

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

**REPORT OF THE DIRECTORS  
AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR  
ENDED 31 DECEMBER 2013**

**SP Corporation Limited And Subsidiaries**

**Report of the Directors and Financial Statements**

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## SP Corporation Limited And Subsidiaries

### Report of the Directors

The Directors present their report to the members 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 2013.

#### 1 Directors

The Directors of the Company in office at the date of this report are:

Mr Peter Sung

Mr Boediman Gozali (alias Tony Wu)

Mr Cheng Hong Kok

Mr Chong Chou Yuen

Mr Liem Chin Chiang

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 or Debentures

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in 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 and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

|                                   | <u>Direct Interest</u> |                  | <u>Deemed Interest</u> |                  |
|-----------------------------------|------------------------|------------------|------------------------|------------------|
|                                   | As at                  | As at            | As at                  | As at            |
|                                   | 1 January 2013         | 31 December 2013 | 1 January 2013         | 31 December 2013 |
| <b>Related Corporation</b>        |                        |                  |                        |                  |
| <b>Tuan Sing Holdings Limited</b> |                        |                  |                        |                  |
| <b>Ordinary Shares</b>            |                        |                  |                        |                  |

Mr Liem Chin Chiang

10,000

10,000

-

-

There was no change in the above-mentioned Director's interests between the end of the financial year and 21 January 2014.

#### 4 Directors' Receipt and Entitlement to Contractual Benefits

Since the beginning of the financial year, no Director has received or has become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain Directors received remuneration from related corporations in their capacities as directors and/or executives of those related corporations.

## **5 Share Options**

### **(a) Option to take up unissued shares**

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

### **(b) Options exercised**

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.

### **(c) Unissued shares under option**

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

## **6 Audit Committee**

The Audit Committee of the Company, consists of these three non-executive directors, two of whom are independent directors. At the date of this report, the members of the Audit Committee are:

|                              |                                     |
|------------------------------|-------------------------------------|
| Mr Cheng Hong Kok (Chairman) | (Independent and Non-Executive)     |
| Mr Chong Chou Yuen           | (Non-Independent and Non-Executive) |
| Mr Tan Lye Huat              | (Independent and Non-Executive)     |

The Audit Committee performed the functions specified in Section 201B(5) of the Singapore Companies Act and the Singapore Code of Corporate Governance.

The Audit Committee met four times during the financial year and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

- (a) The audit plans 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 and the statement of financial position and statement of changes in equity of the Company before their submission to the directors of the Company and 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 co-operation and assistance given by management to the Group's external auditors; and
- (f) The re-appointment of the external auditors of the Group.

The Audit 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 Committee.

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

**7 Auditors**

The 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)**  
Chief Executive Officer

28 January 2014

**SP Corporation Limited And Subsidiaries**

**Statement of Directors**

In the opinion of the Directors, 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 7 to 47 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and 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.

ON BEHALF OF THE DIRECTORS



**Peter Sung**  
Chairman



**Boediman Gozali (alias Tony Wu)**  
Chief Executive Officer

28 January 2014

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SP CORPORATION LIMITED**

### **Report on the Financial Statements**

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 2013, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 47.

### **Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the 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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

## 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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

*Deloitte & Touche* up  
Public Accountants and  
Chartered Accountants  
Singapore

28 January 2014



**SP Corporation Limited And Subsidiaries**

**Statements of Financial Position  
As at 31 December 2013**

|   |             | <b>Group</b>           |                        | <b>Company</b>         |                        |
|---|-------------|------------------------|------------------------|------------------------|------------------------|
|   | <b>Note</b> | <b>2013<br/>\$'000</b> | <b>2012<br/>\$'000</b> | <b>2013<br/>\$'000</b> | <b>2012<br/>\$'000</b> |
| <b><u>Assets</u></b>  |             |                        |                        |                        |                        |
| <b>Non-current assets</b>                                   |             |                        |                        |                        |                        |
| Plant and equipment   | 5           | 436                    | 214                    | 120                    | 26                     |
| Investments in subsidiaries                                 | 6           | -                      | -                      | 17,216                 | 17,132                 |
| Total non-current assets                                    |             | <u>436</u>             | <u>214</u>             | <u>17,336</u>          | <u>17,158</u>          |
| <b>Current assets</b>                                       |             |                        |                        |                        |                        |
| Inventories   | 7           | 1,747                  | 1,724                  | -                      | -                      |
| Trade receivables, other receivables and refundable deposit | 8           | 44,366                 | 50,335                 | 14,330                 | 12,591                 |
| Cash and bank balances                                      | 11          | 24,736                 | 17,616                 | 5,954                  | 6,940                  |
| Total current assets  |             | <u>70,849</u>          | <u>69,675</u>          | <u>20,284</u>          | <u>19,531</u>          |
| <b>Total assets</b>   |             | <u>71,285</u>          | <u>69,889</u>          | <u>37,620</u>          | <u>36,689</u>          |
| <b><u>Equity and Liabilities</u></b>                        |             |                        |                        |                        |                        |
| <b>Equity</b>   |             |                        |                        |                        |                        |
| Share capital   | 12          | 58,366                 | 58,366                 | 58,366                 | 58,366                 |
| Translation account   | 2(u)        | (1,459)                | (2,175)                | -                      | -                      |
| Accumulated losses  |             | <u>(12,409)</u>        | <u>(14,812)</u>        | <u>(22,103)</u>        | <u>(23,746)</u>        |
| Total equity  |             | <u>44,498</u>          | <u>41,379</u>          | <u>36,263</u>          | <u>34,620</u>          |
| <b>Non-current liability</b>                                |             |                        |                        |                        |                        |
| Deferred tax  | 13          | <u>35</u>              | <u>29</u>              | <u>13</u>              | <u>4</u>               |
| <b>Current liabilities</b>                                  |             |                        |                        |                        |                        |
| Trade and other payables                                    | 14          | 26,339                 | 27,827                 | 1,334                  | 1,889                  |
| Income tax payable  |             | <u>413</u>             | <u>654</u>             | <u>10</u>              | <u>176</u>             |
| Total current liabilities                                   |             | <u>26,752</u>          | <u>28,481</u>          | <u>1,344</u>           | <u>2,065</u>           |
| <b>Total equity and liabilities</b>                         |             | <u>71,285</u>          | <u>69,889</u>          | <u>37,620</u>          | <u>36,689</u>          |

See accompanying notes to financial statements.

**SP Corporation Limited And Subsidiaries**

**Consolidated Statement of Profit or Loss  
For the financial year ended 31 December 2013**

|   |             | <b>Group</b>           |                        |
|---|-------------|------------------------|------------------------|
|   | <b>Note</b> | <b>2013<br/>\$'000</b> | <b>2012<br/>\$'000</b> |
| <b>Revenue</b>                                      | 15          | 152,591                | 173,311                |
| <b>Cost of sales</b>                                |             | <u>(143,698)</u>       | <u>(163,956)</u>       |
| <b>Gross profit</b>                                 |             | 8,893                  | 9,355                  |
| Other operating income                              | 16          | 95                     | 32                     |
| Distribution costs                                  |             | (2,591)                | (2,300)                |
| Administrative expenses                             |             | (4,229)                | (4,945)                |
| Other operating expenses                            | 17          | (194)                  | (474)                  |
| Finance income                                      | 18          | 575                    | 839                    |
| Finance costs                                       | 19          | <u>-</u>               | <u>(38)</u>            |
| <b>Profit before tax</b>                            |             | 2,549                  | 2,469                  |
| Income tax expense                                  | 20          | <u>(146)</u>           | <u>(357)</u>           |
| <b>Profit for the financial year</b>                | 21          | <u>2,403</u>           | <u>2,112</u>           |
| <b>Profit attributable to Owners of the Company</b> |             | <u>2,403</u>           | <u>2,112</u>           |
| <b>Earnings per share (cent)</b>                    |             |                        |                        |
| Basic   | 22          | <u>0.68</u>            | <u>0.60</u>            |
| Diluted   | 22          | <u>0.68</u>            | <u>0.60</u>            |

See accompanying notes to financial statements.

**SP Corporation Limited And Subsidiaries**

**Consolidated Statement of Profit or Loss and Other Comprehensive Income  
For the financial year ended 31 December 2013**

|   | <b>Group</b>  |               |
|---|---------------|---------------|
|   | <b>2013</b>   | <b>2012</b>   |
|   | <b>\$'000</b> | <b>\$'000</b> |
| <b>Profit for the financial year</b>  | <u>2,403</u>  | <u>2,112</u>  |
| <b>Other comprehensive income for the financial year:</b>                         |               |               |
| <i>Items that may be reclassified subsequently to profit or loss</i>              |               |               |
| Exchange differences on translation of foreign operations                         | 670           | (896)         |
| Translation account reclassified to profit or loss on liquidation of a subsidiary | <u>46</u>     | <u>-</u>      |
|   | 716           | (896)         |
| <b>Total comprehensive income for the financial year</b>                          | <u>3,119</u>  | <u>1,216</u>  |
| <b>Total comprehensive income attributable to Owners of the Company</b>           | <u>3,119</u>  | <u>1,216</u>  |

See accompanying notes to financial statements.

**SP Corporation Limited And Subsidiaries**

**Statements of Changes in Equity  
For the financial year ended 31 December 2013**

|   | <b>Share<br/>Capital<br/>\$'000</b> | <b>Translation<br/>Account<br/>\$'000</b> | <b>Accumulated<br/>Losses<br/>\$'000</b> | <b>Total<br/>Equity<br/>\$'000</b> |
|---|-------------------------------------|---|--|------------------------------------|
| <b><u>Group</u></b>   |                                     |   |  |                                    |
| <b>At 1 January 2013</b>  | 58,366                              | (2,175)                                   | (14,812)                                 | 41,379                             |
| <i>Total comprehensive income for the financial year</i>                                      |                                     |   |  |                                    |
| Profit for the financial year   | -                                   | -   | 2,403                                    | 2,403                              |
| Other comprehensive income for the financial year   | -                                   | 716                                       | -  | 716                                |
| <b>At 31 December 2013</b>  | <b>58,366</b>                       | <b>(1,459)</b>                            | <b>(12,409)</b>                          | <b>44,498</b>                      |
| <b>At 1 January 2012</b>  | 58,366                              | (1,279)                                   | (16,924)                                 | 40,163                             |
| <i>Total comprehensive income for the financial year</i>                                      |                                     |   |  |                                    |
| Profit for the financial year   | -                                   | -   | 2,112                                    | 2,112                              |
| Other comprehensive income for the financial year   | -                                   | (896)                                     | -  | (896)                              |
| <b>At 31 December 2012</b>  | <b>58,366</b>                       | <b>(2,175)</b>                            | <b>(14,812)</b>                          | <b>41,379</b>                      |
| <b><u>Company</u></b>   |                                     |   |  |                                    |
| <b>At 1 January 2013</b>  | 58,366                              | -   | (23,746)                                 | 34,620                             |
| Profit for the financial year, representing total comprehensive income for the financial year | -                                   | -   | 1,643                                    | 1,643                              |
| <b>At 31 December 2013</b>  | <b>58,366</b>                       | <b>-</b>                                  | <b>(22,103)</b>                          | <b>36,263</b>                      |
| <b>At 1 January 2012</b>  | 58,366                              | -   | (26,964)                                 | 31,402                             |
| Profit for the financial year, representing total comprehensive income for the financial year | -                                   | -   | 3,218                                    | 3,218                              |
| <b>At 31 December 2012</b>  | <b>58,366</b>                       | <b>-</b>                                  | <b>(23,746)</b>                          | <b>34,620</b>                      |

See accompanying notes to financial statements.

**SP Corporation Limited And Subsidiaries**

**Consolidated Statement of Cash Flows**  
**For the financial year ended 31 December 2013**

|  | <b>Group</b>  |                |
|--|---------------|----------------|
|  | <b>2013</b>   | <b>2012</b>    |
|  | <b>\$'000</b> | <b>\$'000</b>  |
| <b>Operating Activities</b>  |               |                |
| Profit before tax  | 2,549         | 2,469          |
| Adjustments for:   |               |                |
| Depreciation of plant and equipment  | 135           | 207            |
| (Gain) Loss on disposal of plant and equipment, net                                | (2)           | 142            |
| Plant and equipment written off  | 2             | 148            |
| (Write back) Allowance for doubtful trade receivables, net                         | (44)          | 62             |
| Allowance of inventory obsolescence, net   | 18            | 15             |
| Inventories written off  | 2             | 16             |
| Interest expense   | -             | 38             |
| Interest income  | (575)         | (839)          |
| Loss on liquidation of a subsidiary  | 46            | -              |
| <b>Operating cash flows before movements in working capital</b>                    | <b>2,131</b>  | <b>2,258</b>   |
| Inventories  | (43)          | 426            |
| Trade receivables, other receivables and refundable deposit                        | 5,098         | 11,973         |
| Restricted bank balances   | 1,712         | 1,194          |
| Trade and other payables   | (1,481)       | (2,722)        |
| Currency translation adjustments of subsidiaries                                   | 409           | (478)          |
| <b>Cash generated from operations</b>  | <b>7,826</b>  | <b>12,651</b>  |
| Interest paid  | -             | (48)           |
| Interest received  | 1,292         | 705            |
| Income tax paid, net   | (190)         | (136)          |
| <b>Net cash from operating activities</b>  | <b>8,928</b>  | <b>13,172</b>  |
| <b>Investing Activities</b>  |               |                |
| Proceeds on disposal of plant and equipment  | 3             | 157            |
| Payments for acquisition of plant and equipment                                    | (360)         | (64)           |
| <b>Net cash (used in) from investing activities</b>                                | <b>(357)</b>  | <b>93</b>      |
| <b>Financing Activities</b>  |               |                |
| Proceeds from borrowings   | -             | 9,905          |
| Repayment of borrowings  | -             | (17,199)       |
| <b>Net cash used in financing activities</b>                                       | <b>-</b>      | <b>(7,294)</b> |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | 261           | (402)          |
| Net increase in cash and cash equivalents  | 8,571         | 5,971          |
| Cash and cash equivalents at the beginning of financial year                       | 14,209        | 8,640          |
| <b>Cash and cash equivalents at the end of financial year (Note 11)</b>            | <b>23,041</b> | <b>14,209</b>  |

See accompanying notes to financial statements.

## **SP Corporation Limited And Subsidiaries**

### **Notes to Financial Statements 31 December 2013**

#### **1 General**

The statement of financial position and statement of changes in equity of SP Corporation Limited (the “Company”) (Registration No. 195200115K) and consolidated financial statements of the Group for the financial year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Directors on 28 January 2014.

The Company 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. The financial statements are expressed in Singapore dollars which is also the functional currency of the Company.

The immediate and ultimate holding company is Tuan Sing Holdings Limited, a company incorporated in Singapore and listed on the Singapore Exchange Securities Trading Limited. Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

The principal activity of the Company is that of an investment holding company. The principal activities of significant subsidiaries are set out in Note 27 to the financial statements.

#### **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 (“FRS”).

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 FRS 102, leasing transactions that are within the scope of FRS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 or value in use in FRS 36.

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.

## 2 Summary of Significant Accounting Policies (Cont'd)

### (b) *Adoption of New and Revised Standards*

On 1 January 2013, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior financial years, except as disclosed below:

#### Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*

The Group has applied the Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income* retrospectively for the first time in the current financial year, and renamed the "Statement of Comprehensive Income" as the "Statement of Profit or Loss and Other Comprehensive Income". Under the Amendments to FRS 1, the Group also grouped items of other comprehensive income into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Other than the above mentioned presentation changes, the application of the Amendments to FRS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

#### FRS 113 *Fair Value Measurement*

The Group has applied FRS 113 for the first time in the current financial year. FRS 113 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The fair value measurement requirements of FRS 113 apply to both financial instrument items and non-financial assets for which other FRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

FRS 113 includes extensive disclosure requirements, although specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. Consequently, the Group has not made any new disclosures required by FRS 113 for the comparative period.

Other than the additional disclosures, the application of FRS 113 has not had any material impact on the amounts recognised in the consolidated financial statements.

### (c) *New FRS and INT FRS yet to be adopted*

At the date of authorisation of these financial statements, the following new/revised FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- FRS 27 (Revised) *Separate Financial Statements*
- FRS 110 *Consolidated Financial Statements*
- FRS 112 *Disclosure of Interests in Other Entities*
- FRS 110, FRS 111, FRS 112 *Transition Guidance*
- Amendments to FRS 32 *Financial Instruments: Presentation*
- Amendments to FRS 36 *Impairment of Assets*

Consequential amendments were also made to various standards as a result of these new/revised standards.

Management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of initial adoption except for the following:

## 2 Summary of Significant Accounting Policies (cont'd)

### (c) *New FRS and INT FRS yet to be adopted (cont'd)*

#### FRS 110 Consolidated Financial Statements and FRS 27 Separate Financial Statements

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12 *Consolidation - Special Purpose Entities*.

FRS 110 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. It also provides more extensive application guidance on assessing control based on voting rights or other contractual rights. Under FRS 110, control assessment will be based on whether an investor has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the returns FRS 27 remains as standard applicable only to separate financial statements.

FRS 110 will take effect from financial years beginning on or after January 1, 2014, with retrospective application subject to transitional provisions.

#### FRS 112 Disclosure of Interests in Other Entities

FRS 112 requires an entity to provide more extensive disclosures regarding the nature of and risks associated with its interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

FRS 112 will take effect from financial years beginning on or after 1 January 2014, and the Group is currently estimating the extent of additional disclosures needed.

#### Amendments to FRS 32 Financial Instruments: Presentation

The amendments to FRS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of 'currently has a legal enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to FRS 32 are effective for annual periods beginning on or after January 1, 2014, with retrospective application required.

Management does not anticipate that the application of these amendments to FRS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset, nor any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting agreements.

#### Amendments to FRS 36 Impairment of Assets

The amendments to FRS 36 restrict the requirement to disclose the recoverable amount of an asset or cash generating unit (CGU) to periods in which an impairment loss has been recognized or reversed. The amendments also expand and clarify the disclosure requirements applicable when such asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal, such as the level of 'fair value hierarchy' within which the fair value measurement of the asset or CGU has been determined, and where the fair value measurements are at Level 2 or 3 of the fair value hierarchy, a description of the valuation techniques used and any changes in that valuation technique, key assumptions used including discount rate(s) used.

Upon adoption of the amendments to FRS 36, the Group expects additional disclosures arising from any asset impairment loss or reversals, and where their respective recoverable amounts are determined based on fair value less costs of disposal.



## 2 Summary of Significant Accounting Policies (cont'd)

### (d) *Basis of Consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the financial year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders 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 (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control 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 subsidiary. 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, the profit or loss on disposal 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. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. 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 FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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

### (e) *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 in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

## 2 Summary of Significant Accounting Policies (cont'd)

### (e) *Business Combination (cont'd)*

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 FRS 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 FRS 12 *Income Taxes* and FRS 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 FRS 102 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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.

The accounting policy for initial measurement of non-controlling interests is described above.

The policy described above is applied to all business combinations that take place on or after 1 January 2010.

### (f) *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 10                |
| 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.

### (g) *Impairment of Tangible Assets*

At the end of each reporting period, 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.

## **2 Summary of Significant Accounting Policies (cont'd)**

### **(g) *Impairment of Tangible Assets (cont'd)***

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### **(h) *Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs in bringing the inventories to their present location and condition.

Raw materials and finished goods are accounted for on a weighted average basis. The costs of finished goods include costs of raw materials, direct labour and an appropriate proportion of overheads based on normal operating capacity.

Net realisable value represents the estimated selling price, less all estimated costs of completion and the estimated costs necessary to make the sale. Allowance is made where necessary for obsolete, slow-moving items and defective inventories.

### **(i) *Construction Contracts***

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

### **(j) *Cash and Cash Equivalents in the Statement of Cash Flows***

Cash and cash equivalents in the statement of cash flows comprise cash on hand and fixed deposits with banks but exclude restricted bank balances. These are subject to insignificant risk of changes in value. Cash on hand and fixed deposits which are held to maturity are carried at cost.

## 2 Summary of Significant Accounting Policies (cont'd)

### (k) *Financial Instruments*

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

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on 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 instrument, or where appropriate, a shorter period. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

### (l) *Financial Assets*

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specific categories: financial assets "at fair value through profit or loss" and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

#### (i) Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading 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 asset 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 FRS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in "other operating income" line in the statement of profit or loss. Fair value is determined in the manner described in Note 26.

## 2 Summary of Significant Accounting Policies (cont'd)

### (l) *Financial Assets (cont'd)*

#### (ii) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

#### (iii) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

#### (iv) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. 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.

### (m) *Financial Liabilities and Equity Instruments*

#### (i) Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

#### (ii) Equity instruments

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

Dividends are deducted from shareholders' equity or recorded as a liability when declared payable. Proposed dividends which are subject to shareholders' approval are not deducted from shareholders' equity and are not recorded as liabilities.

## 2 Summary of Significant Accounting Policies (cont'd)

### (m) *Financial Liabilities and Equity Instruments (cont'd)*

#### (iii) Financial liabilities

Financial liabilities are classified as either financial liabilities “at fair value through profit or loss” or other financial liabilities.

#### (iv) Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading 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 FRS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the “other operating expenses” line in the statement of profit or loss. Fair value is determined in the manner described in Note 26.

#### (v) Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis except for short-term payables when the effect of discounting is immaterial. Items classified within trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is of short-term in nature.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL, subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

#### (vi) Derecognition of Financial Liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

## 2 Summary of Significant Accounting Policies (cont'd)

### (n) 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.

### (o) 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.

### (p) 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 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 for 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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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.

## 2 Summary of Significant Accounting Policies (cont'd)

### (p) *Income Tax (cont'd)*

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

### (q) *Derivative Financial Instruments*

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates.

The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions.

The significant interest rate risk arises from short-term borrowings such as bills payable. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. 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.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

### (r) *Revenue Recognition*

Revenue is measured at the fair value of the consideration received or receivable and is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, the revenue can be reliably measured and when the specific criteria for each of the Group's activities are met as set out below.

Revenue from sale of products comprises revenue earned from the sale of the products net of returns, trade allowances and duties and taxes paid. Revenue from sale of products is recognised when all of the following conditions are satisfied: (i) the Group has transferred to the buyer the significant risks and rewards of ownership of the products; (ii) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the products sold; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the transaction will flow to the Group; and (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

### (s) *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.

### (t) *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.



## 2 Summary of Significant Accounting Policies (cont'd)

### (u) *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 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.

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 account.

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 account.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### 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 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*

The following is the critical judgement, 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.

#### Revenue recognition

As described in Note 2 to the financial statements, it is the Group's policy to recognise revenue to the extent that it is probable that the economic benefits will flow to the Group. In making this judgement, management has considered the detailed criteria for the recognition of revenue from the sale of goods, set out in FRS 18 *Revenue* which includes the primary responsibility for providing the goods, inventory risk, latitude in establishing prices, and credit risk.

Management is of the view that the Group acted as a principal as it has exposure to the significant risks and rewards associated with the sale of coal. Accordingly, the sales value of these transactions was recognised as revenue which is approximately \$35.0 million (2012: \$47.9 million) for the financial year.

#### *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.

#### Allowance for inventories

In determining the net realisable value of the Group's inventories, an estimation of the recoverable amount of inventories on hand is performed based on the most reliable evidence available at the time the estimates are made. This represents the value of the inventories which are expected to realise as estimated by management. These estimates take into consideration the fluctuations of price or cost, or any inventories on hand that may not be realised, directly or indirectly relating to events occurring after the end of the financial year to the extent that such events confirm conditions existing at the end of the financial year. Details of the allowance for inventories are disclosed in Note 7 to the financial statements.

#### Allowance for impairment loss on 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 an impairment loss on receivables has been incurred, 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 impairment loss on receivables are disclosed in Notes 9 and 10 to the financial statements.

#### Recoverability of refundable deposit

Management assesses at the end of each reporting period whether there is any evidence that the refundable deposit is impaired. A considerable amount of judgement is required in assessing the ultimate realisation of this deposit, including current credit worthiness, past collection history and ongoing dealings with the coal mine whom the Group has placed the deposit with. If the financial condition of the coal mine was to deteriorate, resulting in an impairment of its ability to make payments, an allowance may be required. The carrying amount and details of the refundable deposit are disclosed in Note 8 to the financial statements.

#### 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 FRS 108.

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 FRS 108 are as follows:

| <b>Segment</b>                      | <b>Principal activities</b>   |
|-------------------------------------|---|
| Commodities Trading                 | Trades and markets a broad range of products including coal, rubber, chemicals, oil and metals used by manufacturers in the energy, rubber, automotive and petrochemical industries. It also distributes consumer products. |
| Geotechnical and Soil Investigation | Provides geotechnical instrumentation and investigation services.   |
| Tyre and Auto Products              | Markets and distributes tyres and auto-products and retreading of tyres.  |
| Corporate and Others                | General corporate activities.   |

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.

#### 4 Segment Information (cont'd)

##### Segment revenue and results

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

|   | Commodities<br>Trading<br>\$'000 | Geotechnical<br>and Soil<br>Investigation<br>\$'000 | Tyre and<br>Auto<br>Products<br>\$'000 | Corporate<br>and<br>others<br>\$'000 | Inter-<br>segment<br>Eliminations<br>\$'000 | Consolidated<br>\$'000 |
|---|----------------------------------|---|--|--------------------------------------|---|------------------------|
| <b>Financial year ended<br/>31 December 2013</b>  |                                  |   |  |                                      |   |                        |
| <b>Revenue</b>                                    |                                  |   |  |                                      |   |                        |
| - External customers                              | 115,542                          | -   | 37,021                                 | 28                                   | -   | 152,591                |
| - Inter-segment                                   | -                                | -   | -                                      | 3,190                                | (3,190)                                     | -                      |
| Total segment revenue                             | <u>115,542</u>                   | <u>-</u>  | <u>37,021</u>                          | <u>3,218</u>                         | <u>(3,190)</u>                              | <u>152,591</u>         |
| <b>Result</b>                                     |                                  |   |  |                                      |   |                        |
| Segment result                                    | 1,837                            | (187)   | 183                                    | 277                                  | (136)                                       | 1,974                  |
| Finance income                                    | <u>570</u>                       | <u>2</u>  | <u>3</u>                               | <u>-</u>                             | <u>-</u>                                    | <u>575</u>             |
| Profit before tax                                 | 2,407                            | (185)   | 186                                    | 277                                  | (136)                                       | 2,549                  |
| Income tax expense                                |                                  |   |  |                                      |   | <u>(146)</u>           |
| Profit after tax                                  |                                  |   |  |                                      |   | <u>2,403</u>           |
| <b>Assets</b>                                     |                                  |   |  |                                      |   |                        |
| Segment assets                                    | 50,363                           | 2,345   | 12,402                                 | 6,157                                | -   | 71,267                 |
| Unallocated assets                                |                                  |   |  |                                      |   | 18                     |
| Total assets                                      |                                  |   |  |                                      |   | <u>71,285</u>          |
| <b>Liabilities</b>                                |                                  |   |  |                                      |   |                        |
| Segment liabilities                               | 17,274                           | 250   | 7,852                                  | 963                                  | -   | 26,339                 |
| Unallocated liabilities                           |                                  |   |  |                                      |   | 448                    |
| Total liabilities                                 |                                  |   |  |                                      |   | <u>26,787</u>          |
| <b>Other information</b>                          |                                  |   |  |                                      |   |                        |
| Capital expenditure                               | 11                               | -   | 204                                    | 145                                  | -   | 360                    |
| Depreciation                                      | 3                                | 2   | 81                                     | 49                                   | -   | 135                    |
| Gain on disposal of plant<br>and equipment, net   | -                                | -   | -                                      | (2)                                  | -   | (2)                    |
| Plant and equipment written<br>off                | -                                | -   | 2                                      | -                                    | -   | 2                      |
| Write-back for doubtful<br>trade receivables, net | -                                | (27)  | (17)                                   | -                                    | -   | (44)                   |
| Allowance for inventory<br>obsolescence, net      | -                                | -   | 18                                     | -                                    | -   | 18                     |
| Inventories written off                           | <u>-</u>                         | <u>-</u>  | <u>2</u>                               | <u>-</u>                             | <u>-</u>                                    | <u>2</u>               |

#### 4 Segment Information (cont'd)

##### Segment revenue and results (cont'd)

|  | Commodities<br>Trading<br>\$'000 | Geotechnical<br>and Soil<br>Investigation<br>\$'000 | Tyre and<br>Auto<br>Products<br>\$'000 | Corporate<br>and<br>others<br>\$'000 | Inter-<br>segment<br>Eliminations<br>\$'000 | Consolidated<br>\$'000 |
|--|----------------------------------|---|--|--------------------------------------|---|------------------------|
| <b>Financial year ended<br/>31 December 2012</b>                 |                                  |   |  |                                      |   |                        |
| <b>Revenue</b>   |                                  |   |  |                                      |   |                        |
| - External customers   | 127,571                          | 3,827   | 41,913                                 | -                                    | -   | 173,311                |
| - Inter-segment  | -                                | -   | 3                                      | 5,529                                | (5,532)                                     | -                      |
| Total segment revenue  | <u>127,571</u>                   | <u>3,827</u>  | <u>41,916</u>                          | <u>5,529</u>                         | <u>(5,532)</u>                              | <u>173,311</u>         |
| <b>Result</b>  |                                  |   |  |                                      |   |                        |
| Segment result   | 2,179                            | (2,214)   | 975                                    | 2,776                                | (2,048)                                     | 1,668                  |
| Finance income   | 460                              | 379   | -                                      | -                                    | -   | 839                    |
| Finance costs  | (38)                             | -   | -                                      | -                                    | -   | (38)                   |
| Profit before tax  | 2,601                            | (1,835)   | 975                                    | 2,776                                | (2,048)                                     | 2,469                  |
| Income tax expense   |                                  |   |  |                                      |   | (357)                  |
| Profit after tax   |                                  |   |  |                                      |   | <u>2,112</u>           |
| <b>Assets</b>  |                                  |   |  |                                      |   |                        |
| Segment assets   | 50,429                           | 2,550   | 9,667                                  | 7,027                                | -   | 69,673                 |
| Unallocated assets   |                                  |   |  |                                      |   | 216                    |
| Total assets   |                                  |   |  |                                      |   | <u>69,889</u>          |
| <b>Liabilities</b>   |                                  |   |  |                                      |   |                        |
| Segment liabilities  | 18,776                           | 327   | 7,663                                  | 1,061                                | -   | 27,827                 |
| Unallocated liabilities  |                                  |   |  |                                      |   | 683                    |
| Total liabilities  |                                  |   |  |                                      |   | <u>28,510</u>          |
| <b>Other information</b>   |                                  |   |  |                                      |   |                        |
| Capital expenditure  | 7                                | -   | 57                                     | -                                    | -   | 64                     |
| Depreciation   | 9                                | 92  | 64                                     | 42                                   | -   | 207                    |
| Loss (gain) on disposal of<br>plant and equipment, net           | -                                | 143   | (1)                                    | -                                    | -   | 142                    |
| Plant and equipment written<br>off                               | -                                | 148   | -                                      | -                                    | -   | 148                    |
| Allowance (write-back) for<br>doubtful trade<br>receivables, net | -                                | 63  | (1)                                    | -                                    | -   | 62                     |
| Allowance for inventory<br>obsolescence, net                     | -                                | -   | 15                                     | -                                    | -   | 15                     |
| Inventories written off  | <u>-</u>                         | <u>12</u>   | <u>4</u>                               | <u>-</u>                             | <u>-</u>                                    | <u>16</u>              |

#### 4 Segment Information (cont'd)

##### Geographical Information

The Group's businesses are mainly in Singapore, Europe, Indonesia and Malaysia. 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:

|                                      | Revenue from External Customers |                | Non-Current Assets |                | Capital Expenditure |                |
|--------------------------------------|---------------------------------|----------------|--------------------|----------------|---------------------|----------------|
|                                      | 2013<br>\$'000                  | 2012<br>\$'000 | 2013<br>\$'000     | 2012<br>\$'000 | 2013<br>\$'000      | 2012<br>\$'000 |
| <b>Based on location of customer</b> |                                 |                |                    |                |                     |                |
| Singapore                            | 62,210                          | 58,535         | 434                | 211            | 359                 | 62             |
| Indonesia                            | 24,424                          | 31,141         | -                  | 2              | -                   | -              |
| Malaysia                             | 11,924                          | 12,242         | 2                  | 1              | 1                   | 2              |
| Other ASEAN countries                | 15,481                          | 20,265         | -                  | -              | -                   | -              |
| China including Hong Kong            | 4,653                           | 5,244          | -                  | -              | -                   | -              |
| Switzerland                          | 30,443                          | 38,224         | -                  | -              | -                   | -              |
| Germany                              | -                               | 4,536          | -                  | -              | -                   | -              |
| Others                               | 3,456                           | 3,124          | -                  | -              | -                   | -              |
|                                      | <u>152,591</u>                  | <u>173,311</u> | <u>436</u>         | <u>214</u>     | <u>360</u>          | <u>64</u>      |

##### Information about major customers

Included in the Commodities Trading revenue of \$115.5 million (2012: \$127.6 million) were sales of approximately \$38.9 million and \$30.4 million (2012: \$38.2 million and \$36.2 million) to the Group's two largest customers.

#### 5 Plant and Equipment

| <u>Group</u>                        | Plant and equipment<br>\$'000 | Motor vehicles<br>\$'000 | Total<br>\$'000 |
|-------------------------------------|-------------------------------|--------------------------|-----------------|
| <b>Cost:</b>                        |                               |                          |                 |
| At 1 January 2013                   | 1,062                         | 307                      | 1,369           |
| Additions                           | 332                           | 28                       | 360             |
| Disposals                           | (8)                           | -                        | (8)             |
| Write-offs                          | (108)                         | -                        | (108)           |
| At 31 December 2013                 | <u>1,278</u>                  | <u>335</u>               | <u>1,613</u>    |
| At 1 January 2012                   | 4,079                         | 748                      | 4,827           |
| Exchange differences                | (22)                          | -                        | (22)            |
| Additions                           | 54                            | 10                       | 64              |
| Disposals                           | (1,140)                       | (358)                    | (1,498)         |
| Write-offs                          | (1,909)                       | (93)                     | (2,002)         |
| At 31 December 2012                 | <u>1,062</u>                  | <u>307</u>               | <u>1,369</u>    |
| <b>Accumulated depreciation:</b>    |                               |                          |                 |
| At 1 January 2013                   | 961                           | 194                      | 1,155           |
| Depreciation for the financial year | 110                           | 25                       | 135             |
| Disposals                           | (7)                           | -                        | (7)             |
| Write-offs                          | (106)                         | -                        | (106)           |
| At 31 December 2013                 | <u>958</u>                    | <u>219</u>               | <u>1,177</u>    |
| At 1 January 2012                   | 3,406                         | 503                      | 3,909           |
| Exchange differences                | (14)                          | -                        | (14)            |
| Depreciation for the financial year | 163                           | 44                       | 207             |
| Disposals                           | (814)                         | (279)                    | (1,093)         |
| Write-offs                          | (1,780)                       | (74)                     | (1,854)         |
| At 31 December 2012                 | <u>961</u>                    | <u>194</u>               | <u>1,155</u>    |
| <b>Carrying amounts:</b>            |                               |                          |                 |
| At 31 December 2013                 | <u>320</u>                    | <u>116</u>               | <u>436</u>      |
| At 31 December 2012                 | <u>101</u>                    | <u>113</u>               | <u>214</u>      |

**5 Plant and Equipment (cont'd)**

| <u>Company</u>                      | <b>Plant and<br/>equipment<br/>\$'000</b> |
|-------------------------------------|---|
| <b>Cost:</b>                        |   |
| At 1 January 2013                   | 126                                       |
| Additions                           | 145                                       |
| Disposals and write-off             | (7)                                       |
| At 31 December 2013                 | <u>264</u>                                |
| At 1 January 2012                   | 125                                       |
| Additions                           | 1   |
| At 31 December 2012                 | <u>126</u>                                |
| <b>Accumulated depreciation:</b>    |   |
| At 1 January 2013                   | 100                                       |
| Depreciation for the financial year | 49  |
| Disposals and write-off             | (5)                                       |
| At 31 December 2013                 | <u>144</u>                                |
| At 1 January 2012                   | 58  |
| Depreciation for the financial year | 42  |
| At 31 December 2012                 | <u>100</u>                                |
| <b>Carrying amounts:</b>            |   |
| At 31 December 2013                 | <u>120</u>                                |
| At 31 December 2012                 | <u>26</u>                                 |

**6 Investments in Subsidiaries**

|   | <b>Company</b>         |                        |
|---|------------------------|------------------------|
|   | <b>2013<br/>\$'000</b> | <b>2012<br/>\$'000</b> |
| Unquoted equity shares, at cost                             | 14,049                 | 16,943                 |
| Recognition of financial guarantee provided to subsidiaries | 3,167                  | 2,730                  |
| Less: Impairment loss                                       | -                      | (2,541)                |
|   | <u>17,216</u>          | <u>17,132</u>          |

Further details regarding the significant subsidiaries are set out in Note 27.

The Company issued financial guarantees to banks for credit facilities of its subsidiaries and recorded a deemed financial guarantee fee income in accordance with the provisions of FRS 39 *Financial Instruments: Recognition and Measurement*. 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.

Impairment loss in a subsidiary was written back during the financial year as a result of a capital reduction and cash distribution exercise undertaken by the subsidiary.

## 7 Inventories

| <b>Group</b>   | <b>At cost</b> | <b>At net<br/>realisable<br/>value</b> | <b>Total</b>  |
|----------------|----------------|--|---------------|
|                | <b>\$'000</b>  | <b>\$'000</b>                          | <b>\$'000</b> |
| <b>2013</b>    |                |  |               |
| Raw materials  | 90             | -                                      | 90            |
| Finished goods | 1,094          | 563                                    | 1,657         |
|                | <u>1,184</u>   | <u>563</u>                             | <u>1,747</u>  |
| <b>2012</b>    |                |  |               |
| Raw materials  | 89             | -                                      | 89            |
| Finished goods | 1,366          | 269                                    | 1,635         |
|                | <u>1,455</u>   | <u>269</u>                             | <u>1,724</u>  |

The net realisable value of the above inventories is stated net of allowance of \$88,000 (2012: \$77,000). During the financial year, \$20,000 (2012: \$49,000) was recognised as an expense in respect of write-downs of inventories to net realisable value. At the same time, \$Nil (2012: \$18,000) of reversal of allowance of inventories was made when the related inventories were sold above their carrying amounts.

## 8 Trade Receivables, Other Receivables and Refundable Deposits

|  | <b>Group</b>  |               | <b>Company</b> |               |
|--|---------------|---------------|----------------|---------------|
|  | <b>2013</b>   | <b>2012</b>   | <b>2013</b>    | <b>2012</b>   |
|  | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b>  | <b>\$'000</b> |
| Trade receivables (Note 9)                                 | 34,935        | 41,795        | -              | -             |
| Other receivables (Note 10)                                | 1,856         | 1,247         | 14,330         | 12,591        |
| Refundable deposit with related party*<br>[Note 23(a)(ii)] | 7,575         | 7,293         | -              | -             |
|  | <u>44,366</u> | <u>50,335</u> | <u>14,330</u>  | <u>12,591</u> |

\* Refundable deposit of US\$6,000,000 (2012: US\$6,000,000) relates to monies placed by the Group with a coal mine which is a related party to secure coal allocations. Details of the deposit are as follows:

- In 2011, the Group placed a deposit of US\$2,000,000 (equivalent to \$2,582,000) which was unsecured and repayable within 1 year. Following the expiry of the deposit due date in January 2012, the Group entered into a supplementary agreement with the coal mine to extend the repayment date to 12 March 2012. The deposit bore an effective interest of 7.35% per annum during the financial year ended 31 December 2012. The deposit was refunded during the financial year ended 31 December 2012.
- The US\$6,000,000 (equivalent to \$7,575,000 [2012: \$7,293,000]) deposit placed with a coal mine during the financial year ended 31 December 2012 is repayable within 1 year subject to yearly renewal by mutual agreement between the 2 parties. It bears an effective interest of 4.67% (2012: 5.04%) per annum. The deposit is secured by a corporate guarantee issued by the holding company of the related party.



## 9 Trade Receivables

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| Trade receivables   | 36,721         | 43,009         | -              | -              |
| Amount due from related party - trade<br>[Note 23(a)(ii)] | 693            | 1,246          | -              | -              |
| Retention monies receivable                               | 43             | 56             | -              | -              |
|   | <u>37,457</u>  | <u>44,311</u>  | <u>-</u>       | <u>-</u>       |
| Less: Allowance for doubtful trade receivables            | (2,522)        | (2,516)        | -              | -              |
|   | <u>34,935</u>  | <u>41,795</u>  | <u>-</u>       | <u>-</u>       |

Trade receivables are non-interest bearing and are generally on 30 to 120 days (2012: 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.

Included in the trade receivables as at 31 December 2012 were \$1,246,000 of billings outstanding from an Indonesian gold mine (the "gold mine"), of which \$514,000 had been outstanding for more than a year. The amount has been fully settled in cash during the financial year.

Allowances for doubtful debts are recognised against trade receivables for the estimated irrecoverable amounts from the sale of goods and services rendered to third parties. These allowances had been determined by assessing the profile of debtors and after considering recovery prospects.

### Movement in the allowance for doubtful trade receivables

|   | Group          |                |
|---|----------------|----------------|
|   | 2013<br>\$'000 | 2012<br>\$'000 |
| At beginning of financial year  | 2,516          | 2,923          |
| Effects of exchange rate changes on the allowance for doubtful debts<br>denominated in foreign currencies | 88             | (141)          |
| Amounts written off during the financial year   | (38)           | (328)          |
| Allowance (written back) made during the financial year   | (44)           | 62             |
| At end of financial year  | <u>2,522</u>   | <u>2,516</u>   |

Included in the Group's trade receivable balance are debtors with a carrying amount of \$3,645,000 (2012: \$3,146,000) which are past due at the reporting date for which the Group has not recognised an allowance for doubtful receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. Trade receivables that are neither past due nor impaired are with creditworthy counterparties.

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

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| Not past due and not impaired                         | 31,290         | 38,649         | -              | -              |
| Past due but not impaired (a)                         | <u>3,645</u>   | <u>3,146</u>   | <u>-</u>       | <u>-</u>       |
|   | <u>34,935</u>  | <u>41,795</u>  | <u>-</u>       | <u>-</u>       |
| Impaired receivables - collectively assessed (b)      | 164            | 248            | -              | -              |
| Less: Allowance for doubtful receivables              | <u>(164)</u>   | <u>(248)</u>   | <u>-</u>       | <u>-</u>       |
|   | <u>-</u>       | <u>-</u>       | <u>-</u>       | <u>-</u>       |
| Impaired receivables - individually assessed (b), (c) |                |                |                |                |
| - No response to repayment demands                    | 2,358          | 2,268          | -              | -              |
| Less: Allowance for doubtful receivables              | <u>(2,358)</u> | <u>(2,268)</u> | <u>-</u>       | <u>-</u>       |
|   | <u>-</u>       | <u>-</u>       | <u>-</u>       | <u>-</u>       |
| Total trade receivables, net                          | <u>34,935</u>  | <u>41,795</u>  | <u>-</u>       | <u>-</u>       |

## 9 Trade Receivables (cont'd)

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

|                       | Group        |              | Company  |          |
|-----------------------|--------------|--------------|----------|----------|
|                       | 2013         | 2012         | 2013     | 2012     |
|                       | \$'000       | \$'000       | \$'000   | \$'000   |
| < 3 months            | 3,645        | 1,905        | -        | -        |
| 3 months to 6 months  | -            | 165          | -        | -        |
| 6 months to 12 months | -            | 562          | -        | -        |
| > 12 months           | -            | 514          | -        | -        |
|                       | <u>3,645</u> | <u>3,146</u> | <u>-</u> | <u>-</u> |

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

(c) These receivables are not secured by any collateral or covered by credit enhancements.

## 10 Other Receivables

|   | Group        |              | Company       |               |
|---|--------------|--------------|---------------|---------------|
|   | 2013         | 2012         | 2013          | 2012          |
|   | \$'000       | \$'000       | \$'000        | \$'000        |
| Sundry debtors  | 44           | 37           | -             | 1             |
| Prepayments   | 108          | 138          | 30            | 23            |
| Deposits  | 896          | 288          | 50            | 45            |
| Tax recoverable   | 18           | 216          | -             | -             |
| Foreign currency forward contracts                        | -            | 83           | -             | -             |
| Interest receivable from a related party [Note 23(a)(ii)] | 530          | 154          | -             | -             |
| Amounts receivable from related parties (non-trade)       | -            | -            | -             | -             |
| [Note 23(a)(ii)]  | 247          | 331          | -             | -             |
| Amount receivable from a related company (non-trade)      | 13           | -            | -             | -             |
| Amounts receivable from subsidiaries (Notes 6 and 27)     | -            | -            | 14,250        | 12,522        |
|   | <u>1,856</u> | <u>1,247</u> | <u>14,330</u> | <u>12,591</u> |

The amounts receivable from subsidiaries are unsecured, interest-free and repayable on demand except for an amount of \$14,250,000 (2012: \$11,202,000) which bears effective interest rate of 1.1% (2012: 1.3%) per annum.

Tax recoverable of \$18,000 (2012: \$216,000) arose mainly from the prepayment of income tax by an overseas subsidiary.

## 11 Cash and Bank Balances

|  | Group         |               | Company      |              |
|--|---------------|---------------|--------------|--------------|
|  | 2013          | 2012          | 2013         | 2012         |
|  | \$'000        | \$'000        | \$'000       | \$'000       |
| Fixed deposits   | 8,863         | 12,618        | 3,000        | 6,380        |
| Cash at bank and on hand                                 | 15,873        | 4,998         | 2,954        | 560          |
| Cash and bank balances                                   | <u>24,736</u> | <u>17,616</u> | <u>5,954</u> | <u>6,940</u> |
| Less: Restricted bank balances (pledged fixed deposits)  | (1,695)       | (3,407)       | -            | -            |
| Cash and cash equivalents in the statement of cash flows | <u>23,041</u> | <u>14,209</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 \$1,695,000 (2012: \$3,407,000) are held by banks as security for facilities granted to certain subsidiaries. Fixed deposits bear interest ranging from 0.57% to 0.82% (2012: 0.29% to 0.92%) per annum and for tenors ranging from 33 to 366 days (2012: 14 to 366 days).

## 12 Share Capital

|  | <b>Group and Company</b> |             |             |             |
|--|--------------------------|-------------|-------------|-------------|
|  | <b>2013</b>              | <b>2012</b> | <b>2013</b> | <b>2012</b> |
|  | Shares                   | Shares      | \$'000      | \$'000      |
| <b>Issued and paid up:</b>             |                          |             |             |             |
| At beginning and end of financial year | 350,991,516              | 350,991,516 | 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.

## 13 Deferred Tax

|   | <b>Group</b> |             | <b>Company</b> |             |
|---|--------------|-------------|----------------|-------------|
|   | <b>2013</b>  | <b>2012</b> | <b>2013</b>    | <b>2012</b> |
|   | \$'000       | \$'000      | \$'000         | \$'000      |
| At beginning of financial year                        | 29           | 226         | 4              | 11          |
| Charged (Write-back) during the financial year        | 6            | (197)       | 9              | (7)         |
| At end of financial year                              | 35           | 29          | 13             | 4           |
| Deferred tax at 31 December related to the following: |              |             |                |             |
| <i>Deferred tax liabilities</i>                       |              |             |                |             |
| - Differences in accounting and tax depreciation      | 35           | 29          | 13             | 4           |

## 14 Trade and Other Payables

|   | <b>Group</b> |             | <b>Company</b> |             |
|---|--------------|-------------|----------------|-------------|
|   | <b>2013</b>  | <b>2012</b> | <b>2013</b>    | <b>2012</b> |
|   | \$'000       | \$'000      | \$'000         | \$'000      |
| Trade creditors   | 16,585       | 11,097      | 41             | -           |
| Financial guarantee contracts                           | -            | -           | 266            | 354         |
| Accrued expenses  | 1,871        | 1,663       | 867            | 1,305       |
| Foreign currency forward contracts                      | 80           | -           | -              | -           |
| Sundry creditors  | 222          | 254         | 6              | 83          |
| Amounts due to related parties - trade [Note 23(a)(ii)] | 6,888        | 14,813      | -              | -           |
| Advance billing to a related party                      | 693          | -           | -              | -           |
| Amounts due to subsidiaries (Notes 6 and 27)            | -            | -           | 154            | 147         |
|   | 26,339       | 27,827      | 1,334          | 1,889       |

Trade creditors principally comprise amounts outstanding for trade purchases and ongoing costs. Trade payables are generally on 14 to 90 days (2012: 14 to 90 days) credit terms.

## 15 Revenue

|                      | <b>Group</b> |             |
|----------------------|--------------|-------------|
|                      | <b>2013</b>  | <b>2012</b> |
|                      | \$'000       | \$'000      |
| Sale of products     | 152,563      | 169,477     |
| Construction revenue | -            | 3,827       |
| Others               | 28           | 7           |
|                      | 152,591      | 173,311     |

**16 Other Operating Income**

|  | <b>Group</b>  |               |
|--|---------------|---------------|
|  | <b>2013</b>   | <b>2012</b>   |
|  | <b>\$'000</b> | <b>\$'000</b> |
| Construction equipment hiring income                   | -             | 6             |
| Gain on disposal of plant and equipment                | 2             | -             |
| Write-back of allowance for doubtful trade receivables | 44            | -             |
| Sundry income  | 49            | 26            |
|  | <u>95</u>     | <u>32</u>     |

**17 Other Operating Expenses**

|   | <b>Group</b>  |               |
|---|---------------|---------------|
|   | <b>2013</b>   | <b>2012</b>   |
|   | <b>\$'000</b> | <b>\$'000</b> |
| Plant and equipment written off               | 2             | 148           |
| Loss on disposal of plant and equipment, net  | -             | 142           |
| Allowance for doubtful trade receivables, net | -             | 62            |
| Allowance for inventory obsolescence          | 18            | 15            |
| Inventories written off                       | 2             | 16            |
| Loss on liquidation of a subsidiary           | 46            | -             |
| Foreign currency exchange loss, net           | 126           | 91            |
|   | <u>194</u>    | <u>474</u>    |

**18 Finance Income**

|                                  | <b>Group</b>  |               |
|----------------------------------|---------------|---------------|
|                                  | <b>2013</b>   | <b>2012</b>   |
|                                  | <b>\$'000</b> | <b>\$'000</b> |
| Interest income:                 |               |               |
| Bank deposits                    | 39            | 34            |
| Third parties                    | 168           | 108           |
| Related parties [Note 23(a)(ii)] | 368           | 697           |
|                                  | <u>575</u>    | <u>839</u>    |

**19 Finance Costs**

|                                   | <b>Group</b>  |               |
|-----------------------------------|---------------|---------------|
|                                   | <b>2013</b>   | <b>2012</b>   |
|                                   | <b>\$'000</b> | <b>\$'000</b> |
| Interest expense on bills payable | -             | 38            |

**20 Income Tax Expense**

|   | <b>Group</b>  |               |
|---|---------------|---------------|
|   | <b>2013</b>   | <b>2012</b>   |
|   | <b>\$'000</b> | <b>\$'000</b> |
| Income tax:                                     |               |               |
| Current financial year                          | 280           | 476           |
| Withholding tax paid                            | 14            | 31            |
| (Over) Under provision in prior financial years | (154)         | 47            |
|   | <u>140</u>    | <u>554</u>    |
| Provision (Write-back) of deferred tax          | 6             | (197)         |
|   | <u>146</u>    | <u>357</u>    |

## 20 Income Tax Expense (cont'd)

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

|  | <b>Group</b> |              |
|--|--------------|--------------|
|  | <b>2013</b>  | <b>2012</b>  |
| Domestic statutory tax rate  | 17.0%        | 17.0%        |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | (0.4%)       | 0.8%         |
| (Over) Under provision in prior financial years                                | (6.7%)       | 1.9%         |
| Exempt income  | (3.1%)       | (4.5%)       |
| Withholding tax paid   | 0.6%         | 1.2%         |
| Expenses not deductible for tax purposes                                       | 3.5%         | 0.7%         |
| Income capital in nature   | (4.3%)       | (0.0%)       |
| Utilisation of losses and capital allowances previously not recognised         | (0.2%)       | (1.6%)       |
| Deferred tax benefits not recognised   | 2.3%         | (0.0%)       |
| Effect of tax concessions  | (2.4%)       | (0.0%)       |
| Others   | (0.6%)       | (1.0%)       |
| Effective tax rate   | <u>5.7%</u>  | <u>14.5%</u> |

Domestic income tax is calculated at 17% (2012: 17%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

At 31 December 2013, the Group had unutilised tax losses and capital allowances of approximately \$8,889,000 (2012: \$8,990,000) and \$1,831,000 (2012: \$1,831,000) 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 \$1,822,000 (2012: \$1,840,000) 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.

## 21 Profit for the financial year

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

|  | <b>Group</b>  |               |
|--|---------------|---------------|
|  | <b>2013</b>   | <b>2012</b>   |
|  | <b>\$'000</b> | <b>\$'000</b> |
| Remuneration paid or payable to:   |               |               |
| Directors of the Company   | 859           | 865           |
| Other Directors of subsidiaries  | 595           | 1,005         |
| Wages and salaries (including directors' remuneration)                                 | 3,837         | 5,911         |
| Employer's contribution to defined contribution plans including Central Provident Fund | 272           | 378           |
| Cost of inventories included in cost of sales  | 142,999       | 158,751       |
| (Write-back) Allowance for doubtful trade receivables, net                             | (44)          | 62            |
| Foreign currency exchange loss, net  | 126           | 91            |
| Loss on liquidation of a subsidiary  | 46            | -             |
| Fees for audit services to:  |               |               |
| Auditors of the Company  | 108           | 115           |
| Other auditors   | 17            | 17            |
| Fees for non-audit services to:  |               |               |
| Auditors of the Company  | 20            | 22            |
| Other auditors <sup>(1)</sup>  | 75            | 36            |

**Note:**

- (1) The non-audit fees mainly represent tax fees paid for the provision of tax services for prior financial years and fees paid to internal auditors.

The Audit 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 Committee, these services would not affect the independence of the auditors.

## 21 Profit for the financial year (cont'd)

The employees of SP Corporation Limited and its subsidiaries that 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 the 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 \$272,000 (2012: \$378,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2013, contributions of \$45,000 (2012: \$48,000) due in respect of current financial year had not been paid over to the plans. The amounts were paid over subsequent to the end of reporting period.

## 22 Earnings Per Share (cent)

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   |         |
|--|---------|---------|
|  | 2013    | 2012    |
| Net profit attributable to owners of the Company (\$'000)      | 2,403   | 2,112   |
| Weighted average number of ordinary shares in issue (in '000s) | 350,992 | 350,992 |
| Basic earnings per share (cent)                                | 0.68    | 0.60    |

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

## 23 Related Party and Related Company Transactions

Related companies in these financial statements refer to members of the ultimate 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 are reflected in these financial statements. The balances are unsecured, repayable on demand and interest-free unless stated otherwise.

(a) 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          |                |
|--|----------------|----------------|
|  | 2013<br>\$'000 | 2012<br>\$'000 |
| (i) <u>Tuan Sing Holdings Limited and subsidiaries</u> |                |                |
| Rental expense   | 190            | 310            |
| Management fee expense                                 | 150            | 145            |
| (ii) <u>Related parties</u>                            |                |                |
| Sales of goods and services                            | (4,653)        | (5,344)        |
| Purchases of goods                                     | 65,308         | 78,838         |
| Interest income  | (368)          | (697)          |
| Rental of warehouse                                    | 455            | 386            |
| Advance billing on order placement                     | 693            | -              |

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 the members in which the shareholders of Nuri and their family members have a controlling interest in.

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.

## 23 Related Party and Related Company Transactions (cont'd)

### (b) Compensation of Directors and key management personnel

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

|                          | <b>Group</b>  |               |
|--------------------------|---------------|---------------|
|                          | <b>2013</b>   | <b>2012</b>   |
|                          | <b>\$'000</b> | <b>\$'000</b> |
| Short-term benefits      | 1,411         | 1,828         |
| Post-employment benefits | 43            | 42            |
|                          | <u>1,454</u>  | <u>1,870</u>  |

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

## 24 Commitments

### (a) Operating Lease Arrangements

|   | <b>Group</b>  |               | <b>Company</b> |               |
|---|---------------|---------------|----------------|---------------|
|   | <b>2013</b>   | <b>2012</b>   | <b>2013</b>    | <b>2012</b>   |
|   | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b>  | <b>\$'000</b> |
| Rental expense - operating lease in respect of rental of office premises, warehouse and workshops | <u>867</u>    | <u>801</u>    | <u>202</u>     | <u>162</u>    |

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

|   | <b>Group</b>  |               | <b>Company</b> |               |
|---|---------------|---------------|----------------|---------------|
|   | <b>2013</b>   | <b>2012</b>   | <b>2013</b>    | <b>2012</b>   |
|   | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b>  | <b>\$'000</b> |
| Within one year                             | 578           | 660           | 191            | 149           |
| After one year but not more than five years | <u>996</u>    | <u>257</u>    | <u>265</u>     | <u>-</u>      |
|   | <u>1,574</u>  | <u>917</u>    | <u>456</u>     | <u>149</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 3 years (2012 : 1 to 3 years) with rentals fixed for 1 to 3 years (2012 : 1 to 3 years).

### (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:

|                                    | <b>Group</b>  |               |
|------------------------------------|---------------|---------------|
|                                    | <b>2013</b>   | <b>2012</b>   |
|                                    | <b>\$'000</b> | <b>\$'000</b> |
| Foreign currency forward contracts | <u>11,400</u> | <u>12,571</u> |

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

## 25 Contingent Liabilities

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| Financial guarantees to banks for facilities granted to subsidiaries | -              | -              | 59,143         | 75,816         |

## 26 Financial Instruments, Financial Risks and Capital Risks Management

### *Categories of financial instruments*

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

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| <b><u>Financial Assets</u></b>   |                |                |                |                |
| <b>Loan and receivables</b>  |                |                |                |                |
| Trade receivables, other receivables and refundable deposit                    | 44,366         | 50,335         | 14,330         | 12,591         |
| Less : Prepayments   | (108)          | (138)          | (30)           | (23)           |
| Foreign currency forward contracts   | -              | (83)           | -              | -              |
| Tax recoverable  | (18)           | (216)          | -              | -              |
|  | 44,240         | 49,898         | 14,300         | 12,568         |
| Cash and bank balances   | 24,736         | 17,616         | 5,954          | 6,940          |
|  | 68,976         | 67,514         | 20,254         | 19,508         |
| <b>Derivative instruments not designated in hedge accounting relationships</b> |                |                |                |                |
| Foreign currency forward contracts   | -              | 83             | -              | -              |
| <b><u>Financial Liabilities</u></b>  |                |                |                |                |
| <b>Amortised cost</b>  |                |                |                |                |
| Trade and other payables   | 26,339         | 27,827         | 1,334          | 1,889          |
| Less : Foreign currency forward contracts                                      | (80)           | -              | -              | -              |
| Advances from customer   | (693)          | -              | -              | -              |
|  | 25,566         | 27,827         | 1,334          | 1,889          |
| <b>Derivative instruments not designated in hedge accounting relationships</b> |                |                |                |                |
| Foreign currency forward contracts   | 80             | -              | -              | -              |

### (a) Financial Risk Management Policies and Objectives

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.



## **26. Financial Instruments, Financial Risks and Capital Risks Management (cont'd)**

### **(a) Financial Risk Management Policies and Objectives (cont'd)**

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 entity's operations. The main risks arising from the entity's financial instruments are currency risk, interest rate risk, credit risk and liquidity risk.

### **(b) Financial Risk Factors**

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.

### **(c) Currency Risk Management**

The Group operates mainly in Singapore, Malaysia 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 ("RM") 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 24(b) and 26(f) to the financial statements.

26. **Financial Instruments, Financial Risks and Capital Risks Management (cont'd)**

**(c) Currency Risk Management (cont'd)**

*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:

| SGD equivalent                           | USD<br>\$'000 | SGD<br>\$'000 | Others<br>\$'000 | Total<br>\$'000 |
|--|---------------|---------------|------------------|-----------------|
| <b><u>Group</u></b>                      |               |               |                  |                 |
| <b>At 31 December 2013</b>               |               |               |                  |                 |
| <b>Financial assets</b>                  |               |               |                  |                 |
| Cash and bank balances                   | 4,185         | 2,662         | 68               | 6,915           |
| Trade and other receivables              | 2,776         | 29            | 50               | 2,855           |
| <b>Financial liabilities</b>             |               |               |                  |                 |
| Trade and other payables                 | (7,108)       | (14,574)      | (3)              | (21,685)        |
|  | (147)         | (11,883)      | 115              | (11,915)        |
| <b>Net financial liabilities</b>         |               |               |                  |                 |
| Less: Foreign currency forward contracts | -             | 11,400        | -                | 11,400          |
| <b>Currency exposure</b>                 | <b>(147)</b>  | <b>(483)</b>  | <b>115</b>       | <b>(515)</b>    |

**At 31 December 2012**

|  |              |                 |              |                 |
|--|--------------|-----------------|--------------|-----------------|
| <b>Financial assets</b>                  |              |                 |              |                 |
| Cash and bank balances                   | 2,561        | 2,389           | 90           | 5,040           |
| Trade and other receivables              | 4,266        | 62              | 188          | 4,516           |
| <b>Financial liabilities</b>             |              |                 |              |                 |
| Trade and other payables                 | (7,193)      | (15,438)        | (482)        | (23,113)        |
| <b>Net financial liabilities</b>         | <b>(366)</b> | <b>(12,987)</b> | <b>(204)</b> | <b>(13,557)</b> |
| Less: Foreign currency forward contracts | -            | 12,571          | -            | 12,571          |
| <b>Currency exposure</b>                 | <b>(366)</b> | <b>(416)</b>    | <b>(204)</b> | <b>(986)</b>    |

The Company's functional currency is Singapore dollar. Except for cash and bank balances of \$48,000 (2012: \$46,000) which are denominated in USD and \$Nil (2012: \$332,000) due to an external party which is denominated in other currency, 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 2013.

## 26 Financial Instruments, Financial Risks and Capital Risks Management (cont'd)

### (c) Currency Risk Management (cont'd)

#### *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. 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.

If the relevant foreign currency strengthens by 10% against the functional currency of each Group entity, profit or loss and other equity will increase (decrease) by:

| <i>SGD equivalent</i> | <b>USD impact</b>     |                       | <b>SGD impact</b>     |                       | <b>Other currency impact</b> |                       |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------------|-----------------------|
|                       | <b>2013</b><br>\$'000 | <b>2012</b><br>\$'000 | <b>2013</b><br>\$'000 | <b>2012</b><br>\$'000 | <b>2013</b><br>\$'000        | <b>2012</b><br>\$'000 |
| <b><u>Group</u></b>   |                       |                       |                       |                       |                              |                       |
| Profit or loss        | (15)                  | (37)                  | (48)                  | (42)                  | 12                           | (20)                  |
| <b><u>Company</u></b> |                       |                       |                       |                       |                              |                       |
| Profit or loss        | 5                     | 5                     | -                     | -                     | -                            | (33)                  |

If the relevant foreign currency weakens by 10% against the functional currency of each Group entity, profit or loss and other equity will increase (decrease) by:

| <i>SGD equivalent</i> | <b>USD impact</b>     |                       | <b>SGD impact</b>     |                       | <b>Other currency impact</b> |                       |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------------|-----------------------|
|                       | <b>2013</b><br>\$'000 | <b>2012</b><br>\$'000 | <b>2013</b><br>\$'000 | <b>2012</b><br>\$'000 | <b>2013</b><br>\$'000        | <b>2012</b><br>\$'000 |
| <b><u>Group</u></b>   |                       |                       |                       |                       |                              |                       |
| Profit or loss        | 15                    | 37                    | 48                    | 42                    | (12)                         | 20                    |
| <b><u>Company</u></b> |                       |                       |                       |                       |                              |                       |
| Profit or loss        | (5)                   | (5)                   | -                     | -                     | -                            | 33                    |

### (d) 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 26(f).

#### *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.

## 26 Financial Instruments, Financial Risks and Capital Risks Management (cont'd)

### (e) 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.

The maximum amount the Company could be forced to settle under the financial guarantee contracts in Note 25, if the full guaranteed amount is claimed by the counterparty to the guarantee is \$59,143,000 (2012: \$75,816,000). Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement.

Other than as disclosed elsewhere 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 deposit in Note 8 is derived from Indonesia.

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

|                              | <b>Group</b>  |               |
|------------------------------|---------------|---------------|
|                              | <b>2013</b>   | <b>2012</b>   |
|                              | <b>\$'000</b> | <b>\$'000</b> |
| <u>By geographical areas</u> |               |               |
| Singapore                    | 20,071        | 18,372        |
| Indonesia                    | 11,646        | 12,848        |
| Malaysia                     | 1,429         | 589           |
| Other ASEAN countries        | 695           | 1,618         |
| China including Hong Kong    | 693           | -             |
| Switzerland                  | -             | 7,779         |
| Others                       | 401           | 589           |
|                              | <u>34,935</u> | <u>41,795</u> |

## 26 Financial Instruments, Financial Risks and Capital Risks Management (cont'd)

### (f) Liquidity Risk Management

The Group adopts prudent liquidity risk management by maintaining sufficient cash.

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

*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.

|                                    | On<br>demand or<br>within 1<br>year<br>\$'000 | Within<br>2 to 5<br>years<br>\$'000 | After 5<br>years<br>\$'000 | Total<br>\$'000 |
|------------------------------------|---|-------------------------------------|----------------------------|-----------------|
| <b><u>Group</u></b>                |   |                                     |                            |                 |
| <b>2013</b>                        |   |                                     |                            |                 |
| <i>Gross settled:</i>              |   |                                     |                            |                 |
| Foreign currency forward contracts | (80)  | -                                   | -                          | (80)            |
| <b>2012</b>                        |   |                                     |                            |                 |
| <i>Gross settled:</i>              |   |                                     |                            |                 |
| Foreign currency forward contracts | 83  | -                                   | -                          | 83              |

26 Financial Instruments, Financial Risks and Capital Risks Management (cont'd)

(f) Liquidity Risk Management (cont'd)

*Liquidity and interest risk analyses (cont'd)*

Non-derivative financial liabilities

The following tables detail the effective interest rates and the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

|                                  | Effective<br>interest rate<br>% | On<br>demand<br>or<br>within 1<br>year<br>\$'000 | Within<br>2 to 5<br>years<br>\$'000 | After 5<br>years<br>\$'000 | Adjustment<br>\$'000 | Total<br>\$'000 |
|----------------------------------|---------------------------------|--|-------------------------------------|----------------------------|----------------------|-----------------|
| <b><u>Group</u></b>              |                                 |  |                                     |                            |                      |                 |
| <b>2013</b>                      |                                 |  |                                     |                            |                      |                 |
| Non-interest bearing             | -                               | 25,566   | -                                   | -                          | -                    | 25,566          |
| <b>2012</b>                      |                                 |  |                                     |                            |                      |                 |
| Non-interest bearing             | -                               | 27,827   | -                                   | -                          | -                    | 27,827          |
| <b><u>Company</u></b>            |                                 |  |                                     |                            |                      |                 |
| <b>2013</b>                      |                                 |  |                                     |                            |                      |                 |
| Non-interest bearing             | -                               | 1,068  | -                                   | -                          | -                    | 1,068           |
| Financial guarantee<br>contracts | -                               | 59,143   | -                                   | -                          | (58,877)             | 266             |
|                                  |                                 | 60,211   | -                                   | -                          | (58,877)             | 1,334           |
| <b>2012</b>                      |                                 |  |                                     |                            |                      |                 |
| Non-interest bearing             | -                               | 1,535  | -                                   | -                          | -                    | 1,535           |
| Financial guarantee<br>contracts | -                               | 75,816   | -                                   | -                          | (75,462)             | 354             |
|                                  |                                 | 77,351   | -                                   | -                          | (75,462)             | 1,889           |

26 Financial Instruments, Financial Risks and Capital Risks Management (cont'd)

(f) Liquidity Risk Management (cont'd)

*Liquidity and interest risk analyses (cont'd)*

Non-derivative financial assets

The following tables detail the effective interest rates and the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the Group's liquidity risk is managed on a net asset and liability basis. The tables have been drawn up based on the undiscounted maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipates that the cash flow will occur in a different period.

| <u>Group</u>                          | Effective<br>interest rate<br>% | On<br>demand<br>or<br>within 1<br>year<br>\$'000 | Within<br>2 to 5<br>years<br>\$'000 | After 5<br>years<br>\$'000 | Adjustment<br>\$'000 | Total<br>\$'000 |
|---------------------------------------|---------------------------------|--|-------------------------------------|----------------------------|----------------------|-----------------|
| <b>2013</b>                           |                                 |  |                                     |                            |                      |                 |
| Non-interest bearing                  | -                               | 50,749   | -                                   | -                          | -                    | 50,749          |
| Variable interest rate<br>instruments | 0.07                            | 1,789  | -                                   | -                          | -                    | 1,789           |
| Fixed interest rate<br>instruments    | 0.57 to 4.67                    | 16,674   | -                                   | -                          | (236)                | 16,438          |
|                                       |                                 | <u>69,212</u>                                    | <u>-</u>                            | <u>-</u>                   | <u>(236)</u>         | <u>68,976</u>   |
| <b>2012</b>                           |                                 |  |                                     |                            |                      |                 |
| Non-interest bearing                  | -                               | 47,414   | -                                   | -                          | -                    | 47,414          |
| Variable interest rate<br>instruments | 0.10                            | 189  | -                                   | -                          | -                    | 189             |
| Fixed interest rate<br>instruments    | 0.29 to 5.04                    | 20,157   | -                                   | -                          | (246)                | 19,911          |
|                                       |                                 | <u>67,760</u>                                    | <u>-</u>                            | <u>-</u>                   | <u>(246)</u>         | <u>67,514</u>   |
| <b>Company</b>                        |                                 |  |                                     |                            |                      |                 |
| <b>2013</b>                           |                                 |  |                                     |                            |                      |                 |
| Non-interest bearing                  | -                               | 3,004  | -                                   | -                          | -                    | 3,004           |
| Fixed interest rate<br>instruments    | 0.96                            | 17,254   | -                                   | -                          | (4)                  | 17,250          |
|                                       |                                 | <u>20,258</u>                                    | <u>-</u>                            | <u>-</u>                   | <u>(4)</u>           | <u>20,254</u>   |
| <b>2012</b>                           |                                 |  |                                     |                            |                      |                 |
| Non-interest bearing                  | -                               | 1,926  | -                                   | -                          | -                    | 1,926           |
| Fixed interest rate<br>instruments    | 1.04                            | 17,591   | -                                   | -                          | (9)                  | 17,582          |
|                                       |                                 | <u>19,517</u>                                    | <u>-</u>                            | <u>-</u>                   | <u>(9)</u>           | <u>19,508</u>   |

## 26 Financial Instruments, Financial Risks and Capital Risks Management (cont'd)

### (g) Fair Value of Financial Assets and Financial Liabilities

As at the end of reporting period, the 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 Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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.

### (h) Capital Risk 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 account 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 (i.e. share capital, translation account and accumulated losses, and translation account) other than amounts recognised in equity relating to cash flow hedges, where applicable. The Group's overall strategy remains unchanged from 2012.

|                              | Group          |                |
|------------------------------|----------------|----------------|
|                              | 2013<br>\$'000 | 2012<br>\$'000 |
| Total debt                   | -              | -              |
| Less: Cash and bank balances | (24,736)       | (17,616)       |
| Net cash and bank balances   | (24,736)       | (17,616)       |
| Adjusted capital             | 44,498         | 41,379         |

As the Group has net cash balance at the end of 2013 and 2012, debt to adjusted capital is not calculated.



**27. List of Significant Subsidiaries**

| Name of subsidiary and country of incorporation/operation              | Principal activities  | Interest and voting power held by the Group |           |
|--|---|---|-----------|
|  |   | 2013<br>%                                   | 2012<br>% |
| SP Resources International Pte. Ltd.<br>(Singapore) (a)                | Trading and marketing of industrial products  | 100   | 100       |
| SP Global International Pte. Ltd.<br>(Singapore) (a)                   | Distribution of consumer products   | 100   | 100       |
| Soil & Foundation (Pte) Limited<br>(Singapore) (a)                     | Geotechnical instrumentation and investigation, laboratory testing, environmental services and micro-piling | 100   | 100       |
| PT. SP Mining & Engineering<br>(Indonesia) (b)                         | Engineering contractor  | 100   | 100       |
| Globaltraco International Pte Ltd<br>(Singapore) (a)                   | Distribution of tyres   | 100   | 100       |
| SP Performance Pte. Ltd.<br>(Singapore) (a) #                          | Retreading of tyres   | 100   | 100       |
| Performance Retreads Sdn. Bhd.<br>(Malaysia) (b)                       | Retreading of tyres   | 100   | 100       |
| (a) Audited by Deloitte & Touche LLP, Singapore.                       |   |   |           |
| (b) Audited by overseas practices of Deloitte Touche Tohmatsu Limited. |   |   |           |
| # Formerly known as Singapore Bandag (Private) Limited.                |   |   |           |

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

The Board of Directors and the Audit 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 Listing Manual.