and internal auditors of the Group.

The Audit and Risk Committee has full access to and has the co-operation of management and has been given the resources required for it to discharge its functions properly. It also has full discretion to invite any Director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit and Risk Committee.

The Audit and Risk Committee has recommended to the Directors the nomination of Deloitte & Touche LLP for re-appointment as the external auditors of the Group at the forthcoming Annual General Meeting of the Company.

6 EXTERNAL AUDITORS

Deloitte & Touche LLP have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS



.....
Peter Sung
Chairman



.....
Boediman Gozali (alias Tony Wu)
Managing Director and
Chief Executive Officer

25 January 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SP CORPORATION LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of SP Corporation Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 81.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SP CORPORATION LIMITED

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How the audit matter was addressed in the audit
Recoverability of refundable trade deposit <p>Management assesses at the end of the reporting period whether there is any evidence that the refundable trade deposit of US\$6,000,000 (equivalent to \$8,215,000) provided to a related party to secure coal allocations is impaired.</p> <p>Management monitors and takes into consideration the following in their assessment on recoverability of the refundable trade deposit:</p> <ul style="list-style-type: none">• the related party's past payment history to the Group;• ongoing dealings with the related party;• latest management accounts and/or audited financial statements of the related party;• management's relationships and discussions with management of the related party who owns the coal mine on their coal mine's operations; and• terms as agreed in the latest coal allocation agreement with the related party. <p>The Group's disclosure of the above significant estimates is provided in Note 3 to the financial statements, and further information related to the refundable trade deposit is provided in Note 8.</p>	<p>Our audit procedures focused on evaluating and challenging the key estimates used by management in assessing the recoverability of the refundable trade deposit. These procedures include:</p> <ul style="list-style-type: none">• obtaining an understanding of the key controls and processes that management and the directors have in place to assess the recoverability of the refundable trade deposit;• reviewing the agreements for the arrangement on the refundable trade deposit; and• challenging management's assessment of the recoverability of the amount as at the reporting date, including the assessment by management on the related party's financial position and performance, and its historical payment cycles. <p>We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SP CORPORATION LIMITED

Key audit matters

How the audit matter was addressed in the audit

The Group's aged trade receivables

There is a risk that the Group's aged trade receivables which are past due but not impaired may not be recoverable and allowance for doubtful receivables may not be adequate or reasonable.

Management monitors and assesses the Group's credit risk, and where required, adjust the level of impairment allowance, which requires management to make significant judgements regarding the expected future financial condition and the ability of future receipts from the debtors, especially where the debts are aged or overdue for more than 3 months.

Inappropriate judgement and estimates made in the impairment assessment would result in a significant impact on the carrying amount of the trade receivables.

Disclosure on the above key estimates has been made in Note 3 to the financial statements, and further information related to the aged trade receivables is provided in Note 9.

Our audit procedures were:

- We have obtained an understanding of the key controls and processes that management and the directors have in place to assess the recoverability of the aged trade receivables;
- We have evaluated and challenged management's assessment of the recoverability of the Group's aged trade receivables which are past due but not impaired as at the reporting date, including the assessment of any allowance to be made by the Group in respect of overdue debts; and
- We enquired with management on the reasons for the delay in payments on certain aged trade receivables and the appropriateness of any allowance for doubtful debts to be made, by considering amongst others, factors such as subsequent cash receipts, past payment practices, the ongoing business relationship with the debtors involved or where relevant, repayment schedule as agreed with the debtors.

We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

SP CORPORATION LIMITED

Key audit matters

How the audit matter was addressed in the audit

Identification of related party transactions

The Group is a component of another listed group, and accordingly, there are various related parties that need to be identified and transactions with these related parties to be monitored. The Group has significant transactions with its related parties and there is a risk that the related parties may inadvertently be omitted, and as such, the Group's identification of the related party and disclosure of its transactions may be incomplete.

The related party transactions have been disclosed in Note 26 to the financial statements.

Our audit procedures were:

- We have assessed and evaluated the design and implementation of the Group's policies and procedures in respect of the identification of related parties and recording of related party transactions.
- We performed background checks on certain customers and suppliers to evaluate the completeness of the related parties identified by management.
- We obtained a list of related parties from management and ensured all transactions and balances with those entities have been appropriately disclosed in the financial statements. We have independently requested and obtained confirmation replies from these related parties to confirm the balances at 31 December 2018, and transactions for the year then ended.
- We also considered the completeness of the disclosure of related party transactions through review of statutory information, books and records and minutes, and assessed the disclosures for accuracy against information obtained in our audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SP CORPORATION LIMITED

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Chairman's Statement, CEO's Operations Review, Risk Management Statement, Sustainability Report, Five-Year Financial Summary, Corporate Governance Report, Directors' Statement, SGX-ST Listing Manual Requirements, Corporate Directory and General Information but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Shareholding Statistics, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Shareholding Statistics, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SP CORPORATION LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SP CORPORATION LIMITED

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr Loi Chee Keong.



Public Accountants and
Chartered Accountants
Singapore

25 January 2019

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION
31 December 2018

		Group			Company		
	Note	31.12.18	31.12.17	1.1.17	31.12.18	31.12.17	1.1.17
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Assets</u>							
Non-current assets							
Plant and equipment	5	208	172	375	140	161	184
Investments in subsidiaries	6	-	-	-	30,611	30,343	18,413
<i>Total non-current assets</i>		<u>208</u>	<u>172</u>	<u>375</u>	<u>30,751</u>	<u>30,504</u>	<u>18,597</u>
Current assets							
Inventories	7	-	-	759	-	-	-
Trade and other receivables	8	37,036	44,039	51,901	20,831	6,701	19,262
Loan to a related party	11	20,000	-	-	-	-	-
Tax recoverable	12	24	118	110	-	69	69
Cash and bank balances	13	10,460	22,684	24,826	903	1,739	2,449
<i>Total current assets</i>		<u>67,520</u>	<u>66,841</u>	<u>77,596</u>	<u>21,734</u>	<u>8,509</u>	<u>21,780</u>
Total assets		<u>67,728</u>	<u>67,013</u>	<u>77,971</u>	<u>52,485</u>	<u>39,013</u>	<u>40,377</u>
<u>Equity and Liabilities</u>							
Equity							
Share capital	14	58,366	58,366	58,366	58,366	58,366	58,366
Translation reserve		(258)	(997)	1,628	-	-	-
Accumulated losses		(4,665)	(6,563)	(7,010)	(19,982)	(20,486)	(19,173)
<i>Total equity</i>		<u>53,443</u>	<u>50,806</u>	<u>52,984</u>	<u>38,384</u>	<u>37,880</u>	<u>39,193</u>
Non-current liability							
Deferred tax	15	49	38	54	1	1	1
Current liabilities							
Trade and other payables	16	13,952	16,150	24,567	14,079	1,113	1,092
Income tax payable		284	19	366	21	19	91
<i>Total current liabilities</i>		<u>14,236</u>	<u>16,169</u>	<u>24,933</u>	<u>14,100</u>	<u>1,132</u>	<u>1,183</u>
Total equity and liabilities		<u>67,728</u>	<u>67,013</u>	<u>77,971</u>	<u>52,485</u>	<u>39,013</u>	<u>40,377</u>

See accompanying notes to financial statements.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the financial year ended 31 December 2018**

	Note	Group	
		2018	2017
		\$'000	\$'000
<u>Continuing operations</u>			
Revenue	17	136,379	121,066
Cost of sales		(133,164)	(118,732)
Gross profit		3,215	2,334
Other operating income	18	58	181
Distribution costs		(3)	(41)
Administrative expenses		(2,585)	(2,013)
Other operating expenses	19	(80)	(361)
Interest income	20	1,745	1,111
Interest expense	21	(40)	(1)
Profit before tax		2,310	1,210
Income tax expense	22	(412)	(244)
Profit for the financial year from continuing operations		1,898	966
<u>Discontinued operation</u>			
Loss for the financial year from discontinued operation	25	-	(519)
Profit for the financial year	23	1,898	447
Profit (Loss) attributable to owners of the Company			
- Continuing operations		1,898	966
- Discontinued operation		-	(519)
		1,898	447
Other comprehensive income (loss) after tax:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		739	(2,625)
Other comprehensive income (loss) for the financial year, net of tax, attributable to owners of the Company		739	(2,625)
Total comprehensive income (loss) for the financial year attributable to owners of the Company		2,637	(2,178)
Basic and Diluted earnings per share (cents)			
- Continuing operations	24	5.41	2.75
- Continuing and discontinued operations	24	5.41	1.27

See accompanying notes to financial statements.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Equity attributable to owners of the Company			
	Share capital	Translation reserve	Accumulated losses	Total equity
	\$'000	\$'000	\$'000	\$'000
Group				
At 1 January 2017	58,366	1,628	(7,010)	52,984
<i>Total comprehensive loss for the financial year</i>				
Profit for the financial year	-	-	447	447
Other comprehensive loss for the financial year	-	(2,625)	-	(2,625)
Total	-	(2,625)	447	(2,178)
At 31 December 2017	58,366	(997)	(6,563)	50,806
<i>Total comprehensive income for the financial year</i>				
Profit for the financial year	-	-	1,898	1,898
Other comprehensive income for the financial year	-	739	-	739
Total	-	739	1,898	2,637
At 31 December 2018	58,366	(258)	(4,665)	53,443
Company				
At 1 January 2017	58,366	-	(19,173)	39,193
Loss for the financial year, representing				
total comprehensive loss for the financial year	-	-	(1,313)	(1,313)
At 31 December 2017	58,366	-	(20,486)	37,880
Profit for the financial year, representing				
total comprehensive income for the financial year	-	-	504	504
At 31 December 2018	58,366	-	(19,982)	38,384

See accompanying notes to financial statements.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2018

	Group	
	2018	2017
	\$'000	\$'000
Operating activities		
Profit before tax	2,310	418
Adjustments for:		
Depreciation of plant and equipment	41	107
Gain on disposal of tyre distribution business	-	(673)
Allowance for doubtful trade receivables	-	5
Allowance for inventory obsolescence	-	6
Inventories written off	-	31
Interest expense	40	1
Interest income	(1,745)	(1,112)
Fair value gain on forward contracts, unrealised	-	(19)
Operating cash flows before movements in working capital	646	(1,236)
Inventories	-	722
Trade and other receivables	8,651	5,137
Restricted bank balances	554	833
Trade and other payables	(2,707)	(5,868)
Cash generated from (used in) operations	7,144	(412)
Interest paid	(40)	(1)
Interest received	1,213	1,056
Income tax paid, net	(67)	(320)
Net cash from operating activities	8,250	323
Investing activities		
Purchase of plant and equipment	(78)	(70)
Loan to a related party	(20,000)	-
Net cash used in investing activities	(20,078)	(70)
Financing activities (Note 1)		
Proceeds from borrowings	36,192	-
Repayment of borrowings	(36,192)	-
Net cash from financing activities	-	-
Net (decrease) increase in cash and cash equivalents	(11,828)	253
Cash and cash equivalents at the beginning of financial year	20,837	22,146
Effects of exchange rate changes on the balance of cash held in foreign currencies	158	(1,562)
Cash and cash equivalents at the end of financial year (Note 13)	9,167	20,837

Note 1: The cash flows make up the net amount of proceeds and repayment of borrowings in the consolidated statement of cash flows. There are no non-cash changes in the cash flows from financing activities.

See accompanying notes to financial statements.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

1 GENERAL

SP Corporation Limited (the "Company") (Registration No. 195200115K) is domiciled and incorporated in Singapore with its registered office at 9 Oxley Rise, #03-02 The Oxley, Singapore 238697 and principal place of business at 6 Shenton Way, OUE Downtown 1, #41-03, Singapore 068809. The Company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The financial statements are expressed in Singapore dollars which is also the functional currency of the Company.

The immediate holding company is Tuan Sing Holdings Limited, a company incorporated in Singapore and listed on the SGX-ST. Tuan Sing's major shareholder is Nuri Holdings (S) Pte Ltd ("Nuri"), incorporated in Singapore. Related companies in these financial statements refer to members of the immediate holding company's group of companies.

The principal activity of the Company is that of investment holding, which includes the provision of management services to related companies. The principal activities of the subsidiaries are set out in Note 30 to the financial statements.

The consolidated financial statements of the Company and its subsidiaries (the "Group") and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2018 were authorised for issuance in accordance with a resolution of the Directors on 25 January 2019.

For all periods up to and including the year ended 31 December 2017, the financial statements were prepared in accordance with the previous framework, Financial Reporting Standards in Singapore ("FRSs"). These financial statements for the year ended 31 December 2018 are the first set that the Group and the Company have prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"). Details of first-time adoption of SFRS(I) are included in Note 31.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (International) ("SFRS(I)s").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 1-17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) BASIS OF ACCOUNTING (cont'd)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(b) STANDARDS ISSUED BUT NOT EFFECTIVE

At the date of authorisation of these financial statements, the following SFRS(I) pronouncements were issued but not effective and are expected to have an impact to the Group and the Company in the periods of their initial application.

SFRS(I) 16 Leases

Effective for annual periods beginning on or after 1 January 2019

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the existing framework.

SFRS(I) 1-17 does not require the recognition of any right-of-use asset or liability for future payments for the operating leases the Group enters into. Under SFRS(I) 16, the Group may be required to recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of SFRS(I) 16. Additional disclosures may also be made with respect to leases, including any significant judgement and estimation made in distinguishing between leases and service contracts, on the basis of whether an identified asset controlled by the customer exists. Management has performed a detailed analysis of the requirements of the initial application of SFRS(I) 16.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

SFRS(I) 16 Leases (cont'd)

As at 31 December 2018, the Group and the Company have non-cancellable operating lease commitments as disclosed in Note 27(a). A preliminary assessment indicates that these arrangements will meet the definition of a lease under SFRS(I) 16, and hence the Group and the Company will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon application of SFRS(I) 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's and the Company's financial statements and management is currently assessing its potential impact.

Other than as disclosed above, management anticipates that the adoption of the above SFRS(I) 16 in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

(c) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) BASIS OF CONSOLIDATION (cont'd)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)s). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's separate financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) BUSINESS COMBINATION

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition-date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the SFRS(I) are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) BUSINESS COMBINATION (cont'd)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another SFRS(I).

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

(e) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) FINANCIAL INSTRUMENTS (cont'd)

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) FINANCIAL INSTRUMENTS (cont'd)

Classification of financial assets (cont'd)

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically, for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other operating income" or "other operating expenses" line item.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) FINANCIAL INSTRUMENTS (cont'd)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, contract assets, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations, namely the commodities market in coal, aluminium and rubber.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) FINANCIAL INSTRUMENTS (cont'd)

Impairment of financial assets (cont'd)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments from outside parties are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) FINANCIAL INSTRUMENTS (cont'd)

Impairment of financial assets (cont'd)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- a) significant financial difficulty of the issuer or the borrower;
- b) a breach of contract, such as a default or past due event;
- c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) FINANCIAL INSTRUMENTS (cont'd)

Impairment of financial assets (cont'd)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) FINANCIAL INSTRUMENTS (cont'd)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group, and commitments issued by the Group to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) FINANCIAL INSTRUMENTS (cont'd)

Financial liabilities (cont'd)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (1) contingent consideration of an acquirer in a business combination to which SFRS(I) 3 applies, (2) held for trading, or (3) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and SFRS(I) 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the "other operating expenses" or "other operating income" line item.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts and loan commitments issued by the Group that are designated by the Group as at fair value through profit or loss are recognised in profit or loss.

Fair value is determined in the manner described in Note 29.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) FINANCIAL INSTRUMENTS (cont'd)

Financial liabilities (cont'd)

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (1) contingent consideration of an acquirer in a business combination, (2) held-for-trading, or (3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with SFRS(1) 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "other operating expenses" or "other operating income" line item for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) FINANCIAL INSTRUMENTS (cont'd)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derivative financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risks. Further details of derivative financial instruments are disclosed in Note 29.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value as at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

(f) LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- (a) represents a separate major line of business or geographical area of operations,
- (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- (c) is a subsidiary acquired exclusively with a view to resale.

(h) PLANT AND EQUIPMENT

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

	<u>Number of years</u>
Plant and equipment	1 to 5
Motor vehicles	5 to 10

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss. Fully depreciated assets in use are retained in the financial statements.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) IMPAIRMENT OF TANGIBLE ASSETS

As at each reporting date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior financial years. A reversal of an impairment loss is recognised immediately in profit or loss.

(j) PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) REVENUE RECOGNITION

The Group recognises revenue from the sale of commodity trading products including coal, rubber and metals.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Sale of commodity trading products

For sale of commodity trading products, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when onselling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Under the Group's standard contract terms, customers do not have have a right of return.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Financial guarantee income

Income from providing financial guarantee is recognised in profit or loss over the guarantee period on a straight-line basis.

(l) BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) RETIREMENT BENEFIT COSTS

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

(n) EMPLOYEE LEAVE ENTITLEMENT

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

(o) INCOME TAX

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) INCOME TAX (cont'd)

The carrying amount of deferred tax assets is reviewed as at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(p) FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION (cont'd)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of translation reserve.

(q) CASH AND CASH EQUIVALENTS IN THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash and cash equivalents in the consolidated statement of cash flows comprise cash on hand and fixed deposits with banks but exclude restricted bank balances. These are subject to an insignificant risk of changes in value.

(r) SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses.

Operating segments are reported in a manner consistent with the internal reporting provided to members of management and the chief operating decision makers who are responsible for allocating resources and assessing performance of the operating segments.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management is of the view that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Recoverability of refundable trade deposit

Management assesses at the end of each reporting period whether there is any evidence that the refundable trade deposit of US\$6,000,000 (equivalent to \$8,215,000) [2017: US\$6,000,000 (equivalent to \$8,073,000)] placed with a related party is impaired. A considerable amount of judgement is required in assessing the ultimate realisation of this deposit, including reviewing the financial information of the related party, its current creditworthiness and past collection history from the coal mine with whom the Group has placed the deposit. If the financial condition of the coal mine deteriorates, resulting in an impairment of its ability to make payments, an allowance may be required. The carrying amount and details of the refundable trade deposit is disclosed in Note 8 to the financial statements.

Allowance for impairment loss on aged trade receivables

Management assesses at the end of each reporting period whether there is any objective evidence that receivables are impaired. If there is objective evidence that a loss allowance on aged trade receivables should be recognised, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the loss is recognised in profit or loss. Where the loss subsequently reverses, the reversal is recognised in profit or loss. Details of the allowance for loss allowance on aged trade receivables are disclosed in Note 9 to the financial statements.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2018

4 SEGMENT INFORMATION

Products and services from which reportable segments derive their revenues

For the purpose of the resource allocation and assessment of segment performance, the Group's chief operating decision maker has focused on the business operating units which in turn, are segregated based on their products and services. This forms the basis of identifying the operating segments of the Group under SFRS(I) 8.

Operating segments are aggregated into a single reportable operating segment if they have similar economic characteristics, such as long-term average gross margins, and are similar in respect of nature of products and services, and/or their reported revenue.

The Group's reportable operating segments under SFRS(I) 8 are as follows:

<i>Segment</i>	<i>Principal activities</i>
Commodities Trading	Trades and markets a broad range of products including coal, rubber, metals as well as other commodities and products used by manufacturers in the energy, tyre, metal and automotive industries in Asia. It also distributes consumer products.
Investment	Investment holding.
Corporate and Others	General corporate activities and others.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment revenue represents revenue generated from external and internal customers. Segment profit represents the profit earned by each segment after allocating finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

For the purpose of monitoring segment performance and allocating resources, the chief operating decision maker monitors the financial assets attributable to each segment. Assets, if any, used jointly by reportable segments are allocated on the basis of the revenue earned by individual operating segments.

Tyre distribution business segment was discontinued at the end of the financial year ended 31 December 2017 (Note 25).

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2018

4 SEGMENT INFORMATION (cont'd)

Segment revenue and results

Information regarding the Group's reportable segments is presented in the tables below.

	Commodities Trading \$'000	Investment \$'000	Corporate and Others \$'000	Inter- segment Eliminations \$'000	Consolidated \$'000
31 December 2018					
Revenue					
- External customers	136,379	-	-	-	136,379
- Inter-segment	-	-	2,300	(2,300)	-
Total segment revenue	136,379	-	2,300	(2,300)	136,379
Result					
Segment result	670	(61)	(4)	-	605
Interest income	1,345	407	73	(80)	1,745
Interest expense	(110)	-	(10)	80	(40)
Profit before tax	1,905	346	59	-	2,310
Income tax expense					(412)
Profit after tax					1,898
Assets					
Segment assets	43,829	21,395	2,480	-	67,704
Unallocated assets					24
Total assets					67,728
Liabilities					
Segment liabilities	12,792	49	1,111	-	13,952
Unallocated liabilities					333
Total liabilities					14,285
Other information					
Capital expenditure	5	-	73	-	78
Depreciation of plant and equipment	6	-	35	-	41

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

4 SEGMENT INFORMATION (cont'd)

Segment revenue and results (cont'd)

	Commodities Trading	Discontinued Operation (Tyre Distribution)	Corporate and Others	Inter- segment Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000
31 December 2017					
Revenue					
- External customers	121,066	6,660	-	-	127,726
- Inter-segment	-	-	2,720	(2,720)	-
Total segment revenue	<u>121,066</u>	<u>6,660</u>	<u>2,720</u>	<u>(2,720)</u>	<u>127,726</u>
Result					
Segment result	54	(793)	51	(5)	(693)
Interest income	1,110	1	105	(104)	1,112
Interest expense	<u>(101)</u>	<u>-</u>	<u>(3)</u>	<u>103</u>	<u>(1)</u>
Profit (Loss) before tax	1,063	(792)	153	(6)	418
Income tax credit					<u>29</u>
Profit after tax					<u>447</u>
Assets					
Segment assets	62,143	2,419	2,333	-	66,895
Unallocated assets					<u>118</u>
Total assets					<u>67,013</u>
Liabilities					
Segment liabilities	14,830	366	954	-	16,150
Unallocated liabilities					<u>57</u>
Total liabilities					<u>16,207</u>
Other information					
Capital expenditure	8	61	1	-	70
Depreciation of plant and equipment	6	76	25	-	107
Allowance for doubtful trade receivables	-	5	-	-	5
Inventories written off	-	31	-	-	31
Allowance for inventory obsolescence	<u>-</u>	<u>6</u>	<u>-</u>	<u>-</u>	<u>6</u>

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

4 SEGMENT INFORMATION (cont'd)

Segment revenue and results (cont'd)

	Commodities Trading \$'000	Discontinued Operation (Tyre Distribution) \$'000	Corporate and Others \$'000	Inter- segment Eliminations \$'000	Consolidated \$'000
1 January 2017					
Assets					
Segment assets	70,921	3,708	3,232	-	77,861
Unallocated assets					110
Total assets					<u>77,971</u>
Liabilities					
Segment liabilities	22,281	1,231	1,055	-	24,567
Unallocated liabilities					420
Total liabilities					<u>24,987</u>

Geographical Information

The Group's businesses are mainly in Singapore, China including Hong Kong, and Indonesia. Revenue is based on the country in which the customer is located. Non-current assets and capital expenditure are shown by the geographical areas in which these assets are located. The Group's revenue and information about its non-current assets and capital expenditure by geographical locations are detailed below:

Based on location of customer	Revenue from external customers		Non-current assets			Capital expenditure		
	2018	2017	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	116,002	96,952	149	172	312	6	70	14
Indonesia	6,297	12,677	59	-	-	72	-	-
China including Hong Kong	14,070	10,986	-	-	-	-	-	-
Other ASEAN countries	-	4,221	-	-	-	-	-	-
Malaysia	-	1,511	-	-	63	-	-	3
Brunei	-	1,130	-	-	-	-	-	-
Others	10	249	-	-	-	-	-	-
	<u>136,379</u>	<u>127,726</u>	<u>208</u>	<u>172</u>	<u>375</u>	<u>78</u>	<u>70</u>	<u>17</u>

Information about major customers

Included in the Commodities Trading revenue of \$136.4 million (2017: \$121.1 million) were sales of approximately \$52.8 million and \$31.8 million (2017: \$38.1 million and \$19.2 million) to the Group's two largest customers who are third parties.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
31 December 2018

5 PLANT AND EQUIPMENT

<u>Group</u>	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost:			
At 1 January 2018	289	202	491
Exchange differences	1	-	1
Additions	78	-	78
At 31 December 2018	368	202	570
At 1 January 2017	1,132	615	1,747
Exchange differences	(1)	-	(1)
Additions	46	24	70
Disposals	(364)	(435)	(799)
Write-offs	(524)	(2)	(526)
At 31 December 2017	289	202	491
Accumulated depreciation:			
At 1 January 2018	274	45	319
Exchange differences	2	-	2
Depreciation for the financial year	21	20	41
At 31 December 2018	297	65	362
At 1 January 2017	1,032	340	1,372
Exchange differences	(2)	-	(2)
Depreciation for the financial year	54	53	107
Disposals	(286)	(346)	(632)
Write-offs	(524)	(2)	(526)
At 31 December 2017	274	45	319
Carrying amounts:			
At 31 December 2018	71	137	208
At 31 December 2017	15	157	172
At 1 January 2017	100	275	375

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
31 December 2018

5 PLANT AND EQUIPMENT (cont'd)

<u>Company</u>	Plant and Equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost:			
At 1 January 2018	232	202	434
Additions	1	-	1
At 31 December 2018	233	202	435
At 1 January 2017	233	202	435
Additions	2	-	2
Write-offs	(3)	-	(3)
At 31 December 2017	232	202	434
Accumulated depreciation:			
At 1 January 2018	228	45	273
Depreciation for the financial year	2	20	22
At 31 December 2018	230	65	295
At 1 January 2017	226	25	251
Depreciation for the financial year	5	20	25
Write-offs	(3)	-	(3)
At 31 December 2017	228	45	273
Carrying amounts:			
At 31 December 2018	3	137	140
At 31 December 2017	4	157	161
At 1 January 2017	7	177	184

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2018

6 INVESTMENTS IN SUBSIDIARIES

	31.12.18 \$'000	Company 31.12.17 \$'000	1.1.17 \$'000
Unquoted equity shares, at cost	14,049	14,049	14,049
Recognition of financial guarantee provided to subsidiaries	5,107	4,827	4,481
Quasi-equity loan	13,500	13,500	-
Less: Impairment loss	(2,045)	(2,033)	(117)
	<u>30,611</u>	<u>30,343</u>	<u>18,413</u>

Further details regarding the subsidiaries are set out in Note 30.

The Company issued financial guarantees to banks for credit facilities of its subsidiaries and recorded a deemed financial guarantee income in accordance with the provisions of SFRS(I) 9 *Financial Instruments*. The deemed income was amortised over the period of the guarantee. The guarantee fee was not charged by the Company to the subsidiaries. The full amount of the guarantee fee is deemed to be additional investment in the subsidiaries.

During the previous financial year, management considered receivables from a subsidiary amounting to \$13,500,000 as a quasi-equity loan which is unsecured and interest-free and the settlement is neither planned nor likely to occur in the foreseeable future. As the amounts are, in substance, a part of the Company's net investment in subsidiary, thus they are stated at cost.

During the financial year, an impairment loss of \$12,000 (2017: \$1,916,000) in investments in subsidiaries was recognised. In making this judgement, the Company evaluates, among other factors, the market and economic environment in which the subsidiaries operate, economic performance of the subsidiaries, the duration and extent to which the cost of investment in the subsidiaries exceeds their net tangible asset values which according to management, are the best estimate of the recoverable amount.

7 INVENTORIES

<u>Group</u>	At cost \$'000	At net realisable value \$'000	Total \$'000
31 December 2018 and 31 December 2017			
Raw materials	-	-	-
Finished goods	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
1 January 2017			
Raw materials	77	-	77
Finished goods	640	42	682
	<u>717</u>	<u>42</u>	<u>759</u>

In 2017, \$6,000 was recognised as an expense in respect of write-downs of inventories to net realisable value.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2018

8 TRADE AND OTHER RECEIVABLES

	31.12.18	Group 31.12.17	1.1.17	31.12.18	Company 31.12.17	1.1.17
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables (Note 9)	27,766	34,117	39,026	-	-	457
Other receivables (Note 10)	1,055	1,328	607	20,831	6,701	18,805
Advances to suppliers: ^(a)						
- Third party	-	521	103	-	-	-
- Related party						
[Note 26(a)(ii)]	-	-	3,476	-	-	-
Refundable trade deposit with related party ^(b)						
[Note 26(a)(ii)]	8,215	8,073	8,689	-	-	-
	<u>37,036</u>	<u>44,039</u>	<u>51,901</u>	<u>20,831</u>	<u>6,701</u>	<u>19,262</u>

(a) In 2017, a payment of \$521,000 was made to a third party supplier for progress billing on order placement.

(b) Refundable trade deposit of US\$6,000,000 (2017: US\$6,000,000) relates to monies placed by the Group with a related party which owns a coal mine (Party A) to secure coal allocations. The deposit is secured by a corporate guarantee issued by the immediate holding company of Party A which is also a related party and who also owns a coal mine.

The deposit (equivalent to \$8,215,000 [2017: \$8,073,000]) is repayable within one year and subject to annual renewal by mutual agreement between the two parties. It bears an effective interest rate of 6.83% (2017: 5.73%) per annum.

9 TRADE RECEIVABLES

	31.12.18	Group 31.12.17	1.1.17	31.12.18	Company 31.12.17	1.1.17
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables	6,209	3,440	4,406	-	-	-
Amounts due from related parties - trade						
[Note 26(a)(ii)]	21,562	30,682	34,620	-	-	457
	<u>27,771</u>	<u>34,122</u>	<u>39,026</u>			<u>457</u>
Less: Loss allowance	(5)	(5)	-	-	-	-
	<u>27,766</u>	<u>34,117</u>	<u>39,026</u>	<u>-</u>	<u>-</u>	<u>457</u>

In 2017, management noted that two trade debtors who are related parties were previously classified as external parties. Accordingly, \$22,984,000 that was previously classified and presented as "Trade receivables" as at 31 December 2016 has been re-classified as "Amounts due from related parties - trade" in the previous financial statements. The amounts due from these two related parties at 31 December 2017 amounted to \$20,310,000.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2018

9 TRADE RECEIVABLES (cont'd)

Trade receivables

The trade receivables are generally on 30 to 120 days (2017: 30 to 120 days) credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customers.

Loss allowance for trade receivables are measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of \$5,000, representing 100% against all receivables over 120 days past due, because historical experience has indicated that these receivables are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

Amounts due from related parties – trade

Certain past due trade amounts due from related parties bear interest rates ranging from 8% to 12% (2017: 8% to 12%) per annum in accordance with the billing terms and the remaining are non-interest bearing. The trade amounts due from related parties are generally on 90 to 180 days (2017: 90 to 180 days) credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

For purpose of impairment assessment, the amounts due from related parties is considered to have low credit risk as the timing of payment is controlled by the ultimate holding company taking into account cash flow management within the ultimate holding company's group of companies and there has been no significant increase in the risk of default on the amounts due from related parties since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

In determining the ECL, management has taken into account the financial position of the related parties, adjusted for factors that are specific to the related parties and general economic conditions of the industry in which the related parties operate, in estimating the probability of default of the trade amounts due from related parties as well as the loss upon default. Management determines the trade amounts due from related parties are subject to immaterial credit loss.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
31 December 2018

9 TRADE RECEIVABLES (cont'd)

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The table below is an analysis of trade receivables as at 31 December:

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Not past due and not impaired	17,562	19,181	-	-
Past due but not impaired ^(a)	10,204	14,936	-	-
	<u>27,766</u>	<u>34,117</u>	<u>-</u>	<u>-</u>
Impaired receivables – collectively assessed ^(b)	5	5	-	-
Less: Loss allowance	(5)	(5)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total trade receivables, net	<u>27,766</u>	<u>34,117</u>	<u>-</u>	<u>-</u>

(a) Aging of receivables that are past due but not impaired:

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
< 3 months	4,237	6,933	-	-
3 months to 6 months	1,294	3,769	-	-
6 months to 12 months	3,774	4,234	-	-
> 12 months	899	-	-	-
	<u>10,204</u>	<u>14,936</u>	<u>-</u>	<u>-</u>

(b) These amounts are stated before any deduction for allowance for doubtful receivables.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2018

10 OTHER RECEIVABLES

	31.12.18 \$'000	Group 31.12.17 \$'000	1.1.17 \$'000	31.12.18 \$'000	Company 31.12.17 \$'000	1.1.17 \$'000
Prepayments	61	48	115	38	38	41
Deposits	73	98	156	67	52	52
Foreign currency forward contracts	-	19	-	-	-	-
Sundry debtors	105	77	88	-	-	-
Interest receivable from a related party [Note 26(a)(ii)]	637	194	198	-	-	-
Amounts due from related parties [Note 26(a)(ii)]	60	-	50	-	-	-
Balance consideration receivable from related parties on disposal of tyre distribution business [Note 26(a)(ii)]	114	892	-	-	-	-
Amount due from holding company	5	-	-	-	-	-
Amount due from a subsidiary (Notes 6 and 30)	-	-	-	20,726	6,611	18,712
	1,055	1,328	607	20,831	6,701	18,805

The amounts due from related parties are non-trade related, unsecured, interest-free and repayable on demand.

The balance consideration receivable from related parties on the disposal of tyre distribution business, including goods and services tax, is expected to be repaid within one year (Note 25).

In 2018, the amount due from a subsidiary is non-trade related, unsecured, interest-free and repayable on demand. In 2017, the amount due from a subsidiary was non-trade related, unsecured, repayable on demand and bore an effective interest rate of 1.13% per annum.

For purpose of impairment assessment, the other receivables are considered to have low credit risk as the timing of payment is controlled by the ultimate holding company taking into account cash flow management within the ultimate holding company's group of companies and there has been no significant increase in the risk of default on the amounts due from related parties since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other receivables.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2018

11 LOAN TO A RELATED PARTY

	31.12.18	Group	1.1.17	31.12.18	Company	1.1.17
	\$'000	31.12.17	\$'000	\$'000	31.12.17	\$'000
Loan to a related party [Note 26(a)(ii)]	20,000	-	-	-	-	-
	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Loan to a related party of \$20,000,000 is repayable within one year from the date of disbursement on 24 September 2018 and carries fixed rate of 7.50% per annum. The loan and accrued interest shall be repaid in full on the repayment date in cash, or in such other repayment method as otherwise agreed between the parties, in which case interest would not apply.

12 TAX RECOVERABLE

Tax recoverable arose mainly from the payment of income tax of which management is in discussion with the relevant tax authorities.

13 CASH AND BANK BALANCES

	31.12.18	Group	1.1.17	31.12.18	Company	1.1.17
	\$'000	31.12.17	\$'000	\$'000	31.12.17	\$'000
Fixed deposits	2,824	3,030	8,603	-	-	1,467
Cash at bank and on hand	7,636	19,654	16,223	903	1,739	982
Cash and bank balances	10,460	22,684	24,826	903	1,739	2,449
Less: Restricted bank balances (pledged fixed deposits)	(1,293)	(1,847)	(2,680)			
Cash and cash equivalents in statement of cash flows	<u>9,167</u>	<u>20,837</u>	<u>22,146</u>			

Cash and bank balances comprise cash held by the Group and short-term bank deposits. The carrying amounts of these assets approximate their fair values.

Fixed deposits of the Group amounting to \$1,293,000 (2017: \$1,847,000) are held by banks as security for facilities granted to a subsidiary. Fixed deposits bear interest ranging from 0.6% to 2.57% (2017: 0.08% to 1.42%) per annum and for tenors ranging from 33 to 123 days (2017: 32 to 319 days).

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
31 December 2018

14 SHARE CAPITAL

	Group and Company					
	31.12.18	31.12.17	1.1.17	31.12.18	31.12.17	1.1.17
	Number of Ordinary Shares			\$'000	\$'000	\$'000
Issued and paid up:						
At beginning and end of financial year	35,099,132	35,099,132	35,099,132	58,366	58,366	58,366

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

15 DEFERRED TAX

	Group			Company		
	31.12.18	31.12.17	1.1.17	31.12.18	31.12.17	1.1.17
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At beginning of financial year	38	54	24	1	1	4
Charge (Write-back) during the financial year	10	(14)	28	-	-	(3)
Translation difference	1	(2)	2	-	-	-
At end of financial year	49	38	54	1	1	1

Deferred tax at 31 December related to the following:

<i>Deferred tax liabilities</i>						
Depreciation	49	38	54	1	1	1

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

16 TRADE AND OTHER PAYABLES

	Group			Company		
	31.12.18	31.12.17	1.1.17	31.12.18	31.12.17	1.1.17
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade creditors	6,813	11,328	18,472	22	31	42
Accrued expenses	1,061	1,105	1,396	629	607	586
Financial guarantee contracts	-	-	-	145	197	253
Foreign currency forward contracts	-	-	327	-	-	-
Sundry creditors	91	62	150	31	5	3
Amounts due to related parties						
- trade [Note 26(a)(ii)]	5,934	3,086	4,114	-	-	-
Amounts due to related parties						
- non-trade [Note 26(a)(ii)]	53	-	-	-	-	-
Progress billing to a related party [Note 26(a)(ii)]	-	552	108	-	-	-
Amount due to holding company - non-trade	-	17	-	-	17	-
Amount due to subsidiaries - non-trade (Notes 6 and 30)	-	-	-	13,252	256	208
	13,952	16,150	24,567	14,079	1,113	1,092

Trade creditors principally comprise amounts outstanding for trade purchases and ongoing costs. Trade payables are generally on 14 to 90 days (2017: 14 to 90 days) credit terms.

The amounts due to related parties, holding company and subsidiaries are unsecured, interest-free and repayable on demand.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

17 REVENUE

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major lines. This is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 (see Note 4).

A disaggregation of the Group's revenue for the financial year, for both continuing and discontinued operations, is as follows:

	Group	
	2018	2017
	\$'000	\$'000
<u>Segment revenue</u>		
Continuing operations		
Sale of products – commodities trading recognised at a point in time	136,379	121,066
Discontinued operation (Note 25)		
Sale of products – tyre distribution recognised at a point in time	-	5,238
Rendering of services – tyre distribution recognised over time	-	1,422
	-	6,660
Total	136,379	127,726

18 OTHER OPERATING INCOME

	Group	
	2018	2017
	\$'000	\$'000
Continuing operations		
Handling fee income [Note 26(a)(ii)]	-	181
Write-back of provision for retrenchment costs	27	-
Refund from insurance companies	12	-
Sundry income	19	-
	58	181
Discontinued operation (Note 25)		
Write-back of doubtful trade receivables	-	2
Sundry income	-	20
	-	22
Total	58	203

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
31 December 2018

19 OTHER OPERATING EXPENSES

	Group	
	2018	2017
	\$'000	\$'000
Continuing operations		
Foreign currency exchange loss	79	361
Others	1	-
	<u>80</u>	<u>361</u>
Discontinued operation (Note 25)		
Allowance for inventory obsolescence	-	5
Allowance for doubtful trade receivables	-	2
Foreign currency exchange loss	-	4
	<u>-</u>	<u>11</u>
Total	<u><u>80</u></u>	<u><u>372</u></u>

20 INTEREST INCOME

	Group	
	2018	2017
	\$'000	\$'000
Continuing operations		
Interest income:		
Bank deposits	63	33
Refundable trade deposit - related party [Note 26(a)(ii)]	519	473
Loan to a related party [Note 26(a)(ii)]	407	-
Overdue trade receivables		
- Related parties [Note 26(a)(ii)]	756	605
	<u>1,745</u>	<u>1,111</u>
Discontinued operation (Note 25)		
Interest income from bank deposits	-	1
Total	<u><u>1,745</u></u>	<u><u>1,112</u></u>

21 INTEREST EXPENSE

	Group	
	2018	2017
	\$'000	\$'000
Continuing operations		
Interest expense on bills payable	<u>40</u>	<u>1</u>

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

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22 INCOME TAX EXPENSE

	Group	
	2018	2017
	\$'000	\$'000
Continuing operations		
Income tax:		
Current financial year	274	-
Group relief	-	257
Withholding tax paid	65	42
Under (Over) provision in prior financial years	63	(57)
	<u>402</u>	<u>242</u>
Provision of deferred tax	10	2
	<u>412</u>	<u>244</u>
Discontinued operation		
Income tax:		
Group relief	-	(257)
Write-back of deferred tax	-	(16)
	<u>-</u>	<u>(273)</u>
Total	<u>412</u>	<u>(29)</u>

Reconciliations of the statutory income tax rate to the effective tax rate applicable to profit before tax are as follows:

	Group	
	2018	2017
	%	%
Domestic statutory tax rate	17.0	17.0
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1.7)	(1.5)
Under (Over) provision in prior financial years	2.7	(13.6)
Exempt income	(2.0)	-
Withholding tax paid	2.8	9.9
Expenses not deductible for tax purposes	2.9	12.7
Income capital in nature	(0.3)	(24.7)
Effect of tax concessions	(0.6)	-
Effect of productivity and innovation credit	-	(2.6)
Others	(3.0)	(4.2)
Effective tax rate	<u>17.8</u>	<u>(7.0)</u>

Domestic income tax is calculated at 17% (2017: 17%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

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22 INCOME TAX (CREDIT) EXPENSE (cont'd)

At 31 December 2018, the Group had unutilised tax losses and capital allowances of approximately \$8,836,000 (2017: \$8,922,000) and \$1,831,000 (2017: \$1,885,000) respectively available for offset against future taxable income, subject to the conditions imposed by law in the countries of incorporation where these companies operate.

Future tax benefits of \$1,813,000 (2017: \$1,820,000) arising from such unutilised tax losses and capital allowances have not been recognised as there is no reasonable certainty of their recovery in future periods.

23 PROFIT FOR THE FINANCIAL YEAR

The profit for the financial year has been arrived at after charging:

	Continuing operations		Discontinued operation		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Salaries and wages	1,513	1,708	-	1,094	1,513	2,802
Employer's contribution to defined contribution plans including Central Provident Fund	84	110	-	103	84	213
Employees benefit expenses (including directors' remuneration)	1,597	1,818	-	1,197	1,597	3,015
Remuneration paid or payable to:						
- Directors of the Company	920	723	-	-	920	723
- Key management personnel	471	531	-	226	471	757

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

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23 PROFIT FOR THE FINANCIAL YEAR (cont'd)

	Continuing operations		Discontinued operation		Total	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost of inventories included in cost of sales	-	-	-	5,706	-	5,706
Fees for audit services to:						
- Auditors of the Company	94	87	-	16	94	103
- Other auditors	9	7	-	2	9	9
Fees for non-audit services to:						
- Auditors of the Company	15	32	-	8	15	40
- Other auditors	22	17	-	1	22	18

The Audit and Risk Committee had undertaken a review of the non-audit services provided by the auditors, Deloitte & Touche LLP, Singapore and overseas practices of Deloitte Touche Tohmatsu Limited and in the opinion of the Audit and Risk Committee, these services would not affect the independence of the auditors.

The employees of SP Corporation Limited and its subsidiaries who are located in Singapore are members of a state-managed retirement benefit plan, the Central Provident Board Fund, operated by the Government of Singapore. The Company and its subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognised in profit or loss of \$84,000 (2017: \$213,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2018, contributions of \$13,000 (2017: \$21,000) due in respect of the current financial year had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

24 EARNINGS PER SHARE (CENTS)

Basic earnings per share is calculated by dividing the net profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year:

	Group 2018	2017
Net profit (loss) attributable to owners of the Company (\$'000)		
- Continuing operations	1,898	966
- Discontinued operation (Note 25)	-	(519)
- From continuing operations and discontinued operation	<u>1,898</u>	<u>447</u>
Weighted average number of ordinary shares in issue (in '000)	<u>35,099</u>	<u>35,099</u>
Basic earnings (loss) per share (cents)		
- Continuing operations	5.41	2.75
- Discontinued operation	-	(1.48)
- From continuing operations and discontinued operation	<u>5.41</u>	<u>1.27</u>

The Company has not granted options over shares. There are no dilutive potential ordinary shares.

25 DISCONTINUED OPERATION

On 25 July 2017, the Tyre Distribution business segment entered into Asset Sale and Purchase Agreements with related parties to dispose of certain assets in the Tyre Distribution business segment so as to enhance the Group's cash resources, improve the profitability and the balance sheet of the Group and allow it to conserve its resources for other working capital requirements.

The loss for the financial year from the discontinued operation was analysed as follows:

	Group 2017 \$'000
Loss of tyre distribution business for the financial year	(1,192)
Gain on disposal of tyre distribution business	<u>673</u>
	<u>(519)</u>

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

25 DISCONTINUED OPERATION (cont'd)

The results of the tyre distribution business for the financial year from 1 January 2017 to 31 December 2017 were as follows:

	Note	Group 2017 \$'000
Revenue	17	6,660
Cost of sales		(5,638)
Gross profit		<u>1,022</u>
Other operating income	18	22
Distribution costs		(1,575)
Administrative expenses		(924)
Other operating expenses	19	(11)
Interest income	20	<u>1</u>
Loss before tax		<u>(1,465)</u>
Income tax credit	22	<u>273</u>
Loss after tax for the financial year (attributable to owners of the Company)		<u><u>(1,192)</u></u>

In 2017, the tyre distribution business contributed to cash outflows of \$297,000 and \$61,000 in respect of the Group's net operating cash flows and investing activities, respectively.

	Group 2017 \$'000
Gain on disposal of tyre distribution business	
Consideration [Note 26(a)(ii)]	1,750
Net assets disposed of	(914)
Related expenses	(163)
	<u><u>673</u></u>

In 2017, \$873,000 of the consideration was offset against existing amounts due to the related parties. The balance consideration of \$877,000 (Notes 8 and 10), excluding \$15,000 goods and services tax, was expected to be received within one year. The gain on disposal of the tyre distribution business was recorded as part of loss for the financial year from discontinued operation in the statement of profit or loss and other comprehensive income.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2018

25 DISCONTINUED OPERATION (cont'd)

	Group 2017 \$'000
Net assets disposed of	
<i>Carrying amounts of net assets (at net book value) over which control was lost:</i>	
Plant and equipment	167
Inventories	745
Other receivables	2
	<u>914</u>
	Group 2017 \$'000
Related expenses	
Salaries and wages – staff termination costs	51
Inventories written off	31
Upkeep of office equipment	20
Allowance for doubtful trade receivables	5
Allowance for inventory obsolescence	1
Others	55
	<u>163</u>

26 RELATED PARTY AND RELATED COMPANY TRANSACTIONS

The Company's major shareholder is Tuan Sing Holdings Limited ("Tuan Sing"). Tuan Sing's major shareholder is Nuri Holdings (S) Pte Ltd ("Nuri"), incorporated in Singapore. Related parties are members in which the shareholders of Nuri and their family members have a controlling interest.

Related companies in these financial statements refer to members of the immediate holding company's group of companies (Note 1).

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless stated otherwise.

The Company has provided financial support to two of its subsidiaries for a period of twelve months from the end of the reporting period so as to enable the subsidiaries to continue to operate as a going concern and meet its contractual obligations when they fall due.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

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26 RELATED PARTY AND RELATED COMPANY TRANSACTIONS (cont'd)

(a) Transactions with related companies and related parties

During the financial year, the following significant transactions with related companies and related parties were carried out in the normal course of business based on terms agreed between the parties:

	Group	
	2018	2017
	\$'000	\$'000
(i) Tuan Sing Holdings Limited and subsidiaries		
Rental expense	-	25
Management fee expense	150	150
(ii) Related parties		
Sales of goods and services	(42,888)	(61,307)
Purchases of goods	95,390	68,163
Interest income from placement of refundable trade deposit	(519)	(473)
Interest income from overdue trade receivables	(756)	(605)
Interest income from loan	(407)	-
Handling fee income	-	(181)
Consideration for disposal of tyre distribution business	-	(1,750)
Progress billing on order placement	-	552
Placement of refundable trade deposit	8,215	8,073
Loan	20,000	-

The Group is reliant on two related parties for the supply of 100% (2017: 100%) of its coal within its Commodities Trading business segment and another two related parties for the supply of 96% of its tyres within its Tyre Distribution business segment in 2017. The Group supplies 100% (2017: 100%) of its rubber products within its Commodities Trading segment to one customer (2017: two customers) who are related parties, but were previously classified as third party customers. Accordingly, \$60,611,000 sales to these two related parties for the financial year ended 31 December 2016 has been included in the comparative figure of "Sales of goods and services - related parties" in the previous financial statements. Sales to these two related parties for the financial year ended 31 December 2017 amounted to \$43,853,000.

The amounts outstanding are unsecured and will be settled in cash. No expense has been recognised during the financial year for bad or doubtful debts in respect of the amounts owed by related parties.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2018

26 RELATED PARTY AND RELATED COMPANY TRANSACTIONS (cont'd)

(b) Compensation of Directors and key management personnel

The remuneration of Directors and key management personnel during the financial year were as follows:

	Group	
	2018	2017
	\$'000	\$'000
Short-term benefits	1,346	1,412
Post-employment benefits	45	68
	<u>1,391</u>	<u>1,480</u>

The remuneration of Directors and key management personnel are determined by the Remuneration Committee having regard to the performance of individuals and market trends.

27 COMMITMENTS

(a) Operating lease arrangements

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Rental expense - operating lease in respect of rental of office premises, warehouse and workshops	293	519	231	199

The commitments in respect of non-cancellable operating leases contracted for but not recognised as liabilities are payable as follows:

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Within one year	195	177	131	100
After one year but not more than five years	160	272	-	-
	<u>355</u>	<u>449</u>	<u>131</u>	<u>100</u>

The Group leases office premises and a warehouse under non-cancellable operating lease agreements. The leases have varying terms and renewal rights. The leases are negotiated for a term of 1 to 5 years (2017: 2 to 5 years) with rentals fixed for 1 to 5 years (2017: 2 to 5 years).

SP CORPORATION LIMITED AND ITS SUBSIDIARIES**NOTES TO FINANCIAL STATEMENTS****31 December 2018****27 COMMITMENTS (cont'd)****(b) Derivative financial instruments**

The Group utilises currency derivatives to hedge significant future transactions and cash flows.

At the end of the reporting period, the total notional amount of outstanding foreign currency forward contracts to which the Group is committed are as follows:

	31.12.18 \$'000	Group 31.12.17 \$'000	1.1.17 \$'000
Foreign currency forward contracts	-	8,400	15,000

The change in the fair value of non-hedging currency derivative has been charged to profit or loss in the financial year.

28 CONTINGENT LIABILITIES

	31.12.18 \$'000	Group 31.12.17 \$'000	1.1.17 \$'000	31.12.18 \$'000	Company 31.12.17 \$'000	1.1.17 \$'000
Financial guarantees to banks for facilities granted to a subsidiary	-	-	-	37,709	45,468	61,208

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
31 December 2018

29 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	31.12.18	Group	1.1.17	31.12.18	Company	1.1.17
	\$'000	31.12.17	\$'000	\$'000	31.12.17	\$'000
		\$'000			\$'000	
<i>Financial Assets</i>						
<u>Loan and receivables at amortised cost</u>						
Trade and other receivables	37,036	44,039	51,901	20,831	6,701	19,262
Less : Prepayments	(61)	(48)	(115)	(38)	(38)	(41)
Foreign currency forward contracts	-	(19)	-	-	-	-
Advance to a supplier	-	(521)	(103)	-	-	-
Advance to a related party	-	-	(3,476)	-	-	-
Loan to a related party	20,000	-	-	-	-	-
	56,975	43,451	48,207	20,793	6,663	19,221
Cash and bank balances	10,460	22,684	24,826	903	1,739	2,449
	67,435	66,135	73,033	21,696	8,402	21,670

Derivative instruments not designated in hedge accounting relationships

Foreign currency forward contracts	-	19	-	-	-	-
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	31.12.18	Group	1.1.17	31.12.18	Company	1.1.17
	\$'000	31.12.17	\$'000	\$'000	31.12.17	\$'000
		\$'000			\$'000	
<i>Financial Liabilities</i>						
<u>Amortised cost</u>						
Trade and other payables	13,952	16,150	24,567	14,079	1,113	1,092
Less : Foreign currency forward contracts	-	-	(327)	-	-	-
Progress billing to a related party	-	(552)	(108)	-	-	-
	13,952	15,598	24,132	14,079	1,113	1,092

Derivative instruments not designated in hedge accounting relationships

Foreign currency forward contracts	-	-	327	-	-	-
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SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
31 December 2018

29 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) Financial instruments subject to offsetting, enforceable master netting arrangement and similar agreements (cont'd)

<i>Financial assets</i>						
	(a)	(b)	(c) = (a) – (b)	(d)	(e) = (c) + (d)	
				<i>Related amounts not set off in the statement of financial position</i>		
<i>Type of financial asset</i>	<i>Gross amounts of recognised financial asset</i>	<i>Gross amounts of recognised financial liability set off in the statement of financial position</i>	<i>Net amounts of financial asset presented in the statement of financial position</i>	<i>Financial instruments</i>	<i>Cash collateral received</i>	<i>Net amount</i>
<i>31 December 2018</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<i>Amounts due from related parties (Trade) (Note 9)</i>	-	-	-	-	-	-
<i>Amounts due from related parties (Non-trade) (Note 10)</i>	888	744	144	-	-	144
<i>Total</i>	888	744	144	-	-	144

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
31 December 2018

29 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) Financial instruments subject to offsetting, enforceable master netting arrangement and similar agreements (cont'd)

<i>Financial liabilities</i>						
	(a)	(b)	(c) = (a) – (b)	(d)		(e) = (c) + (d)
				<i>Related amounts not set off in the statement of financial position</i>		
<i>Type of financial liability</i>	<i>Gross amounts of recognised financial liability</i>	<i>Gross amounts of recognised financial asset set off in the statement of financial position</i>	<i>Net amounts of financial liability presented in the statement of financial position</i>	<i>Financial instruments</i>	<i>Cash collateral received</i>	<i>Net amount</i>
<i>31 December 2018</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<i>Amount due to related parties (Trade) (Note 16)</i>	-	-	-	-	-	-
<i>Amount due to related parties (Non-trade) (Note 16)</i>	797	744	53	-	-	53
<i>Total</i>	<i>797</i>	<i>744</i>	<i>53</i>	<i>-</i>	<i>-</i>	<i>53</i>

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
31 December 2018

29 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) Financial instruments subject to offsetting, enforceable master netting arrangement and similar agreements (cont'd)

<i>Financial assets</i>						
	(a)	(b)	(c) = (a) – (b)	(d)		(e) = (c) + (d)
				<i>Related amounts not set off in the statement of financial position</i>		
<i>Type of financial asset</i>	<i>Gross amounts of recognised financial asset</i>	<i>Gross amounts of recognised financial liability set off in the statement of financial position</i>	<i>Net amounts of financial asset presented in the statement of financial position</i>	<i>Financial instruments</i>	<i>Cash collateral received</i>	<i>Net amount</i>
<i>31 December 2017</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<i>Amounts due from related parties (Trade) (Note 9)</i>	93	93	-	-	-	-
<i>Amounts due from related parties (Non-trade) (Note 10)</i>	1,618	874	744	-	-	744
<i>Total</i>	<i>1,711</i>	<i>967</i>	<i>744</i>	<i>-</i>	<i>-</i>	<i>744</i>

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
31 December 2018

29 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) Financial instruments subject to offsetting, enforceable master netting arrangement and similar agreements (cont'd)

<i>Financial liabilities</i>						
	(a)	(b)	(c) = (a) - (b)	(d)		(e) = (c) + (d)
				<i>Related amounts not set off in the statement of financial position</i>		
<i>Type of financial liability</i>	<i>Gross amounts of recognised financial liability</i>	<i>Gross amounts of recognised financial asset set off in the statement of financial position</i>	<i>Net amounts of financial liability presented in the statement of financial position</i>	<i>Financial instruments</i>	<i>Cash collateral received</i>	<i>Net amount</i>
<i>31 December 2017</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<i>Amount due to related parties (Trade) (Note 16)</i>	912	912	-	-	-	-
<i>Amount due to related parties (Non-trade) (Note 16)</i>	55	55	-	-	-	-
<i>Total</i>	967	967	-	-	-	-

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

29 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) Financial instruments subject to offsetting, enforceable master netting arrangement and similar agreements (cont'd)

As at 1 January 2017, the Group and the Company do not have any financial instruments which are subject to enforceable master netting arrangements or similar nettings agreements.

(c) Financial risk management policies and objectives (cont'd)

The Group has documented its financial risk management framework. The Group's risk framework has formal, systematic and comprehensive guidelines and rules to identify and manage significant risks that might affect the achievement of its business objectives. The Group's overall risk management framework seeks to minimise potential adverse effects on financial performance of the Group.

Risk management is carried out by the Company and the respective subsidiaries and business units under the policies formulated by the Company and approved by the Company's Board of Directors.

The Group's activities expose it to a variety of financial risks - market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise potential adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Group's financial instruments comprise borrowings in the form of bills payable, cash and liquid resources, trade and other receivables, trade and other payables that arise directly from its operations. The main purpose of these financial instruments is to maintain adequate finance for the Group's operations. The main risks arising from the Group's financial instruments are currency risk, price risk, interest rate risk, credit risk and liquidity risk.

The Group manages its exposure to currency and interest rate risks by using a variety of techniques and instruments. Natural hedging is preferred by matching assets and liabilities of the same currency. Derivative financial instruments are only used where it is necessary to reduce exposure to fluctuations in foreign exchange.

The Group does not contract for derivative financial instruments for speculative purposes.

There has been no major change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk during the financial year. Market risk exposures are measured using sensitivity analysis indicated below.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

29 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(i) Currency risk management

The Group's businesses are mainly in Singapore, China including Hong Kong, and Indonesia. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies") such as the Singapore dollar ("SGD"), Malaysian ringgit ("MYR") and United States dollar ("USD"). Currency risk arises when transactions are denominated in foreign currencies.

The Group's exposure to currency translation risk on the net assets in foreign operations is limited to the net assets of these operations. The risk is not hedged as such investments are considered to be long-term in nature.

The primary purpose of the Group's currency hedging activities is to protect against the effect of volatility in foreign currency exchange rates on foreign currency denominated assets and liabilities arising in the normal course of business. As far as possible, the Group relies on natural hedges of matching foreign currency denominated assets and liabilities of the same currency.

The Group uses foreign currency forward contracts to hedge its foreign currency risk and enters into forward exchange contracts with maturities of less than twelve months. Further details on the foreign currency forward contracts can be found in Notes 27(b) and 29(c)(v) to the financial statements.

Currency risk exposure

The Group's currency exposures for amounts not denominated in the respective functional currencies of the Company and the subsidiaries are as follows:

<i>SGD equivalent</i>	USD \$'000	SGD \$'000	Others \$'000	Total \$'000
Group				
At 31 December 2018				
Financial assets				
Cash and bank balances	396	494	89	979
Trade and other receivables	-	11,791	76	11,867
Financial liabilities				
Trade and other payables	(97)	(22,863)	(60)	(23,020)
Net financial liabilities	299	(10,578)	105	(10,174)
Less: Foreign currency forward contracts	-	-	-	-
Currency exposure	299	(10,578)	105	(10,174)

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
31 December 2018

29 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(i) Currency risk management (cont'd)

Currency risk exposure (cont'd)

<i>SGD equivalent</i>	USD \$'000	SGD \$'000	Others \$'000	Total \$'000
Group				
At 31 December 2017				
Financial assets				
Cash and bank balances	620	350	30	1,000
Trade and other receivables	-	63	77	140
Financial liabilities				
Trade and other payables	(42)	(8,596)	-	(8,638)
Net financial liabilities	578	(8,183)	107	(7,498)
Less: Foreign currency forward contracts	-	8,400	-	8,400
Currency exposure	578	217	107	902
 <i>SGD equivalent</i>	 USD \$'000	 SGD \$'000	 Others \$'000	 Total \$'000
Group				
At 1 January 2017				
Financial assets				
Cash and bank balances	2,105	230	18	2,353
Trade and other receivables	1,495	39	96	1,630
Financial liabilities				
Trade and other payables	(828)	(20,495)	(121)	(21,444)
Net financial liabilities	2,772	(20,226)	(7)	(17,461)
Less: Foreign currency forward contracts	-	15,000	-	15,000
Currency exposure	2,772	(5,226)	(7)	(2,461)

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

29 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(i) *Currency risk management (cont'd)*

Currency risk exposure (cont'd)

The Company's functional currency is Singapore dollar. Except for cash and bank balances of \$74,000 (2017: \$73,000) which are denominated in USD, there is no other currency exposure risk. The Company has relied on natural hedges of matching USD assets and liabilities with entities within the Group and accordingly, there was insignificant USD currency risk exposure as at 31 December 2018.

Currency sensitivity analysis

The following table details the sensitivity to a 10% increase and decrease in the exchange rate of the relevant foreign currencies against the functional currency of each group entity. The magnitude represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts the translated amount at the period end for a 10% change in foreign currency rate. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact on the Group's profit or loss and/or equity.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
31 December 2018

29 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(i) Currency risk management (cont'd)

If the relevant foreign currency strengthens by 10% against the functional currency of each group entity, profit will increase (decrease) by:

	USD impact		SGD impact		Other currency impact	
	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>SGD equivalent</i>						
Group						
Profit or loss	30	58	277	22	11	11
			(1,058)		(523)	(1)

Company

Profit or loss	7	7	152	-	-	-
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If the relevant foreign currency weakens by 10% against the functional currency of each group entity, profit will increase (decrease) by:

	USD impact		SGD impact		Other currency impact	
	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>SGD equivalent</i>						
Group						
Profit or loss	(30)	(58)	(277)	(22)	(11)	1

Company

Profit or loss	(7)	(7)	(152)	-	-	-
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SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2018

29 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(ii) Price risk management

Due to the nature of the Group's operations, performance of a subsidiary in the Group who trade in aluminium, coal, rubber and steel wire rods are susceptible to changes in prices of these commodities. The Group has not entered into any hedging arrangements and at present is not hedged against price risks arising from these commodities. As far as possible, the Group adopts natural hedging by making purchases only when there is a sales demand.

Pricing sensitivity analysis

No sensitivity analysis is prepared as the Group does not expect any material effect on the Group's profit or loss arising from the effects of reasonably possible changes to price at the end of the reporting period as the Group adopts natural hedging by making purchases only when there is a sales demand.

(iii) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group mainly uses trade financing for funding. The Group's interest management policy is aimed at optimising net interest cost and reducing volatility in finance cost. A summary of quantitative data of the Group's interest-bearing financial instruments can be found in Note 29(c)(v).

Interest rate sensitivity analysis

No sensitivity analysis is prepared as the Group does not expect any material effect on the Group's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the reporting period.

(iv) Credit risk management

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group manages these risks by monitoring credit-worthiness and limiting the aggregate risk to any individual counterparty. Therefore, the Group does not expect to incur material credit losses on its financial instruments.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

29 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iv) Credit risk management (cont'd)

The Group develops and maintains its credit risk gradings to categorise exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is 30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is 90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the group has no realistic prospect of recovery.	Amount is written off

The assessment of the credit quality and exposure to credit risk of the Group's trade and other receivables have been disclosed in Notes 9 and 10 respectively.

The tables below detail the credit quality of the Group's financial assets, as well as maximum exposure to credit risk by credit risk rating grades:

Group	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
31 December 2018				\$'000	\$'000	\$'000
Trade receivables	9	(I)	Lifetime ECL (simplified approach)	27,766	-	27,766
Other receivables	10	(I)	Lifetime ECL (simplified approach)	994	-	994
Refundable trade deposit with related party	8	Performing	12-month ECL	8,215		8,215
Loan to a related party	11	Performing	12-month ECL	20,000	-	20,000
					<u>-</u>	

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
31 December 2018

29 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iv) Credit risk management (cont'd)

<u>Group</u>	<u>Note</u>	<u>Internal credit rating</u>	<u>12-month or lifetime ECL</u>	<u>Gross carrying amount</u>	<u>Loss allowance</u>	<u>Net carrying amount</u>
<u>31 December 2017</u>				<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Trade receivables	9	(i)	Lifetime ECL (simplified approach)	34,117	-	34,117
Other receivables	10	(i)	Lifetime ECL (simplified approach)	1,261	-	1,261
Refundable trade deposit with related party	8	Performing	12-month ECL	8,073	-	8,073
					<u>-</u>	
<u>Group</u>	<u>Note</u>	<u>Internal credit rating</u>	<u>12-month or lifetime ECL</u>	<u>Gross carrying amount</u>	<u>Loss allowance</u>	<u>Net carrying amount</u>
<u>1 January 2017</u>				<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Trade receivables	9	(i)	Lifetime ECL (simplified approach)	39,026	-	39,026
Other receivables	10	(i)	Lifetime ECL (simplified approach)	492	-	492
Refundable trade deposit with related party	8	Performing	12-month ECL	8,689	-	8,689
					<u>-</u>	
<u>Company</u>	<u>Note</u>	<u>Internal credit rating</u>	<u>12-month or lifetime ECL</u>	<u>Gross carrying amount</u>	<u>Loss allowance</u>	<u>Net carrying amount</u>
<u>31 December 2018</u>				<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Other receivables	10	Performing	12-month ECL	20,793	-	20,793
<u>31 December 2017</u>						
Other receivables	10	Performing	12-month ECL	6,663	-	6,663
<u>1 January 2017</u>						
Trade receivables	9	(i)	Lifetime ECL (simplified approach)	457	-	457
Other receivables	10	Performing	12-month ECL	18,764	-	18,764
					<u>-</u>	

- (i) For trade and other receivables, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Note 9 includes further details on the loss allowance for these trade receivables.

The maximum amount the Group could be forced to settle under the financial guarantee contracts in Note 28, if the full guaranteed amount is claimed by the counterparty to the guarantee is \$37,709,000 (2017: \$45,468,000). Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2018

29 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iv) Credit risk management (cont'd)

Other than as disclosed in the financial statements, there was no significant concentration of credit risk at the end of the reporting period. The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses and the exposure to defaults from financial guarantees above, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Other receivables in Note 10 are mainly derived from Singapore and Indonesia.

The refundable trade deposit and advances in Note 8 are derived from Singapore, China and Indonesia.

The credit risk for trade receivables by geographical areas is as follows:

	31.12.2018 \$'000	Group 31.12.2017 \$'000	1.1.2017 \$'000
<u>By geographical areas</u>			
Singapore	18,890	23,718	26,750
Indonesia	8,875	10,394	8,323
China including Hong Kong	-	-	3,416
Malaysia	1	5	210
Other ASEAN countries	-	-	1
Others	-	-	326
	<u>27,766</u>	<u>34,117</u>	<u>39,026</u>

(v) Liquidity risk management

The Group adopts prudent liquidity risk management by maintaining sufficient cash and cash equivalents and internally generated cash flows to finance its activities.

Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping adequate committed credit facilities available.

The Group's and Company's non-derivative financial assets and liabilities as disclosed in Note 29(a), are due within one year from the end of the reporting period.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
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29 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

Liquidity and interest risk analyses

Derivative financial instruments

The following table details the liquidity analysis for derivative financial instruments. The table has been drawn up based on the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement.

<u>Group</u>	On demand or within 1 year \$'000	Within 2 to 5 years \$'000	After 5 years \$'000	Total \$'000
<i>Gross settled:</i>				
Foreign currency forward contracts				
Gross inflow (outflow)				
31 December 2018	-	-	-	-
31 December 2017	19	-	-	19
1 January 2017	(327)	-	-	(327)

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

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29 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(vi) *Fair value of financial assets and financial liabilities*

As at the end of the reporting period, the Group's and the Company's carrying amounts of cash and bank balances, trade and other receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The fair value of the foreign currency forward contracts is measured based on Level 2. The valuation technique applied is discounted cash flow and key inputs are future cash flows which are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year.

(d) Capital management policies and objectives

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. The capital structure of the Group consists of equity attributable to owners of the Company, in the form of issued capital, translation reserve and accumulated losses as disclosed in the statement of changes in equity, and limited borrowing.

The Group monitors capital based on a debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt less cash and bank balances. Adjusted capital comprises all components of equity. The Group's overall strategy remains unchanged from 2017.

The Group is not subject to any externally imposed capital requirement.

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2018

30 LIST OF SUBSIDIARIES

Name of subsidiary and country of incorporation/operation	Principal activities	Interest and voting power held by the Group		
		31.12.2018 %	31.12.2017 %	1.1.2017 %
SP Resources International Pte. Ltd. (Singapore) ^(a)	Trading and marketing of industrial products	100	100	100
SP Global International Pte. Ltd. (Singapore) ^(a)	Distribution of consumer products	100	100	100
Globaltraco International Pte Ltd (Singapore) ^(a)	Distribution of tyres	100	100	100
SP Performance Pte. Ltd. (Singapore) ^(a)	Investment holding	100	100	100
Performance Retreads Sdn. Bhd. (Malaysia) ^(b)	Retreading of tyres	100	100	100
SP Energy Pte. Ltd. (Singapore) ^(a)	Investment holding	100	100	100
SP Mining & Engineering Pte. Ltd. (Singapore) ^(a)	Investment holding	100	100	100
PT. SP Mining & Engineering (Indonesia) ^(c)	Engineering contractor	100	100	100
SP Global Hong Kong Limited (Hong Kong) ^(d)	Investment holding	100	-	-

(a) Audited by Deloitte & Touche LLP, Singapore.

(b) Audited by overseas practices of Deloitte Touche Tohmatsu Limited in Malaysia.

(c) Audited by member firm of BDO International Limited in Indonesia.

(d) Not material to the results of the Group

SP CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2018

30 LIST OF SUBSIDIARIES (cont'd)

Compliance with Rule 1207(6) of the SGX-ST Listing Manual

The Board of Directors and the Audit and Risk Committee, having reviewed the adequacy of the resources and experience of Deloitte & Touche LLP, the audit engagement partner assigned to the audit, their other audit engagements, the size and complexity of the Group, and the number and experience of supervisory and professional staff assigned to the audit, were satisfied that the Group had complied with Rules 712 and 715 of the SGX-ST Listing Manual.

31 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK

The Group and the Company adopted the new financial reporting framework – Singapore Financial Reporting Standards (International) ("SFRS(I)") for the first time for financial year ended 31 December 2018 and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied in the first set of SFRS(I) financial statements. SFRS(I) is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

As a first-time adopter of SFRS(I), the Group and the Company have applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (31 December 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ended 31 December 2018, an additional opening statement of financial position as at date of transition (1 January 2017) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts are not presented for equity as at date of transition (1 January 2017) and as at end of last financial period under FRS (31 December 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended 31 December 2017) as there were no changes compared to amounts previously reported.

There are no change to the Group's and the Company's previous accounting policies under FRS or material adjustments on the initial transition to the new framework as (i) management has not elected to take up any transition exemptions under SFRS(I) 1, (ii) the application of the SFRS(I) 9 impairment requirements has not resulted in additional loss allowance to be recognised, and (iii) no changes to the revenue recognition policy was assessed to be required upon application of SFRS(I) 15.