



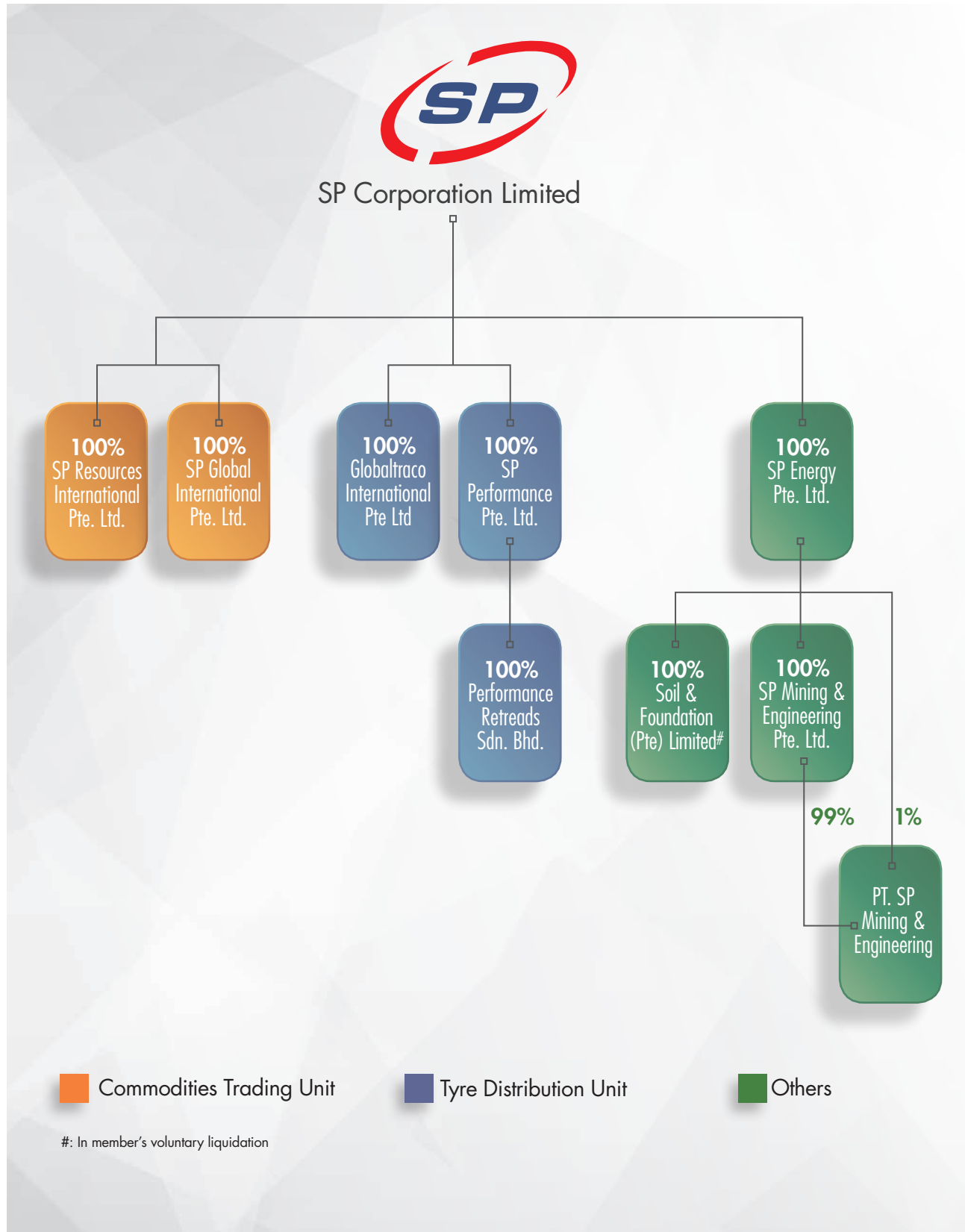
**SP Corporation Limited**

Annual Report 2015



# GROUP STRUCTURE

AS AT 27 JANUARY 2016



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## CHAIRMAN'S STATEMENT



Dear Shareholders,

For and on behalf of the Board of Directors, we present to you the Annual Report and Financial Statements for the financial year ended 31 December 2015 ("FY2015").

The Group's full year revenue of \$119.7 million was 9% lower than that of FY2014 largely due to the decline in commodities trading and tyre distribution activities. Profit after tax of \$1.5 million was below the \$2.1 million earned in FY2014, mainly due to reduced profits from the commodities trading business, exacerbated by the loss suffered by the tyre distribution business.

The global economy is volatile which dims growth prospects and intensified competition continues to exert pressure on the pricing and profitability of commodities trading and tyre distribution businesses.

Given the uncertainties in the business environments, the Group will remain focused on optimising efficiencies of its existing businesses, while looking for selective growth opportunities.

On 14 May 2015, the Company completed a ten-for-one share consolidation exercise in compliance with the minimum trading price ("MTP") listing requirement.

To our fellow directors, management and staff, I would like to express my deepest appreciation for your efforts throughout the year. To our valued customers, suppliers and business partners, I wish to register my thanks for your continued confidence and support to the Group. We look forward to many more years of fruitful collaboration and alliances in the years ahead.

Last but not least, on behalf of the Board of Directors, we are grateful to you, our shareholders, for your relentless support year after year. We strive to enhance shareholder value in the years ahead.

A handwritten signature in black ink, appearing to read 'Sung', with a stylized flourish at the end.

**PETER SUNG**  
Chairman  
7 March 2016



## CEO'S OPERATIONS REVIEW

For the financial year ended 31 December 2015 ("FY2015"), the Group posted lower revenue of \$119.7 million as compared to \$131.9 million in FY2014, mainly due to lower commodities trading and tyre distribution activities. As a result, the Group's profit after tax decreased from \$2.1 million in FY2014 to \$1.5 million.

### COMMODITIES TRADING UNIT

The Commodities Trading Unit primarily carries out trading of rubber, coal, metals as well as other commodities and products used by manufacturers in the tyre, energy, metal and automotive industries in Asia. The Unit also distributes consumer products such as baby and adult diapers, baby wipes and feminine napkins produced by established manufacturers in China and Indonesia.

The Commodities Trading Unit recorded a decrease in revenue of \$99.8 million in FY2015, as compared to \$104.1 million in FY2014 largely due to the softening in commodities prices despite an increase in trading volumes for rubber and coal. Revenue for metals also declined mainly due to weaker demands and falling prices.

Amid an anaemic outlook for the global economy, slowdown in China's growth forecasts and commodities supply gluts, demands for rubber, coal and metals are expected to remain downbeat. Commodities prices may fall further to spur the production cuts needed to end gluts.

The Commodity Trading Unit will continue to forge closer ties with its principals and customers to boost its commodities trading activities.

### TYRE DISTRIBUTION UNIT

The Tyre Distribution Unit distributes established tyre brands, namely, GT Radial and Gajah Tunggal from Indonesia; and GT Radial, Primewell and Runway from China, in ASEAN countries, except for Indonesia, Philippines and Thailand. Its principal suppliers, PT Gajah Tunggal Tbk and Giti Tire Pte. Ltd. are the leading tyre manufacturers in ASEAN and China respectively. As the distributor for these brands, the Unit distributes a wide range of bias and radial tyres for trucks and buses and passenger cars. The Unit provides tyre management services in Singapore and offers a one-stop solution for both new and retread tyres.

The Tyre Distribution Unit reported revenue of \$19.9 million in FY2015, as compared to \$27.8 million in FY2014. The Unit posted a net loss of \$0.7 million arising from lower revenue, partially offset by lower operating overheads and expenses. The persistently unfavorable market conditions which showed no sign of retreat had adversely impacted both the export and domestic markets of the Unit.

The tyre distribution business is expected to remain challenging in view of intense price competition. The Unit is working closely with its principal suppliers to enhance its value propositions and strengthen its dealer network and presence in strategic markets.

The Group will continue to focus on disciplined management of costs and capital, while cautiously seeking other viable business opportunities.



**BOEDIMAN GOZALI (ALIAS TONY WU)**

Managing Director and Chief Executive Officer  
7 March 2016

## SUSTAINABILITY REPORT

SP Corporation Limited ("SP Corp" or the "Company") and its subsidiaries (the "Group") recognise the importance of our roles as responsible corporate citizens towards our stakeholders while in pursuit of a sustainable future that enhances long term shareholder value. Our stakeholders comprise shareholders, customers, employees, suppliers and the communities and environment in which we operate.

### CORPORATE GOVERNANCE

SP Corp strives to adhere to a high standard of corporate governance, accountability and transparency. We believe that conducting business in a responsible manner is essential for the sustainability of the Group's businesses and performance as well as ensuring long term value for our stakeholders.



In 2015, SP Corp, incorporated on 27 November 1952, was honoured with a Golden Jubilee Business Award ("Award"). The Award was to commemorate the celebration of Singapore's 50<sup>th</sup> year of independence in recognition of the achievements and contributions of 50 major local corporations over the decades, along with the Singapore's economic growth in the last 50 years. The Awards Committee comprised the Accounting and Corporate Regulatory Authority, the Singapore Business Federation and business information service provider, DP Information Group.

Our Board of Directors (the "Board") monitors the effectiveness of management and regularly reviews the Group's corporate governance practices and maintains continual robustness of governance that is reflective of changes to existing environment. The Board operates according to the principles and guidelines of the Singapore's Code of Corporate Governance 2012. The Group has in place a code of conduct that sets out the main principles of the conduct and business ethics covering areas such as conflicts of interest, confidentiality of information and conduct in workplace. Integrity and ethical behaviour remain as the fundamental elements in the context of code of conduct and this has been cascaded from top to bottom and across all levels within the Group. In addition, we have

a whistle-blowing policy in place to enable our employees, suppliers and customers to report any non-compliance or dishonest practices or signal serious matters that they may be aware of. During the year, management conducted a review of the Company's corporate governance practices with reference to the Guidebook for Audit Committees in Singapore 2014 (Second Edition), to ensure that current practices are largely in line with the recommended best practices. For detailed discussion on the Group's corporate governance practices, please refer to the "Corporate Governance Report" section of the Annual Report.

### RISK MANAGEMENT

Risk assessment and management is an integral part of the strategic and operational decision-making process

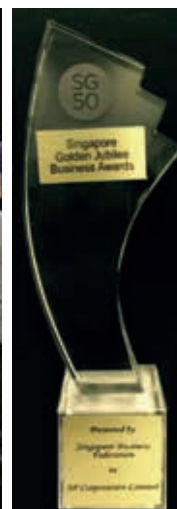
at SP Corp. The Board provides guidance and policy direction on the risk management framework and has overall responsibility in determining the business risk levels that is acceptable to the Group in achieving its corporate objectives.

The overall framework established by the Group is to enhance the soundness of its financial reporting,

risk management, compliance and internal control systems and to provide a holistic and systematic approach to address risks encountered at various levels of business operations. The Board together with management determines the risk management objectives and policies and promotes a culture of risk awareness and balanced risk-taking.

For the year under review, management believes that the current framework for managing risks remains appropriate. Although risks cannot be completely eliminated, an effective risk identification and management process will reduce the uncertainties in achieving the Group's business objectives and allow the Group to take advantage of opportunities that may arise.

Risks are evaluated based on criteria developed for the Group and standard methodology and templates are used to facilitate management reporting. On an annual basis, a risk management report highlighting potential risks relating to the Group's business operations and measures to mitigate such identified risks, is submitted to our Audit and Risk Committee and Board of Directors. For discussion on the Group's risk management practices, please refer to the "Corporate Governance Report" section of the Annual Report.



# SUSTAINABILITY REPORT

## INVESTOR RELATIONS

We take a proactive approach and engage in timely communications through various platforms such as quarterly results announcements. The Group disseminates all announcements to the Singapore Exchange Securities Trading Limited via SGXNET and our corporate website. Our corporate website ([www.spcorp.com.sg](http://www.spcorp.com.sg)) also provides information on the Group's business operations, past financial results announcements, and annual reports. In line with our commitment for timely disclosure, we have over the years brought forward the dates on which we announce our results, where our quarterly results are made within one month of the end of each quarter. Since 2012, we have released our audited statutory financial statements at the same time as the announcement of the full year financial results within one month of the financial year-end.

The Company encourages participation of shareholders at the Company's Annual General Meetings. Such meetings are held at city venues which are convenient and accessible to shareholders. Every shareholder is entitled to appoint up to two proxies to attend and vote on his/her behalf save that no limit shall be imposed on the number of proxies for nominee companies. Our Annual General Meeting this year will be held on 5 April 2016 at the MND Function Room at Annexe A, 9 Maxwell Road, MND Complex. Our directors, management and external auditors will be present to address shareholders' queries on the Group's businesses during the meeting as well as after the meeting to allow informal interactions.

## PEOPLE RELATIONS AND DEVELOPMENT

We recognise the importance of training, developing, growing and retaining our human capital through implementation of effective human resource policies and practices. We focus on providing a safe, clean and balanced workplace for our employees.

We offer competitive pay packages that are linked to market practices and reward employees based on merit. The Company's remuneration package comprises a fixed component and a variable component which is linked to the Company's performance, the business unit's performance as well as each individual's performance.

Our people are treated fairly regardless of their background. We adopt an open door policy to facilitate and encourage formal and informal interaction and discussion amongst employees at all levels. A Whistle-blowing Committee was also set up to look into any feedback from our employees on unfair work practices, corruption and misconduct.

We believe in integrity and professionalism in the conduct of our business activities and expect our employees to embrace, practise and adopt these values. To ensure our employees understand the Group's philosophy in this

aspect, the Group's code of conduct is made available to all staff on the day they join the Group. All employees are required to make an annual declaration on involvement in any conflict of interest situation and compliance with the code of conduct.

Our people are encouraged to take up training and development programmes such as professional training, executive and leadership development as well as technical seminars, for career growth and personal development.

## ENVIRONMENTAL AND COMMUNITY INITIATIVES

We seek harmony with the environment and strive to play a part in contributing back to the community in which we live and work. We encourage our employees to be environmentally and socially responsible.

We have embarked on green initiatives in the workplace by reducing energy consumption, implementing energy-efficient measures and increasing waste recycling to reduce resource depletion.

For the past 3 consecutive years from 2012 to 2014, SP Corp had participated in the annual sponsored events jointly organised by our holding company and certain non-profit organisations to reach out to the less privileged community. SP Corp is looking forward to participate in similar activities going forward.

## WORKPLACE SAFETY

We placed great emphasis within our organisation to promote workplace safety and healthy work environment for our staff, customers and dealers.

The tyre-fitters from a subsidiary of SP Corp, Globaltraco's PSA TTMP team have continued to maintain a high working standard in delivering their duties in PSA. Their efforts in workplace safety have been recognised by PSA for four years through the nomination of the team for the Safety Conscious Award from 2012 to 2014 and 2016. In 2014 and 2015, the team achieved injury free performance and was awarded PSA Safety Council's Certificate of Injury Free Engineering Contractors.



## DIRECTORS' PROFILE

### PETER SUNG

(NON-INDEPENDENT)

*Non-Executive Chairman since January 2002  
Member, Remuneration Committee since February 2006  
Last re-appointed in April 2015*

Mr Sung is a senior advisor to Nuri Holdings (S) Pte Ltd, the deemed substantial shareholder of the Company. He is also the chairman of Calbert Pte. Ltd.

Mr Sung was a school teacher between 1961 and 1966. From 1966 to 1986, he worked with Shell, Sime Darby and the Pilecon groups of companies in Singapore and Malaysia in the corporate planning, marketing, sales and personnel functions. He was Singapore's ambassador to the Philippines between 1986 and 1988. Between 1988 and 1991, he was Minister of State in Singapore with attachments to the Ministries of Foreign Affairs, Home Affairs and National Development. He was a Member of the Singapore Parliament from 1988 to 1996.

Since 1992, Mr Sung has been associated with the Nuri, Gajah Tunggal and Tuan Sing groups of companies serving, at various times, as chairman, director, chief executive and senior advisor in different companies within these groups. Mr Sung holds a Bachelor of Arts degree with a First Class Honours in Economics from the University of Singapore.

### BOEDIMAN GOZALI (ALIAS TONY WU)

(NON-INDEPENDENT)

*Managing Director and Chief Executive Officer since August 2010  
Last re-appointed in April 2015*

Mr Boediman Gozali (alias Tony Wu) joined the Company as Managing Director and Chief Executive Officer in August 2010. He also holds directorships in subsidiaries of the Company.

Mr Wu is concurrently the chairman of several companies in the Bestway group in Singapore and in Hainan, China, namely, Bestway Holdings Pte Ltd, Bestway Properties Pte Ltd and Bestway Investment Asia Pte. Ltd. as well as Sanya Summer Mall Department Store Co. Ltd, Sanya Summer Commercial Co. Ltd and Danzhou Summer Property Developments Co. Ltd.

Mr Wu was a director and commissioner of PT. Indonesia Prima Property Tbk, a company listed on the Indonesia Stock Exchange. He was also a senior economist of The Economist Intelligence Unit (SEA) Ltd in the 1970s. Mr Wu graduated from the Institute of Marketing – United Kingdom with a Diploma in Marketing.



From left to right: Chong Chou Yuen, William Nursalim alias William Liem, Boediman Gozali (alias Tony Wu), Peter Sung, Cheng Hong Kok and Tan Lye Huat



## DIRECTORS' PROFILE

### CHENG HONG KOK (INDEPENDENT)

*Non-Executive Director since May 2001  
Chairman, Audit and Risk Committee since October 2001  
Chairman, Nominating Committee since February 2006  
Member, Remuneration Committee since February 2006  
Lead Independent Director since January 2013  
Last re-appointed in April 2015*

Mr Cheng sits on the board of Far East Orchard Limited, a Singapore-listed company. He was also a director of Gul Technologies Singapore Ltd, from which he stepped down after its successful voluntary delisting from the Singapore Exchange in January 2013.

Mr Cheng was on the boards of Singapore Petroleum Company Limited, Singapore Refining Company Pte Ltd and SPC Refining Company Pte Ltd. He held various senior positions in Singapore Petroleum Company Limited as head of corporate planning, finance and accounting, supply and trading, and marketing and distribution from 1970 to 1980 and became its president and chief executive officer from 1981 to 1996. Through Singapore Petroleum Company Limited, he was involved in the Asean Council on Petroleum (ASCOPE) for many years. He was also a board member of the Singapore Economic Development Board from 1987 to 1990 and a member of the Government Economic Planning Committee from 1989 to 1991.

Mr Cheng holds a Bachelor of Science (Chemical Engineering) degree with First Class Honours from the University of London and attended the Advanced Executive Management Program at the Kellogg Graduate School of Management, Northwestern University in the United States of America. He was a Singapore State Scholar as well as an Eisenhower Fellow.

### CHONG CHOU YUEN (NON-INDEPENDENT)

*Non-Executive Director since December 2005  
Member, Audit and Risk Committee since June 2007  
Last re-elected in April 2015*

Mr Chong holds directorships in subsidiaries of the Company and of the Tuan Sing group. He is concurrently the chief financial officer of Tuan Sing Holdings Limited (listed on the Singapore Exchange), the Company's holding company. Mr Chong is a board member and Honorary Treasurer of the Singapore Heart Foundation. He is also a member of the Audit Sub-Committee of Alexandra Health Pte. Ltd. managing Khoo Teck Puat Hospital and Yishun Community Hospital.

Mr Chong's career spans more than 30 years in finance & accounting management in various industries covering countries in the Asia Pacific, Middle East and the Caribbean. Prior to joining the Tuan Sing group in 2004, Mr Chong was the regional finance director, Asia-Pacific for Equant Pte. Ltd. between 1997 and 2004. He was the group finance director of Berger International Ltd from 1994 to 1997.

Mr Chong holds a Bachelor of Accountancy and a Master of Business Administration degree from the National University of Singapore. He is also a Fellow of the Institute of Singapore Chartered Accountants.

### WILLIAM NURSALIM ALIAS WILLIAM LIEM (NON-INDEPENDENT)

*Managing Director and Chief Executive Officer from December 2009 to August 2010  
Non-Executive Director since August 2010  
Member, Nominating Committee since December 2009  
Last re-elected in April 2012  
Proposed for re-election at AGM in April 2016*

Mr Liem joined the Board as a Non-Executive Director in March 2003. He was appointed the Managing Director and Chief Executive Officer of the Company in December 2009, from which he stepped down in August 2010 and remains as a Non-Executive Director of the Company.

Mr Liem is concurrently an executive director and the chief executive officer of Tuan Sing Holdings Limited (listed on the Singapore Exchange), the Company's holding company. He is also a non-executive director of Gul Technologies Singapore Ltd (previously listed on the Singapore Exchange). In addition, Mr Liem holds directorships in Nuri Holdings (S) Pte Ltd (the deemed substantial shareholder of the Company), GITI Holdings Ltd, GT Asia Pacific Holdings Pte Ltd and Grand Hotel Group (previously listed on the Australian Stock Exchange).

Mr Liem had worked in Lehman Brothers and the GITI group. He obtained his Bachelor of Science in Business from the University of California at Berkeley and holds a Master of Business Administration from the Massachusetts Institute of Technology.

### TAN LYE HUAT (INDEPENDENT)

*Non-Executive Director since January 1999  
Chairman, Remuneration Committee since February 2006  
Member, Audit and Risk Committee since January 1999  
Member, Nominating Committee since February 2006  
Last re-elected in April 2013  
Proposed for re-election at AGM in April 2016*

Mr Tan had previously been actively engaged in corporate governance advocacy, consultancy and training work under HIM Governance Private Limited, including, being the regional adviser of Governance for Owners LLP as well as volunteering at a number of other governance-related associations.

Mr Tan also holds directorships in other Singapore-listed companies, namely, Nera Telecommunications Ltd, Neo Group Limited, Dynamic Colours Limited and Japan Foods Holding Ltd. Mr Tan was a director of Singapore Kitchen Equipment Limited (listed on the Singapore Exchange), from which he resigned in 2013.

Mr Tan is a member of the Institute of Singapore Chartered Accountants (ISCA), Fellow of the Association of Chartered Certified Accountants (FCCA), member of the Australian Institute of Company Directors (AICD) as well as a Chartered Director Fellow (C. Dir FloD) of the Institute of Directors (IOD, UK).

## FIVE-YEAR FINANCIAL SUMMARY

| GROUP PROFIT & LOSS ACCOUNT (\$'000) | 2015           | 2014    | 2013    | 2012    | 2011    |
|--------------------------------------|----------------|---------|---------|---------|---------|
| <b>Revenue</b>                       | <b>119,675</b> | 131,913 | 152,591 | 173,311 | 187,047 |
| <b>Profit before tax</b>             | <b>1,614</b>   | 2,303   | 2,549   | 2,469   | 2,799   |
| Income tax expense                   | (148)          | (172)   | (146)   | (357)   | (329)   |
| <b>Profit after tax</b>              | <b>1,466</b>   | 2,131   | 2,403   | 2,112   | 2,470   |
| GROUP BALANCE SHEET (\$'000)         | 2015           | 2014    | 2013    | 2012    | 2011    |
| Plant and equipment                  | 530            | 305     | 436     | 214     | 918     |
| Other assets                         | 76,193         | 68,446  | 70,849  | 69,675  | 77,974  |
| <b>Total assets</b>                  | <b>76,723</b>  | 68,751  | 71,285  | 69,889  | 78,892  |
| Shareholders' funds                  | 50,364         | 47,598  | 44,498  | 41,379  | 40,163  |
| Borrowings                           | —              | —       | —       | —       | 7,294   |
| Other liabilities                    | 26,359         | 21,153  | 26,787  | 28,510  | 31,435  |
| <b>Total liabilities and equity</b>  | <b>76,723</b>  | 68,751  | 71,285  | 69,889  | 78,892  |
| SHARE PRICES (DOLLAR)                | 2015           | 2014    | 2013    | 2012    | 2011    |
| Last transacted*                     | 1.10           | 1.00    | 1.20    | 1.10    | 0.80    |
| High*                                | 1.10           | 1.20    | 1.20    | 1.20    | 2.80    |
| Low*                                 | 0.80           | 0.80    | 0.90    | 0.80    | 0.70    |
| Average (arithmetic)*                | 0.95           | 1.00    | 1.05    | 1.00    | 1.75    |
| Turnover (million shares)            | 0.64           | 0.27    | 0.90    | 0.80    | 29.08   |
| FINANCIAL RATIOS                     | 2015           | 2014    | 2013    | 2012    | 2011    |
| Earnings per share (cents)*          | 4.18           | 6.07    | 6.85    | 6.02    | 7.04    |
| Net assets per share (dollar)*       | 1.43           | 1.36    | 1.27    | 1.18    | 1.14    |
| Return on shareholders' funds (%)    | 3.0%           | 4.6%    | 5.6%    | 5.2%    | 6.3%    |
| Return on total assets (%)           | 2.0%           | 3.0%    | 3.4%    | 2.8%    | 3.2%    |

\* On 14 May 2015, the Company completed its share consolidation exercise. The comparative figures have been adjusted for the effect of share consolidation.

## FINANCIAL CALENDAR

### FINANCIAL YEAR ENDED 31 DECEMBER 2015

|                 |   |
|-----------------|---|
| 29 April 2015   | Announcement of results for the first quarter ended 31 March 2015               |
| 29 July 2015    | Announcement of results for the second quarter and half-year ended 30 June 2015 |
| 28 October 2015 | Announcement of results for the third quarter ended 30 September 2015           |
| 27 January 2016 | Announcement of full-year results for the financial year ended 31 December 2015 |
| 7 March 2016    | Dispatch of Annual Report 2015  |
| 5 April 2016    | 63 <sup>rd</sup> Annual General Meeting   |

### FINANCIAL YEAR ENDING 31 DECEMBER 2016

|              |   |
|--------------|---|
| April 2016   | Proposed announcement of results for the first quarter ending 31 March 2016               |
| July 2016    | Proposed announcement of results for the second quarter and half-year ending 30 June 2016 |
| October 2016 | Proposed announcement of results for the third quarter ending 30 September 2016           |
| January 2017 | Proposed announcement of full-year results for the financial year ending 31 December 2016 |

Note: The dates for the proposed financial results announcement for 2016 are indicative only and are subject to change.

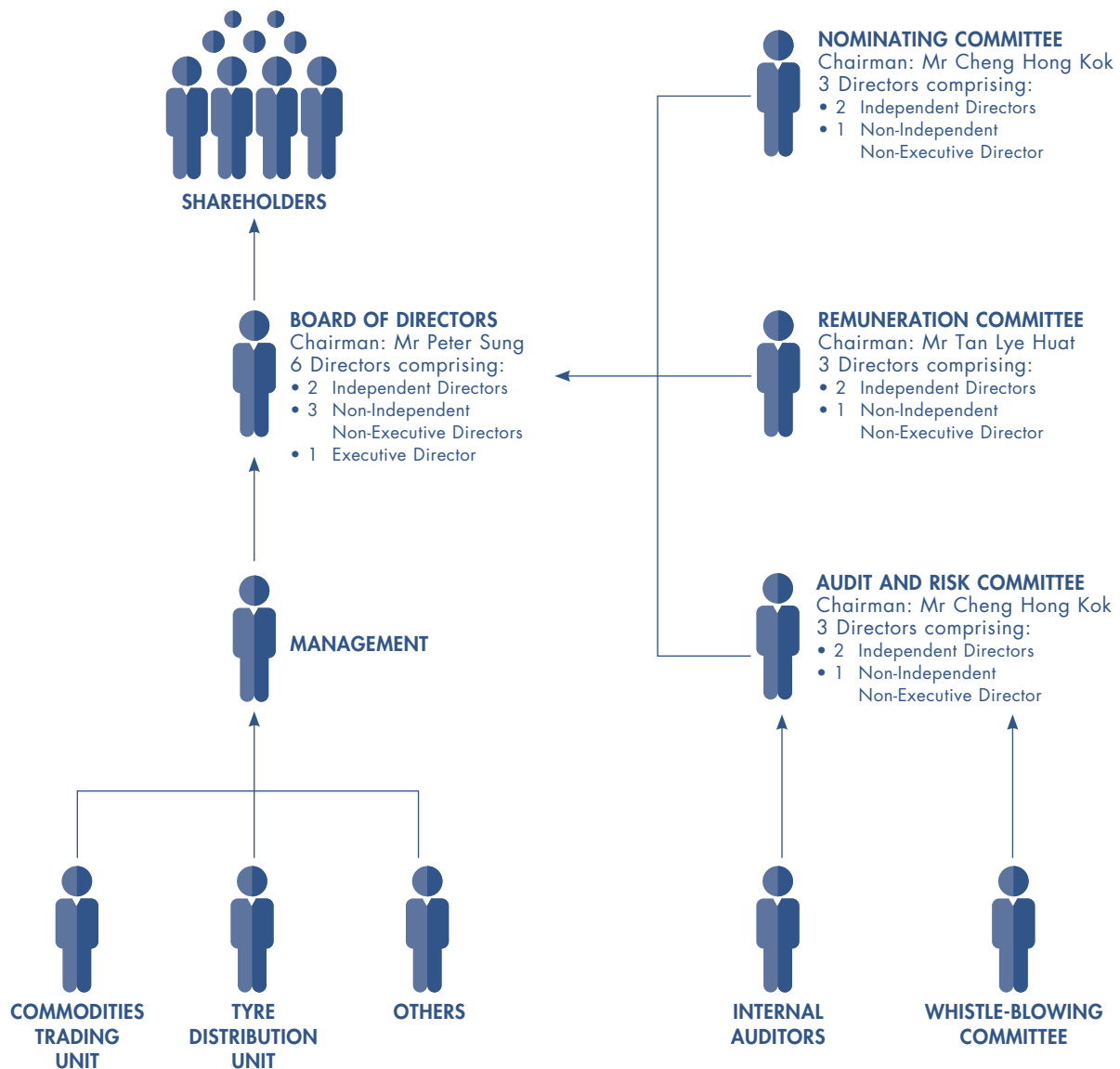
## CORPORATE GOVERNANCE REPORT

The Group continues to be committed to high standards of corporate conduct. The Board of Directors ("Board") and the Management believe that good corporate governance is key to the integrity of the Group and essential to the long-term sustainability of the Group's businesses and performance. To discharge its governance function, the Board and its committees have established policies and rules to govern their activities. The Board and its committees are guided by their respective Terms of References.

The Board is pleased to report the Company's corporate governance practices for the financial year ended 31 December 2015 with specific reference to each guideline of the Code of Corporate Governance 2012 ("Code").

The Board, after making due inquiries, believes that the Company has complied in all material aspects with the principles and guidelines as set out in the Code, save that the Company is working towards meeting Guideline 2.2, further details of which are set out below.

### CORPORATE GOVERNANCE STRUCTURE



# CORPORATE GOVERNANCE REPORT

## I. BOARD MATTERS

The Board oversees the overall strategy and business direction of the Group and is collectively responsible for its long-term success. The Management also plays a pivotal role in providing Board members with complete, adequate and timely information to assist the Directors in the fulfilment of their responsibilities.

### Principle 1: Effective Board To Lead And Control The Company

#### Guideline 1.1

##### Board's Role

The principal functions of the Board include, *inter alia*, providing entrepreneurial leadership, setting strategic objectives, monitoring Management's performance, establishing a framework for prudent and effective control for risk management, safeguarding shareholders' interests and the Company's assets as well as setting values and standards (including ethical standards) for the Company. The Board is also mindful of the Company's social responsibilities; more details of which are presented in the Sustainability Report section of this Annual Report.

#### Guideline 1.2

##### Objective Decision Making

The Board exercises due diligence and independent judgement in dealing with the business affairs of the Group and works with the Management to take objective decisions in the interest of the Group.

#### Guideline 1.3

##### Delegation Of Authority To Board Committees

The Board is supported by a number of committees to assist it in the discharge of its responsibilities and enhance the Company's corporate governance framework. These committees include the Nominating Committee ("NC"), the Remuneration Committee ("RC") and the Audit and Risk Committee ("ARC"). Each Board committee has its own specific Terms of Reference setting out the scope of its duties and responsibilities, rules and regulations, and procedures governing the manner in which it is to operate and how decisions are to be taken.

The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to its committees and the Management via a structured Delegation of Authority matrix. This matrix is reviewed on a regular basis and accordingly revised when necessary. More details on the Board's delegation are presented below. The Board committees and the Management remain accountable to the Board.

#### Guideline 1.4

##### Meetings Of Board And Board Committees

The Board and its committees met regularly and as warranted by particular circumstances. On occasions when Directors were unable to attend meetings in person, telephonic means were used as allowed under the Company's Articles of Association. To enable members of the Board and its committees to prepare for the meetings, agendas were circulated at least 7 days in advance and most materials dispatched 1 week before the meetings.

A record of the Directors' attendance at meetings during the financial year ended 31 December 2015 is set out below:

| 2015 Meeting Attendance             | Board    | Audit and Risk Committee | Remuneration Committee | Nominating Committee | General Meetings<br>AGM | EGM      |
|-------------------------------------|----------|--------------------------|------------------------|----------------------|-------------------------|----------|
| <b>Total Number of Meetings</b>     | <b>5</b> | <b>4</b>                 | <b>2</b>               | <b>1</b>             | <b>1</b>                | <b>1</b> |
| Peter Sung                          | 5        | –                        | 2                      | –                    | 1                       | 1        |
| Boediman Gozali (alias Tony Wu)     | 5        | –                        | –                      | –                    | 1                       | 1        |
| Cheng Hong Kok                      | 5        | 4                        | 2                      | 1                    | 1                       | 1        |
| Chong Chou Yuen                     | 5        | 4                        | –                      | –                    | 1                       | 1        |
| William Nursalim alias William Liem | 4        | –                        | –                      | 1                    | 1                       | 1        |
| Tan Lye Huat                        | 5        | 4                        | 2                      | 1                    | 1                       | 1        |

During the year, Non-Executive Directors (including Independent Directors) also communicate or meet amongst themselves and/or with the Chief Executive Officer ("CEO") and his management team on an ad hoc basis to approve and/or discuss specific issues or matters relating to the Group. Such informal discussions and meetings are not included in the above table.



# CORPORATE GOVERNANCE REPORT

## Guideline 1.5

### Internal Guidelines On Matters Requiring Board Approval

The Company has established guidelines governing matters that require the Board's approval.

The Delegation of Authority matrix provides clear directions to Management on matters requiring the Board's specific approval which include:

- (a) material acquisition and disposal of assets/investments
- (b) corporate/financial restructuring and corporate exercises
- (c) budgets/forecasts
- (d) material financial/funding arrangements and capital expenditures
- (e) delegation of authority matrix and policies and procedures

During the year, the Board reviewed and approved the Group's annual budget and business plans and on a monthly basis, monitored the financial performance of the Group. The Board also deliberated on other key business activities and material transactions that exceeded the limits of authority delegated to the Management or Board committees. In addition, the Board considered issues relating to the current and future business development and strategic direction of the Group, and material developments relating to accounting, legal, regulatory and/or corporate governance issues.

## Guideline 1.6

### Continuous Training And Development Of Directors

The Company offers Directors opportunities to update and refresh their knowledge on an ongoing basis, to enable them to continue fulfilling their roles as Board members and Committee members effectively. During the year, the Management also kept the Directors up-to-date on pertinent developments in the business including changes in laws and regulations, code of corporate governance, financial reporting standards and industry-related matters. Such periodic updates were provided to Directors to facilitate the discharge of their duties. During the year, some Directors have participated in/attended third party-run programmes such as the "Director and CFO Forum" organised by the Institute of Singapore Chartered Accountants ("ISCA"), together with the Accounting and Corporate Regulatory Authority, the Singapore Institute of Directors, the Singapore CFO Institute and the Singapore Exchange Limited ("SGX") where experts shared their insights on the recent regulatory, auditing and financial reporting developments in Singapore.

## Guideline 1.7

### Letter To Directors On Appointment

No new Director was appointed during the year under review.

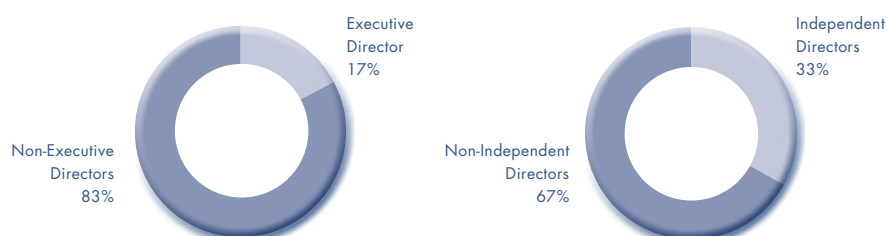
## Principle 2: Independent Element On The Board

## Guideline 2.1

### Independent Element Of The Board

The NC determines the independence of each Director annually. An Independent Director is one who has no relationship with the Company, its related companies, its 10% shareholders (as defined in the Code) or its officers that can interfere, or be reasonably perceived to interfere with the exercise of the Director's independent business judgement to the best interests of the Company.

The Board comprises six Directors, five of whom are Non-Executive Directors. Amongst the Non-Executive Directors, two are independent. The NC conducted its annual review of the Directors' independence and was satisfied that the Company complies with the guideline of the Code which provides that at least one-third of the Board is made up of Independent Directors.



## Guideline 2.2

### Composition Of Independent Directors On The Board

As the Chairman is not an Independent Director, the NC is reviewing the composition of Independent Directors on the Board and has recommended to the Board to consider increasing the independent element so as to be in line with the relevant guidelines of the Code. Guideline 2.2 provides for the Independent Directors to make up at least half of the Board where, *inter alia*, the Chairman on the Board is not an Independent Director and where such guideline has to be complied with prior to the Company's April 2018 annual general meeting ("AGM") which follows the financial year commencing 1 January 2017.

# CORPORATE GOVERNANCE REPORT

## Guideline 2.3

### Independence Of Directors

The NC, in its deliberation as to the independence of a Director, took into account examples of relationships as set out in the Code, considered whether a Director had business relationships with the Group, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgement.

The NC has assessed the independence of Messrs Cheng Hong Kok and Tan Lye Huat, and is satisfied that there is no relationship or other factors such as gifts or financial assistance, past association, business dealings, being a representative of a shareholder, financial dependence, relationship with the Group or the Group's management, etc. which would impair the independent judgement or which would deem them to be not independent.

## Guideline 2.4

### Independence Of Directors Who Have Served On The Board Beyond Nine Years

During the year, Messrs Cheng Hong Kok and Tan Lye Huat having served on the Board as Independent Directors for more than nine years, had voluntarily submitted themselves for rigorous review on their independence by the other Directors. All the other Directors participated in the assessment of the independence status of Mr Cheng and Mr Tan. Having considered the assessment made by Directors on the independent status of Messrs Cheng Hong Kok and Tan Lye Huat and other relevant factors as further elaborated below, the Board concurred with the NC's recommendation that Mr Cheng and Mr Tan continue to be regarded as independent. In the discharge of their duties, Mr Cheng and Mr Tan have demonstrated the ability and preparedness to exercise their independent business judgement and/or decisions on matters with a view to the best interest of the Company without undue reliance, influence or consideration of the Group/Company's interested parties such as the Chairman and CEO of the Board, other Non-Independent Directors, controlling shareholders and/or their associates and the Group/Company's management. Shareholders may also wish to note Mr Tan Lye Huat is due for retirement and re-election by rotation at the forthcoming annual general meeting and the resolution to approve his re-election is set out under Ordinary Resolution 3(b) under the Notice of AGM as set out on pages 87 to 88 of this Annual Report, and Mr Tan will still be considered as an Independent Director, *inter alia*, for the reasons as aforesaid.

## Guideline 2.5

### Composition And Size Of The Board

The NC conducted its annual review on the composition of the Board which comprises members from different backgrounds and whose core competencies, qualifications, skills and experiences are extensive. Taking into account the scope and nature of the operations of the Group, the NC considered the current Board composition and size to be appropriate, and collectively, the Directors provide relevant competencies to facilitate effective decision making for the existing needs and demands of the Group's businesses.

Nevertheless, the NC has recommended to the Board to consider the appointment of additional Independent Director(s) so as to be in line with the relevant guidelines of the Code.

A summary of the composition of the Board and its committees is set out below:

| No. | Name                                | Status   | Board | Audit and Risk Committee | Remuneration Committee | Nominating Committee |
|-----|-------------------------------------|----------|-------|--------------------------|------------------------|----------------------|
| 1.  | Peter Sung                          | NED, NID | C     |                          | M                      |                      |
| 2.  | Boediman Gozali (alias Tony Wu)     | ED, NID  | M     |                          |                        |                      |
| 3.  | Cheng Hong Kok                      | NED, ID  | M     | C                        | M                      | C                    |
| 4.  | Chong Chou Yuen                     | NED, NID | M     | M                        |                        |                      |
| 5.  | William Nursalim alias William Liem | NED, NID | M     |                          |                        | M                    |
| 6.  | Tan Lye Huat                        | NED, ID  | M     | M                        | C                      | M                    |

#### Legend

C: Chairman

ED: Executive Director

ID: Independent Director

M: Member

NED: Non-Executive Director

NID: Non-Independent Director

## Guideline 2.6

### Competency Of The Board

The NC conducted its annual review of the Directors' mix of skills and experiences that the Board requires to function competently and efficiently, based on a Board of Directors Competency Matrix providing information on the Directors' respective areas of specialisation and expertise.

## CORPORATE GOVERNANCE REPORT

The NC, having reviewed the Competency Matrix and taking into account the Directors' respective areas of specialisation and expertise, is satisfied that members of the Board possess the relevant core competencies in areas such as accounting and finance, strategic planning, business and management experience. In particular, the Executive Director possesses good industry knowledge while the Non-Executive Directors, who are mostly professionals and experts in their own fields, are able to take a broader view of the Group's activities, contribute their valuable experiences and provide independent judgement during Board deliberations. Details of the Directors' qualifications, background and working experience, principal commitments and shareholdings in related corporations are set out on pages 6 to 7.

### **Guideline 2.7**

#### **Role Of Non-Executive Directors**

During the year, the Non-Executive Directors constructively challenged and helped develop both the Group's short-term and long-term business strategies. The Management's progress in implementing such agreed business strategies were monitored by the Non-Executive Directors.

### **Guideline 2.8**

#### **Regular Meetings Of Non-Executive Directors**

During the year, Non-Executive Directors (including Independent Directors) communicate or meet amongst themselves and/or with the CEO and his management team on an ad hoc basis to approve and/or discuss specific issues or matters relating to the Group. The Company also benefited from the Management's ready access to its Directors for guidance and exchange of views both within and outside the formal environment of the Board and Board committees meetings.

## **Principle 3: Clear Division Of Responsibilities And Balance Of Power And Authority**

### **Guideline 3.1**

#### **Separate Role Of Chairman And CEO**

The Company has different individuals assuming the Chairman and CEO functions so as to ensure effective supervision and maintenance of an appropriate balance of power and authority.

The division of responsibilities between the Chairman, Mr Peter Sung and the CEO, Mr Boediman Gozali (alias Tony Wu), is also clearly established in the Terms of Reference of the Board. The Chairman manages the business of the Board whilst the CEO and his management team translate the Board's decisions into executive action. The CEO has executive responsibilities for the Group's businesses and is accountable to the Board.

There is no familial relationship between the Chairman, Mr Peter Sung and the CEO, Mr Boediman Gozali (alias Tony Wu).

### **Guideline 3.2**

#### **Roles And Responsibilities Of Chairman**

The Chairman, Mr Peter Sung who is non-executive, brings with him a wealth of experience and leads the Board to ensure its effectiveness on all aspects of its role. Prior to each Board meeting, the Chairman determines the agenda for the meeting and instructs the Company Secretary to disseminate it to all Directors at least 7 days before the meeting. He leads the meetings and ensures full discussion of each agenda item, as appropriate. The Chairman ensures that Board members engage the Management in constructive debate on various matters including strategic issues. He also oversees the quality and timeliness of information flow between the Management and the Board.

### **Guideline 3.3**

#### **Appointment Of Lead Independent Director**

In view that the Chairman is not an Independent Director, the Company has appointed Mr Cheng Hong Kok as the Lead Independent Director.

### **Guideline 3.4**

#### **Lead Independent Director To Lead The Independent Directors To Meet Periodically**

Led by the Lead Independent Director, the Company's Independent Directors have met or communicated, without the presence of the other Directors, as and when the need arose and the Lead Independent Director provided feedback to the Chairman after such meetings as appropriate.

## **Principle 4: Formal And Transparent Process For The Appointment Of Directors To The Board**

### **Guideline 4.1**

#### **NC Membership And Key Terms Of Reference**

The NC consists of the following three members with the majority, including its Chairman, being independent:

- |  |                                     |
|--|-------------------------------------|
| • Mr Cheng Hong Kok, Chairman            | (Independent and Non-Executive)     |
| • Mr Tan Lye Huat                        | (Independent and Non-Executive)     |
| • Mr William Nursalim alias William Liem | (Non-Independent and Non-Executive) |

## CORPORATE GOVERNANCE REPORT

The NC is guided by its written Terms of Reference which stipulates that its principal roles include, *inter alia*, maintaining a formal and transparent process for the appointment of new Directors to the Board, determining the independence of Directors and the appropriate Board size, reviewing and approving the appointment of key management personnel of the Group. Key Terms of Reference are listed in the Appendix to this Report.

During the year under review, the NC held one scheduled meeting which all members attended.

### **Guideline 4.2** **Responsibilities Of NC**

Key responsibilities of the NC include making recommendations to the Board on relevant matters such as the process for evaluating the performance of the Board and each Director. It also ensures compliance with the requirements of the Company's Articles of Association which stipulates that at each AGM, one-third of the Board is required to retire and that every Director shall retire from office at least once every three years. In this respect, the NC has recommended and the Board has agreed for the following Directors to retire and seek re-election at the forthcoming AGM:–

- Mr Tan Lye Huat, Chairman of the Remuneration Committee and Member of the Nominating Committee and Audit and Risk Committee
- Mr William Nursalim alias William Liem, Member of the Nominating Committee

Upon re-election, Mr Tan Lye Huat shall remain as Chairman of the RC and Member of the NC and ARC while Mr William Nursalim alias William Liem shall remain as a member of the NC.

### **Guideline 4.3** **NC To Determine Directors' Independence**

Each Director of the Company will annually confirm his independence (or otherwise) based on a checklist. The checklist is drawn up based on the guidelines provided in the Code. The NC has reviewed the independence of the Directors as mentioned under guidelines 2.3 and 2.4 above, based on, *inter alia*, their declarations as aforesaid. As and when circumstances require, the NC will also assess and determine a Director's independence.

### **Guideline 4.4** **Commitments Of Directors Sitting On Multiple Boards**

In assisting the NC to determine whether Directors who sit on multiple boards have committed adequate time to discharge their responsibilities towards the Company's affairs, internal guidelines have been established to address the competing time commitments faced by Directors serving on multiple boards. In this respect, the Company's current policy stipulates that if a Director is an executive director or a key management personnel of another listed company or a major corporation, he should not hold more than four other directorships on unrelated listed companies and/or major corporations.

The NC has reviewed each Director's outside directorships as well as each Director's attendance and contributions to the Board. Despite the multiple directorships of some Directors, the NC is satisfied that Directors spent adequate time on the Company's affairs and have carried out their responsibilities.

### **Guideline 4.5** **Appointment Of Alternate Directors**

Currently, the Company does not have any Alternate Director.

### **Guideline 4.6** **Process For The Selection And Appointment Of New Directors**

The Company has established the following process for the selection and appointment of new Directors:

1. The NC determines a suitable size of the Board; and evaluates the balance of skills, knowledge and experience of members of the Board required to add value and facilitate effective decision-making, after taking into consideration the scope and nature of the operations of the Group.
2. The NC considers the various sources of seeking suitable candidate(s) either through internal promotion; or recommendations from Directors/substantial shareholders; or external sources e.g. search consultants.
3. Short-listed candidate(s) will be required to furnish their curriculum vitae stating in detail their qualification, working experience, employment history, and to complete the following prescribed forms:
  - i) Director's Declaration on Independence;
  - ii) Internal Guidelines for Directors Serving on Multiple Boards; and
  - iii) Board of Directors Competency Matrix.
4. The NC evaluates the candidate(s) in areas of academic and professional qualifications, knowledge and experiences in relation to the business of the Group, independence status and other directorships.



## CORPORATE GOVERNANCE REPORT

5. The NC evaluates how the short-listed candidate(s) will fit in the overall desired competency matrix of the Board.
6. The NC makes recommendation to the Board for approval. The Board is to ensure that the selected candidate is aware of the expectations and the level of commitment required.

For the year under review, no new Director was appointed to the Board.

### **Guideline 4.7**

#### **Information On Directors**

Key information of each member of the Board including directorships and chairmanships both present and those held over the preceding three years in other listed companies, other major appointments, academic/professional qualifications, membership/chairmanship in the Company's Board committees, date of first appointment and last re-election and other information, can all be found under the Directors' Profile section of this Annual Report.

### **Principle 5: Assessment Of The Effectiveness Of The Board**

### **Guideline 5.1**

#### **Board Performance**

The Company has implemented a formal process to evaluate the performance of the Board as a whole and its ability to discharge its responsibilities in providing stewardship, corporate governance and oversight of the Management's performance.

For the year under review, all Directors participated in the evaluation by updating their respective feedback in their completed Board Performance Assessment Checklist and Board Committees Performance Checklist, which are prescribed forms established for this purpose. To ensure confidentiality, the updated evaluation returns by Directors were submitted to the Company Secretary for collation and the consolidated responses were presented to the NC for review and discussion. The NC has reported to the Board on its review of the Board's performance for the year.

### **Guideline 5.2**

#### **Performance Criteria For Board Evaluation**

The Company has established objective criteria to evaluate the Board's performance. In this respect, the NC reviewed the Company's share price performance over a five-year period vis-à-vis the relevant indices and industry peers. Other performance criteria employed to assess the Board's performance are financial indicators such as Return on Assets and Return on Equity of the Group over a five-year period. Other relevant and meaningful criteria would also be used when applicable.

### **Guideline 5.3**

#### **Evaluation Of Individual Director**

The evaluation of individual Director's performance is performed on an annual basis at the same time as evaluation of the performance of the Board as a whole based on, amongst others, a Board Competency Matrix to assess Directors' respective areas of specialisation and expertise, and general consideration of such other factors as mentioned below.

For the year under review, the NC also took note of each individual Director's attendance at meetings of the Board and Board committees as well as at general meeting(s); participation in discussions at meetings; knowledge of and contacts in the regions where the Group operates; the individual Director's functional expertise and his commitment of time to the Company.

The evaluation of individual Director is differentiated between Executive Director and Non-Executive Directors. Individual Executive Director is evaluated by Non-Executive Directors, *inter alia*, through assessment of his performance against certain key performance indicators set by the relevant Board committees.

### **Principle 6: Board Members Should Be Provided With Complete, Adequate And Timely Information**

### **Guideline 6.1**

#### **Board's Access To Information**

To enable the Board to fulfil its responsibilities, it obtains information it deems adequate and complete, in a timely manner from the Management so as to make informed decisions. A system of communication between the Management and the Board and Board committees has been established and improved over time.

The Board, its committees and every Director have separate and independent access to the Management and are free to request for additional information as needed to make informed decisions.

### **Guideline 6.2**

#### **Provision Of Information To The Board**

In addition to the annual budget and business plans submitted to the Board for approval, the Board was provided with monthly management reports, Board papers and related materials informing the Directors of the Group's performance, position and prospects. The Management also kept the Board apprised of material variances between the actual results, corresponding period of last year and the budget, with appropriate explanation on such variances. Further, additional information is circulated to the Board on a regular basis as and when there is material development in the Group's business operations.

# CORPORATE GOVERNANCE REPORT

## **Guideline 6.3**

### **Board's Access To The Company Secretary**

The role of the Company Secretary is clearly defined which includes, *inter alia*, advising the Board on all governance matters as well as ensuring that all Board procedures are followed and that applicable rules and regulations are complied with.

Under the direction of the Chairman, the Company Secretary ensures good information flow to and within the Board and its committees and between the Management and Non-Executive Directors.

Directors have separate and independent access to the Company Secretary through electronic mail, telephone and face-to-face meetings. During the year, the Company Secretary attended all meetings of the Board and its committees and the minutes of such meetings were promptly circulated to all members of the Board and Board committees.

## **Guideline 6.4**

### **Appointment And Removal Of Company Secretary**

The appointment and removal of the Company Secretary are subject to the approval of the Board as stipulated in the Company's Terms of Reference of the Board. The former Company Secretary who was appointed in November 2005, has resigned on 5 June 2015.

With the recommendation by the NC and approval by the Board, the Company has outsourced the role of Company Secretary on even date. The newly appointed Company Secretary is supported by the Company's in-house corporate secretarial team.

## **Guideline 6.5**

### **Board's Access To Independent Professional Advice**

In the furtherance of their duties, Directors may seek independent professional advice, where appropriate, with such expense borne by the Company.

## II. REMUNERATION MATTERS

Matters concerning remuneration of the Board, senior executives and other employees who are related to the controlling shareholders and/or the Directors (if any) are handled by the RC whose primary function is to develop formal and transparent policies on remuneration matters in the Company.

Matters which are required to be disclosed in the annual remuneration report have been sufficiently disclosed in this Report and in the Financial Statements of the Company and of the Group.

### **Principle 7: Procedures For Developing Remuneration Policies**

## **Guideline 7.1**

### **Remuneration Committee**

The RC comprises the following three Directors, all of whom are non-executive and the majority, including its Chairman, being independent:

- Mr Tan Lye Huat, Chairman (Independent and Non-Executive)
- Mr Cheng Hong Kok (Independent and Non-Executive)
- Mr Peter Sung (Non-Independent and Non-Executive)

The RC is guided by its written Terms of Reference, which clearly set out its authority and duties. Key Terms of Reference are listed in the Appendix to this Report.

During the year, the RC held one scheduled meeting as well as one unscheduled meeting, attended by all the members.

## **Guideline 7.2**

### **Remuneration Framework**

To attract, retain and motivate Directors and employees, the RC establishes appropriate remuneration frameworks for the Directors and key management personnel of the Company. Such frameworks are reviewed periodically to ensure that they remain relevant.

During the year, the RC considered and approved the CEO's specific remuneration package which includes salary, bonus and benefits-in-kind, after considering, *inter alia*, the achievement of his KPIs (as elaborated under Guideline 8.1 below) and the financial performance of the Group for the financial year under review. In addition, the RC considered and approved the CEO's recommendation for bonus and remuneration for all key management personnel after considering, *inter alia*, their respective performance and the financial performance of the Group for the financial year under review.

## CORPORATE GOVERNANCE REPORT

The framework for Non-Executive Directors' fees (on per annum basis unless otherwise indicated) is as follows:

| Role                      | Member              | Chairman            |
|---------------------------|---------------------|---------------------|
| Board of Directors        | \$20,000            | Additional \$20,000 |
| Audit and Risk Committee  | \$7,000             | Additional \$5,000  |
| Other Committees          | \$4,000             | Additional \$4,000  |
| Lead Independent Director | \$5,000             | N/A                 |
| Attendance fees           | \$1,000 per meeting |                     |

No member of the RC was involved in deciding his own remuneration.

### **Guideline 7.3**

#### **RC's Access To Advice On Remuneration Matters**

During the year, the RC did not require the services of an external remuneration consultant. Nevertheless, the RC has explicit authority to investigate any matter within its Terms of Reference and to seek external expert advice should such need arise.

### **Guideline 7.4**

#### **Service Contract**

The Company's obligations arising in the event of termination of service contracts of Executive Director and key management personnel are contained in the respective executives' employment letters. The RC was satisfied that such contracts of service provide for fair and reasonable termination clauses applicable to the respective employment class and are not overly generous.

## **Principle 8: Level And Mix Of Remuneration**

### **Guideline 8.1**

#### **Remuneration Of Executive Directors And Key Management Personnel**

The Company's remuneration structure for its Executive Director and key management personnel comprises both fixed and variable components. The variable component is performance related and is linked to the Company's performance, the business unit's performance as well as the individual's performance. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote long-term success of the Group.

For the purpose of assessing the performance of the Executive Director and key management personnel, specific key performance indicators ("KPIs") are clearly set out for each financial year and such KPIs comprise both quantitative and qualitative factors.

As stipulated in the Company's Remuneration Framework, Executive Director(s) and key management personnel do not receive Directors' fees from the Company or from its subsidiaries/associated entities if they are appointed to these boards.

### **Guideline 8.2**

#### **Long-term Incentive Scheme**

The Company does not have any long-term incentive scheme or schemes involving the offer of shares or grant of options or any other forms of deferred remuneration.

### **Guideline 8.3**

#### **Remuneration Of Non-Executive Directors**

The Board concurred with the RC's proposal for Non-Executive Directors' fees and benefits for the financial year ended 31 December 2015. The RC and the Board are of the view that the remuneration of the Directors is appropriate and not excessive taking into account factors such as effort and time spent, and the increasingly onerous responsibilities of the Directors. In order not to reduce its public float which currently stood at less than 20%, the Company does not have any scheme to encourage Non-Executive Directors to hold shares in the Company.

The fees for Non-Executive Directors are subject to shareholders' approval at the AGM.

### **Guideline 8.4**

#### **Contractual Provisions To Reclaim Incentive Components Of Remuneration**

As the Company does not have any long-term incentive in the variable components of the remuneration packages of the Executive Director and key management personnel, the RC is of the view that the institution of contractual provisions in the employment to reclaim any incentive components of their remuneration paid in prior years is not necessary.

# CORPORATE GOVERNANCE REPORT

## Principle 9: Disclosure On Remuneration

### Guideline 9.1

#### Remuneration Report

Details on the remuneration of Directors and key management personnel for the year under review are presented below. During the financial year ended 31 December 2015, there was no termination, retirement and post-employment benefits granted to any Director or key management personnel.

### Guideline 9.2

#### Remuneration Of Directors

A summary of each Director's remuneration paid or payable by the Company for the financial year ended 31 December 2015 is set out below:

| No.                                  | Name of Directors                                | Status   | Breakdown of Remuneration in Percentage (%) |                     |                  |                             | Total            |
|--------------------------------------|--|----------|---|---------------------|------------------|-----------------------------|------------------|
|                                      |  |          | Fees  | Salary <sup>1</sup> | Benefits-in-kind | Variable Bonus <sup>2</sup> |                  |
| 1.                                   | Peter Sung                                       | NED, NID | 81%   | 0%                  | 19% <sup>5</sup> | 0%                          | \$63,052         |
| 2.                                   | Boediman Gozali (alias Tony Wu) <sup>3</sup>     | ED, NID  | 0%  | 90%                 | 2%               | 8%                          | \$587,588        |
| 3.                                   | Cheng Hong Kok                                   | NED, ID  | 100%  | 0%                  | 0%               | 0%                          | \$61,000         |
| 4.                                   | Chong Chou Yuen <sup>4</sup>                     | NED, NID | –   | –                   | –                | –                           | –                |
| 5.                                   | William Nursalim alias William Liem <sup>4</sup> | NED, NID | –   | –                   | –                | –                           | –                |
| 6.                                   | Tan Lye Huat                                     | NED, ID  | 100%  | 0%                  | 0%               | 0%                          | \$51,000         |
| <b>Total Directors' Remuneration</b> |  |          | <b>21%</b>                                  | <b>70%</b>          | <b>3%</b>        | <b>6%</b>                   | <b>\$762,640</b> |

#### Notes:

- Salary includes allowances such as fixed transport allowance and employer's CPF contribution.
- Variable bonus includes employer's CPF contribution.
- Boediman Gozali (alias Tony Wu) is an uncle of William Nursalim alias William Liem, a Non-Executive Director of the Company.
- No Directors' fees will be paid to Chong Chou Yuen and William Nursalim alias William Liem who are full time employees of Tuan Sing Holdings Limited, the Company's immediate holding company.
- Benefits provided to Non-Executive Chairman relate to reimbursement of transport and car-related costs.

### Guideline 9.3

#### Remuneration Of Key Management Personnel (Other Than The Company's Executive Director)

The table below sets out the ranges of gross remuneration received by the top 5 executives (excluding the Executive Director) in the Company and its subsidiaries, but do not include any associated companies.

| No.   | Name of Top 5 Executives | Position  | Breakdown of Remuneration in Percentage (%) |                  |                             |             | Total Remuneration in Compensation Bands of \$250,000 |
|---|--------------------------|---|---|------------------|-----------------------------|-------------|---|
|   |                          |   | Salary <sup>1</sup>                         | Benefits-in-kind | Variable Bonus <sup>2</sup> | Total       |   |
| 1.  | Lee Hui Gek              | Chief Financial Officer   | 92%   | 0%               | 8%                          | 100%        | \$250,000 – \$499,999                                 |
| 2.  | Lee Kay Chen Jason       | General Manager, Tyre Distribution Unit (Appointed on 1 September 2015) | 92%   | 0%               | 8%                          | 100%        | < \$250,000   |
| 3.  | Christin Budiman         | Senior Finance Manager  | 92%   | 0%               | 8%                          | 100%        | < \$250,000   |
| 4.  | Phey Mui Noi             | Senior Finance Manager  | 92%   | 0%               | 8%                          | 100%        | < \$250,000   |
| 5.  | Toh Bok Chuan            | Senior Manager, Fleets & Operations                                     | 93%   | 0%               | 7%                          | 100%        | < \$250,000   |
| <b>Total Remuneration of Top 5 Executives</b> |                          |   | <b>92%</b>                                  | <b>0%</b>        | <b>8%</b>                   | <b>100%</b> | <b>\$739,594</b>                                      |

#### Notes:

- Salary includes allowances such as fixed transport allowance and employer's CPF contribution.
- Variable bonus includes employer's CPF contribution.



# CORPORATE GOVERNANCE REPORT

## **Guideline 9.4**

### **Employee Related To Directors/CEO**

Save as disclosed above, there is no Group employee who is an immediate family member of a Director or the CEO, whose remuneration exceeded \$50,000 for the financial year ended 31 December 2015.

## **Guideline 9.5**

### **Employee Share Scheme**

The Company does not have any employee share scheme nor any other long-term incentive scheme.

## **Guideline 9.6**

### **Link Between Remuneration And Performance**

In determining the remuneration of the Executive Director and the key management personnel, the RC reviewed their respective KPIs achievements and assessed their performance as well as the financial performance of the Group for the financial year under review.

## III. ACCOUNTABILITY AND AUDIT

The Board recognises the importance of providing accurate and relevant information on a timely basis. In this respect, the ARC reviews all financial statements and recommends them to the Board for approval. In addition, the ARC ensures that the Company maintains a sound system of internal controls to safeguard the shareholders' investments and the Group's assets as well as to manage potential risks.

### **Principle 10: Presentation Of A Balanced And Understandable Assessment Of The Company's Performance, Position And Prospects**

## **Guideline 10.1**

### **Accountability For Accurate Information**

In discharging its responsibility, the Board ensures that the Group's financial results provide a balanced and understandable assessment of the Group's performance, position and prospects and that the results are released in a timely manner.

In addition, the Company has established a practice whereby business and finance heads of individual subsidiaries and business units are required to provide quarterly written representation, in certain specific template, to the CEO and Chief Financial Officer ("CFO") who would in turn furnish an overall representation to the ARC and the Board confirming, *inter alia*, that the financial processes and controls, and the integrity of the Group's financial statements are in place, highlighting material financial risks and impacts and providing updates on significant financial issues of the Group.

In accordance with the stock exchange's requirements, the Board issued negative assurance statements in its quarterly financial results announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

## **Guideline 10.2**

### **Compliance With Legislative And Regulatory Requirements**

During the year, the Board reviewed reports from the Management to ensure compliance with all the Group's policies, operational practices and procedures, and relevant legislative and regulatory requirements.

## **Guideline 10.3**

### **Management Accounts**

The Management updated the Board on the Group's business activities and financial performance through monthly operations reports. Such reports compared the Group's actual performance against the approved budget and results of the previous year and where appropriate, against forecast. They also highlighted key business indicators and major issues that are relevant to the Group's performance from time to time in order for the Board to make balanced and informed assessments of the Group's performance, position and prospects.

### **Principle 11: Risk Management And Internal Controls**

## **Guideline 11.1**

### **Risk Management And Internal Control Systems**

The Board recognises the importance of maintaining a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets. The ARC oversees and ensures that such system has been appropriately implemented and monitored.

## CORPORATE GOVERNANCE REPORT

A summary of the Company's risk management and internal control systems is appended below.

### ➤ **Risk Management**

The Group has established a Risk Management Framework where a total of 43 risk types have been identified and classified under 3 categories, namely Business and Strategic Risks, Financial Risks and Operational Risks. In addition, the Group evaluates its risk exposure by adopting a 3 dimensional Risk Evaluation Model where risk types are assigned risk exposure ratings based on the likelihood and consequences of each risk identified. The risk exposure rating determines the extent of risk exposure and the corresponding risk treatment required.

The Group recognises risk management as a collective effort beginning with the individual subsidiaries and business units, followed by the operating segments and ultimately the Management and the Board, working as a team. A self-assessment process, conducted regularly by the Management, was introduced to ensure that the Group's risk management controls are satisfactory.

### ➤ **Internal Controls**

Minimum Acceptable Controls have been implemented to enhance the Group's internal control function in areas such as finance, operations and compliance. The internal control measures aim to ensure that the Group's assets are safeguarded, proper accounting records are maintained, and that financial information used within the business and for publication is reliable.

#### **Guideline 11.2**

##### **Adequacy And Effectiveness Of Risk Management And Internal Control Systems**

The risk management system has been integrated throughout the Group and has become an essential part of its business planning and monitoring process. On an annual basis, the Management reports to the Board on the Group's risk profile, evaluates results and counter-measures to mitigate or transfer identified potential risks so as to assure that the process is operating effectively as planned.

During the year, the ARC also reviewed reports submitted by the internal auditors relating to the effectiveness of the Group's internal controls, including the adequacy of the Group's financial, operational, compliance and information technology controls, and relevant communications by the external auditors as part of their statutory audit.

#### **Guideline 11.3**

##### **Board's Comment On Adequacy And Effectiveness Of Internal Controls**

Based on the framework of risk management controls and internal controls established and maintained in the Company, the work performed by the internal auditors, the statutory audit undertaken by the external auditors, and the written representation from the CEO and CFO providing assurance on the effectiveness of the Group's risk management and internal control systems, and that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, the Board is of the view that the Group has a sound system of risk management and internal controls.

The Board, with the concurrence of the ARC, is satisfied that adequate and effective internal controls have been in place to address the risks relating to financial, operational, compliance and information technology controls for the financial year ended 31 December 2015.

#### **Guideline 11.4**

##### **Risk Committee**

The responsibility of overseeing the Company's risk management framework and policies is undertaken by the ARC with the assistance of the internal auditors. Having considered the Company's business operations as well as its existing internal control and risk management systems, the Board is of the view that a separate risk committee is not required for the time being.

### **Principle 12: Establishment Of Audit And Risk Committee With Written Terms Of Reference**

#### **Guideline 12.1**

##### **ARC Membership**

The ARC comprises the following three Directors, all of whom are non-executive and the majority, including its Chairman, being independent:

- 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)

From April 2015, the Audit Committee was renamed as Audit and Risk Committee.

During the year, the ARC held four scheduled meetings with full attendance.

## CORPORATE GOVERNANCE REPORT

### **Guideline 12.2**

#### **Expertise Of ARC Members**

The ARC members bring with them invaluable professional expertise in the accounting and financial management domains. The Board has ensured that all the ARC members are appropriately qualified to discharge their responsibilities.

### **Guidelines 12.3 & 12.4**

#### **Roles, Responsibilities And Authorities Of ARC**

The ARC is guided by its Terms of Reference which stipulate that its principal functions include, *inter alia*, reviewing the annual audit plans (internal and external), the system of internal controls and management of financial risks, the effectiveness and adequacy of the internal audit function which is outsourced to a professional services firm, regulatory compliance matters, the risk management framework, the recommendation on the appointment/re-appointment/removal of external auditors and their remuneration. Key Terms of Reference of the ARC are listed in the Appendix to this Report.

During the year, the ARC reviewed the interested person transactions in accordance with the Shareholders' Mandate for Interested Person Transactions and on a quarterly basis, the ARC reviews the financial results announcements of the Company before their submission to the Board for approval.

The ARC has explicit authority to investigate any matter including whistle-blowing within its Terms of Reference. It has full access to, and has had the full co-operation of the Management and staff. It also has full discretion to invite any Director or any member of the Management to attend its meetings.

### **Guideline 12.5**

#### **External And Internal Auditors**

During the year, the Company's internal and external auditors were invited to attend the ARC meetings and make presentations as appropriate. They also met separately with the ARC without the presence of the Management.

### **Guideline 12.6**

#### **Independence Of External Auditors**

The ARC reviewed the non-audit services provided by the external auditors as part of the ARC's assessment of the external auditors' independence. A breakdown of the fees paid to the external auditors for audit and non-audit services can be found in the Notes to the Financial Statements in this Annual Report. The ARC is of the view that the non-audit services (mainly as tax consultants) provided by the external auditors in 2015 did not prejudice their objectivity and independence as such services were mainly provided by the external auditors' other offices. Accordingly, the Company has complied with the Listing Rule 1207(6).

### **Guideline 12.7**

#### **Whistle-blowing Policy**

To encourage proper work ethics and eradicate any internal improprieties, unethical acts, malpractices, fraudulent acts, corruption and/or criminal activities in the Group, the Company has a Whistle-blowing Policy in place. The policy provides mechanisms by which concerns about plausible improprieties in matters of financial reporting, etc., may be raised. A Whistle-blowing Committee ("WBC") had been established for this purpose. In addition, a dedicated secured e-mail address allows whistle-blowers to contact the WBC and the ARC Chairman directly.

The Company's Whistle-blowing Policy allows not just employees but also external parties to raise concerns and offer reassurance that they will be protected from reprisals or victimisation for whistle-blowing in good faith.

Assisted by the WBC, the ARC addresses issues/concerns raised and arranges for investigation and/or follow-up of appropriate action. The ARC reports to the Board any issues/concerns received by it and the WBC, at the ensuing Board meeting. Should the ARC or WBC receive reports relating to serious offences, and/or criminal activities in the Group, they and the Board have access to the appropriate external advice where necessary. Where appropriate or required, a report shall be made to the relevant governmental authorities for further investigation/action.



#### **Whistle-blowing Committee**

The WBC consists of:

- CEO
- CFO
- a member of the in-house corporate secretarial team

The WBC is empowered to:

- look into all issues/concerns relating to the Group (except for those directed specifically to or affecting any member of the WBC which are dealt with by the ARC);
- make the necessary reports and recommendations to the ARC or the Board for their review and further action, if deemed required by them; and
- access the appropriate external advice where necessary and, where appropriate or required, report to the relevant governmental authorities for further investigation/action.

## CORPORATE GOVERNANCE REPORT

The Group takes concerns with the integrity and honesty of its employees very seriously. A copy of the Whistle-blowing Policy has been disseminated to all staff to encourage the report of any behaviour or action that anyone reasonably believes might be suspicious, against any rules/regulations/accounting standards as well as internal policies. Whistle-blowers could also email to the ARC Chairman directly and in confidence and his/her identity is protected from reprisals within the limits of the law.

During the year, the ARC reviewed the Whistle-blowing Policy and such review shall be conducted once every two years to assess the effectiveness of the processes in place and to ensure that the said policy is updated with any related changes in legal and regulatory requirements.

### **Guideline 12.8**

#### **ARC To Keep Abreast Of Changes To Accounting Standards**

In addition to the activities undertaken to fulfil its responsibilities, the ARC is kept abreast by the Management, external and internal auditors on changes to accounting standards, stock exchange rules and other codes and regulations which could have an impact on the Group's business and financial statements.

### **Guideline 12.9**

#### **Cooling-off Period For Partners Or Directors Of The Company's Auditing Firm**

No former partner or Director of the Company's existing auditing firm or auditing corporation is a member of the ARC.

### **Principle 13: Internal Audit**

#### **Guidelines 13.1 & 13.2**

##### **Internal Auditors**

The ARC's responsibilities over the Group's internal controls and risk management are complemented by the work of the internal auditors ("IA").

The Company has outsourced its internal audit function to PricewaterhouseCoopers LLP ("PwC"). The Board has approved the recommendation of the ARC to re-engage PwC as IA of the Company. The IA has unrestricted access to all the Company's documents, records, properties and personnel, including access to the ARC. The IA's primary line of reporting is to the Chairman of the ARC.

#### **Guidelines 13.3 & 13.4**

##### **Internal Audit Function**

The Company's internal audit function is independent of the activities it audits. The IA, PwC, is a corporate member of the Institute of Internal Auditors Singapore, and staffed with professionals with relevant qualifications and experience. Our engagement with the PwC stipulates that its work shall comply with the PricewaterhouseCoopers Global Internal Audit Services Methodology which is aligned to the International Standards for the Professional Practice of Internal Auditing ("IIA Standards") issued by the Institute of Internal Auditors.

At the beginning of each year, an annual internal audit plan which entails the review of the selected functions or business units of the Group is developed and agreed by the ARC. The ARC is satisfied that the Company's internal audit function is adequately resourced to perform the work for the Group.

### **Guideline 13.5**

#### **Adequacy And Effectiveness Of Internal Audit Function**

The ARC reviews the adequacy of the internal audit function to ensure that internal audits are conducted effectively and that the Management provides the necessary co-operation to enable the IA to perform its function. The ARC also reviews the IA's reports and remedial actions implemented by the Management to address any internal control inadequacies identified.

## **IV. SHAREHOLDER RIGHTS AND RESPONSIBILITIES**

The Company believes in treating all shareholders fairly and equitably by recognising, protecting and facilitating the exercise of shareholders' rights and continually reviewing and updating such governance arrangements. In addition, the Company embraces effective as well as fair communication with its shareholders and encourages shareholders to participate at general meeting(s).

### **Principle 14: Shareholder Rights**

#### **Guideline 14.1**

##### **Sufficient Information To Shareholders**

The Company believes in providing sufficient and regular information to its shareholders. In this respect, the Board adopts a comprehensive policy to provide clear, timely and fair disclosure of information about the Company's business developments and financial performance that could have a material impact on the price or value of its shares.

## CORPORATE GOVERNANCE REPORT

### **Guideline 14.2**

#### **Providing Opportunity For Shareholders To Participate And Vote At General Meetings**

Shareholders are informed of general meetings through reports/circulars sent to all shareholders in addition to notices published in the newspapers, Company's announcements via Singapore Exchange Network ("SGXNET") and the Company's website. General meetings are usually held at venues within the central business district and easily accessible by shareholders. Resolutions tabled at general meetings are passed through a process of voting by poll which procedures are clearly explained by the scrutineers at such general meetings.

### **Guideline 14.3**

#### **Proxies For Nominee Companies**

Since 2006, the Company adopted a new set of Articles of Association which provided therein that no limit shall be imposed on the number of proxies for nominee companies. This is to facilitate shareholders holding shares through nominee companies to attend any general meeting as proxies.

### **Principle 15: Communication With Shareholders**

### **Guideline 15.1**

#### **Communication With Shareholders**

In line with the continuous disclosure obligations under the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Singapore Companies Act, Cap. 50, the Board informs shareholders promptly of all major developments that may have material impact on the Group.

The Board embraces openness and transparency in the conduct of the Company's affairs, whilst safeguarding its commercial interests. Material information on the Group is being released to the public through the Company's announcements via the SGXNET.

### **Guideline 15.2**

#### **Timely Information To Shareholders**

The Company communicates with shareholders and the investment community through timely release of announcements to the SGX-ST via SGXNET. Audited results for the financial year ended 31 December 2015 were released within 30 days from the year end. Unaudited quarterly results were also announced within the same time frame of 30 days.

To further enhance its communication with investors, the Company's website [www.spcorp.com.sg](http://www.spcorp.com.sg) allows the public to access information on the Group directly.

### **Guideline 15.3**

#### **Regular Dialogue With Shareholders**

General meetings have been and are still the principal forum for dialogue with shareholders. At these meetings, shareholders are able to engage the Board and the Management on the Group's business activities, financial performance and other business-related matters. The Company could also gather views or input and address shareholders' concerns at general meetings.

### **Guideline 15.4**

#### **Soliciting And Understanding Views Of Shareholders**

To promote a better understanding of shareholders' views, the Board actively encourages shareholders to participate during the Company's general meetings. These meetings provide excellent opportunities for the Company to obtain shareholders' views on value creation. To enhance the process of soliciting input from shareholders and members of the investment community, a "Feedback And Queries" template has been established in the Company's website.

### **Guideline 15.5**

#### **Dividend Policy**

As the Company still has accumulated losses as at 31 December 2015 and its current priority is to achieve long-term growth for the benefit of its shareholders, its profits shall therefore be retained for investment into the future. The Board would consider establishing a dividend policy at the appropriate time.

### **Principle 16: Conduct Of Shareholder Meetings**

### **Guideline 16.1**

#### **Effective Shareholders' Participation**

To facilitate shareholders' effective participation at general meetings, the Company holds its general meetings at venue within the central business district which is convenient and accessible to shareholders.

### **Guideline 16.2**

#### **Separate Resolutions At General Meetings**

The Board ensures that separate resolutions are proposed for approval on each distinct issue at general meetings. Shareholders can vote either in person or through proxies.



# CORPORATE GOVERNANCE REPORT

## **Guideline 16.3**

### **Attendees At General Meetings**

The Chairmen of the Board and its committees attend all general meetings to address issues raised by shareholders. The Company's external auditors and its legal advisers are also present to address any relevant queries from shareholders.

## **Guideline 16.4**

### **Minutes Of General Meetings**

The minutes of general meetings, which include substantial comments or queries from shareholders and responses from the Board are available to shareholders upon written request.

## **Guideline 16.5**

### **Voting By Poll At General Meetings**

The Company conducted poll voting for all resolutions passed at its last AGM held on 27 April 2015. The results of the poll voting on each resolution tabled at the last AGM, including the total number of votes cast for or against each resolution, were announced after the said meeting via SGXNET. The Company will continue to put all resolutions to vote by poll at the forthcoming AGM to be held on 5 April 2016.

## **V. OTHER CORPORATE GOVERNANCE MATTERS**

The Company has in place internal codes of conduct and practices for its Board members and employees on securities transactions while in possession of price-sensitive information and their conduct of business activities.

### **Dealings In Securities**

#### **– Listing Manual Rule 1207(19)**

The Company adopted a policy whereby its Directors and officers are prohibited from dealing in the securities of the Company and its holding company (collectively the "listed entities") while in possession of price-sensitive information as well as during the period commencing one month before the announcements of the listed entities' full-year results, and two weeks before the announcements of the first, second and third quarter financial results till the day of such announcements. The Company's Directors and officers are also to refrain from dealing in the listed entities' securities for short-term considerations.

### **Code Of Conduct And Practices**

The Company's code of conduct and practices are detailed in the Group's Human Resource Policies and Procedures which is available to all staff and is presented to new employees during induction. The code entails policies such as prohibiting employees from disclosing confidential information or knowledge obtained by him during his employment with the Group, from accepting gifts from business associates and in circumstances where refusal were to be impracticable, relevant details are to be reported, etc.

The Group recognises the importance of integrity, professionalism on the conduct of its business activities. Employees are expected to embrace, practise and adopt these values while performing their duties and always to act in the best interest of the Group and avoid situations that may create conflicts of interest.

## **APPENDIX – KEY TERMS OF REFERENCE**

### **Nominating Committee**

1. Nomination of new Directors to the Board and re-election/re-appointment of Directors at regular intervals, having regard to provisions in the Articles of Association of the Company and the Code.
2. Review annually whether or not a Director is independent, having regard to the guidelines of the Code and other factors that the NC considers salient.
3. Determine a suitable size of the Board which facilitates effective decision-making, after taking into consideration the scope and nature of the operations of the Company.
4. Approve the appointment of personnel who is not a member of the Board as director of the Company's subsidiaries.
5. Recommend to the Board on appropriate internal guidelines to address the competing time commitments that are faced by Directors serving on multiple boards and review the Directors' disclosure on their list of directorships.
6. Review the Directors' mix of skills, qualities and experiences that the Board requires to function competently and efficiently annually.
7. Develop and maintain, as appropriate, a formal assessment process to evaluate the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board, as appropriate.
8. To rigorously review, as appropriate, the independence of any Director who has served on the Board beyond nine years from the date of his first appointment.
9. Have explicit authority to investigate any matter within its Terms of Reference, full access to and co-operation by the Management; full discretion to invite any Director or executive officer to attend its meeting; and have reasonable resources to enable it to discharge its functions properly.

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## CORPORATE GOVERNANCE REPORT

### **Remuneration Committee**

1. Offer an independent perspective in assisting the Board in the establishment of a formal and transparent procedure for developing policy on remuneration matters for the Directors and key management personnel of the Company.
2. Establish appropriate remuneration framework to motivate and retain Directors and executives, and ensure that the Company is able to attract appropriate talent from the market in order to maximise value for shareholders.
3. Develop remuneration policy for the Executive Director and key management personnel (or executive of equivalent rank), structuring it to link rewards to corporate and individual performance.
4. Determine specific remuneration packages for the Executive Director and key management personnel (or executive of equivalent rank) and any relative of a Director and/or substantial shareholder who is employed in a managerial position by the Company.
5. Review and approve the compensation of key management personnel.
6. Review the appropriateness and transparency of remuneration matters for disclosure to shareholders.
7. Have explicit authority to investigate any matter within its Terms of Reference including seeking expert advice within and/or outside the Company.

### **Audit and Risk Committee**

1. Assist the Board in fulfilling its responsibilities for the Company's financial reporting, management of financial and control risks and monitoring of the internal controls system. Review the financial reporting process, the system of internal controls and management of financial risks, the audit process, and the Company's process for monitoring compliance with laws and regulations and its own code of business conduct.
2. Ensure that arrangements are in place for the independent investigation of possible improprieties in matters of financial reporting or other matters that may be raised and that appropriate follow up actions are taken.
3. Review the external auditors' proposed audit scope and approach and ensure that no unjustified restrictions or limitations have been placed on the scope. Review the nature and extent of non-audit services provided by the external auditors. Approve the remuneration and terms of engagement of the external auditors. Monitor and assess the independence of the external auditors and their performance. Ensure that significant findings and recommendations made by the external auditors are received and discussed in a timely manner. Ensure that the Management responds to recommendations made by the external auditors.
4. Review the activities and organisational structure of the internal audit function and ensure that there are no unjustified restrictions or limitations. Review the internal audit program with regard to the complementary roles of the internal and external audit functions. Ensure that significant findings and recommendations made by the internal auditors are received and discussed in a timely manner. Ensure that the Management responds to recommendations made by the internal auditors.
5. Ensure that adequate counter measures are in place to identify and mitigate any material business risks associated with the Company. Review the adequacy of the Company's internal financial controls, operational, compliance and information technology controls, and risk management policies and systems established by the Management. Ensure that a review of the effectiveness of the Company's internal controls is conducted at least annually.
6. Evaluate how the Management is reviewing the principal business risks and assess the appropriateness of the mechanisms in place to identify, prevent and minimise these business risks. Ensure that an appropriate system is established to identify and report areas of potential business risk promptly in order for remedial actions to be taken. Assess at least annually the effectiveness of the control and risk management systems. Recommend to the Board its findings and proposed course of actions to be taken by the Management to ensure controls are put in place to address these risks. The Management is responsible for the actions to be taken.
7. Review the relevance and consistency of the accounting standards used by the Company and the Group, significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance.
8. Review and recommend for Board approval Interested Person Transactions, as specified under Chapter 9 of the SGX-ST Listing Manual and/or the procedures set out in the general mandate approved by shareholders.

## DIRECTORS' STATEMENT

The Directors present their statement 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 2015.

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 29 to 73 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

### 1 Directors

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

Mr Peter Sung  
Mr Boediman Gozali (alias Tony Wu)  
Mr Cheng Hong Kok  
Mr Chong Chou Yuen  
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 as at 31 December 2015 and 21 January 2016.

### 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, there was no option to take up unissued shares of the Company or any corporation in the Group.

#### (b) Unissued shares under option and options exercised

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

## DIRECTORS' STATEMENT

### 6 Audit and Risk Committee

The Audit and Risk Committee of the Company, consists of three non-executive directors, two of whom are independent directors. At the date of this report, the members of the Audit and Risk 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 and Risk Committee performed the functions specified in Section 201B(5) of the Singapore Companies Act and the Singapore Code of Corporate Governance.

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

The Audit and Risk Committee has recommended to the Directors the nomination of Deloitte & Touche LLP for re-appointment as 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

27 January 2016

# 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 2015, and 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 29 to 73.

## 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 a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

## 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 financial position of the Group and of the Company as at 31 December 2015 and the financial performance, 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 LLP  
Public Accountants and  
Chartered Accountants  
Singapore

27 January 2016



# STATEMENTS OF FINANCIAL POSITION

31 DECEMBER 2015

|                                     |      | Group          |                | Company        |                |
|-------------------------------------|------|----------------|----------------|----------------|----------------|
|                                     | Note | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 |
| <b>Assets</b>                       |      |                |                |                |                |
| <b>Non-current assets</b>           |      |                |                |                |                |
| Plant and equipment                 | 5    | 530            | 305            | 223            | 78             |
| Investments in subsidiaries         | 6    | –              | –              | 17,973         | 17,629         |
| <i>Total non-current assets</i>     |      | <b>530</b>     | <b>305</b>     | <b>18,196</b>  | <b>17,707</b>  |
| <b>Current assets</b>               |      |                |                |                |                |
| Inventories                         | 7    | 914            | 1,219          | –              | –              |
| Trade and other receivables         | 8    | 62,168         | 47,381         | 19,252         | 17,831         |
| Tax recoverable                     | 11   | 112            | 23             | 84             | –              |
| Cash and bank balances              | 12   | 12,999         | 19,823         | 1,753          | 2,991          |
| <i>Total current assets</i>         |      | <b>76,193</b>  | <b>68,446</b>  | <b>21,089</b>  | <b>20,822</b>  |
| <b>Total assets</b>                 |      | <b>76,723</b>  | <b>68,751</b>  | <b>39,285</b>  | <b>38,529</b>  |
| <b>Equity and Liabilities</b>       |      |                |                |                |                |
| <b>Equity</b>                       |      |                |                |                |                |
| Share capital                       | 13   | 58,366         | 58,366         | 58,366         | 58,366         |
| Translation reserve (account)       |      | 810            | (490)          | –              | –              |
| Accumulated losses                  |      | (8,812)        | (10,278)       | (20,349)       | (21,225)       |
| <i>Total equity</i>                 |      | <b>50,364</b>  | <b>47,598</b>  | <b>38,017</b>  | <b>37,141</b>  |
| <b>Non-current liability</b>        |      |                |                |                |                |
| Deferred tax                        | 14   | 24             | 26             | 4              | 5              |
| <b>Current liabilities</b>          |      |                |                |                |                |
| Trade and other payables            | 15   | 26,192         | 20,830         | 1,174          | 1,343          |
| Income tax payable                  |      | 143            | 297            | 90             | 40             |
| <i>Total current liabilities</i>    |      | <b>26,335</b>  | <b>21,127</b>  | <b>1,264</b>   | <b>1,383</b>   |
| <b>Total equity and liabilities</b> |      | <b>76,723</b>  | <b>68,751</b>  | <b>39,285</b>  | <b>38,529</b>  |

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

|   |      | Group            |                |
|---|------|------------------|----------------|
|   | Note | 2015<br>\$'000   | 2014<br>\$'000 |
| <b>Revenue</b>  | 16   | <b>119,675</b>   | 131,913        |
| <b>Cost of sales</b>  |      | <b>(114,024)</b> | (124,573)      |
| <b>Gross profit</b>   |      | <b>5,651</b>     | 7,340          |
| Other operating income  | 17   | 504              | 99             |
| Distribution costs  |      | (2,227)          | (2,378)        |
| Administrative expenses   |      | (3,176)          | (3,394)        |
| Other operating expenses  | 18   | (89)             | (76)           |
| Finance income  | 19   | 976              | 740            |
| Finance costs   | 20   | (25)             | (28)           |
| <b>Profit before tax</b>  |      | <b>1,614</b>     | 2,303          |
| Income tax expense  | 21   | (148)            | (172)          |
| <b>Profit for the financial year attributable to Owners of the Company</b>                                  | 22   | <b>1,466</b>     | 2,131          |
| <b>Other comprehensive income:</b>  |      |                  |                |
| Item that may be reclassified subsequently to profit or loss  |      |                  |                |
| Exchange differences on translation of foreign operations   |      | 1,300            | 969            |
| <b>Other comprehensive income for the financial year, net of tax, attributable to Owners of the Company</b> |      | <b>1,300</b>     | 969            |
| <b>Total comprehensive income for the financial year attributable to Owners of the Company</b>              |      | <b>2,766</b>     | 3,100          |
| <b>Earnings per share (cents)</b>   |      |                  |                |
| Basic   | 23   | 4.18             | 6.07           |
| Diluted   | 23   | 4.18             | 6.07           |

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

|   | Attributable to Owners of the Company |  |                              |                        |
|---|---------------------------------------|--|------------------------------|------------------------|
|   | Share capital<br>\$'000               | Translation reserve<br>(account)<br>\$'000 | Accumulated losses<br>\$'000 | Total equity<br>\$'000 |
| <b>Group</b>  |                                       |  |                              |                        |
| <b>At 1 January 2015</b>  | 58,366                                | (490)                                      | (10,278)                     | 47,598                 |
| <i>Total comprehensive income for the financial year</i>                                      |                                       |  |                              |                        |
| Profit for the financial year   | –                                     | –  | 1,466                        | 1,466                  |
| Other comprehensive income for the financial year   | –                                     | 1,300                                      | –                            | 1,300                  |
| Total   | –                                     | 1,300                                      | 1,466                        | 2,766                  |
| <b>At 31 December 2015</b>  | <b>58,366</b>                         | <b>810</b>                                 | <b>(8,812)</b>               | <b>50,364</b>          |
| <b>At 1 January 2014</b>  | 58,366                                | (1,459)                                    | (12,409)                     | 44,498                 |
| <i>Total comprehensive income for the financial year</i>                                      |                                       |  |                              |                        |
| Profit for the financial year   | –                                     | –  | 2,131                        | 2,131                  |
| Other comprehensive income for the financial year   | –                                     | 969  | –                            | 969                    |
| Total   | –                                     | 969  | 2,131                        | 3,100                  |
| <b>At 31 December 2014</b>  | <b>58,366</b>                         | <b>(490)</b>                               | <b>(10,278)</b>              | <b>47,598</b>          |
| <b>Company</b>  |                                       |  |                              |                        |
| <b>At 1 January 2015</b>  | 58,366                                | –  | (21,225)                     | 37,141                 |
| Profit for the financial year, representing total comprehensive income for the financial year | –                                     | –  | 876                          | 876                    |
| <b>At 31 December 2015</b>  | <b>58,366</b>                         | <b>–</b>                                   | <b>(20,349)</b>              | <b>38,017</b>          |
| <b>At 1 January 2014</b>  | 58,366                                | –  | (22,103)                     | 36,263                 |
| Profit for the financial year, representing total comprehensive income for the financial year | –                                     | –  | 878                          | 878                    |
| <b>At 31 December 2014</b>  | <b>58,366</b>                         | <b>–</b>                                   | <b>(21,225)</b>              | <b>37,141</b>          |

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

|  | Group          |                |
|--|----------------|----------------|
|  | 2015<br>\$'000 | 2014<br>\$'000 |
| <b>Operating activities</b>  |                |                |
| Profit before tax  | 1,614          | 2,303          |
| Adjustments for:   |                |                |
| Depreciation of plant and equipment  | 167            | 166            |
| Gain on disposal of plant and equipment  | (1)            | –              |
| Write-back of doubtful trade receivables   | (1)            | (7)            |
| Allowance for inventory obsolescence   | 89             | 76             |
| Interest expense   | 25             | 28             |
| Interest income  | (976)          | (740)          |
| <b>Operating cash flows before movements in working capital</b>                    | <b>917</b>     | <b>1,826</b>   |
| Inventories  | 216            | 452            |
| Trade and other receivables  | (11,780)       | (1,705)        |
| Restricted bank balances   | (1,748)        | 13             |
| Trade and other payables   | 3,078          | (6,615)        |
| <b>Cash used in operations</b>   | <b>(9,317)</b> | <b>(6,029)</b> |
| Interest paid  | (25)           | (28)           |
| Interest received  | 968            | 1,107          |
| Income tax paid, net   | (390)          | (301)          |
| <b>Net cash used in operating activities</b>                                       | <b>(8,764)</b> | <b>(5,251)</b> |
| <b>Investing activities</b>  |                |                |
| Proceeds on disposal of plant and equipment  | 1              | –              |
| Payments for acquisition of plant and equipment                                    | (392)          | (35)           |
| <b>Net cash used in investing activities</b>                                       | <b>(391)</b>   | <b>(35)</b>    |
| <b>Financing activities</b>  |                |                |
| Proceeds from borrowings   | 19,690         | 14,997         |
| Repayment of borrowings  | (19,690)       | (14,997)       |
| <b>Net cash from financing activities</b>  | <b>–</b>       | <b>–</b>       |
| Net decrease in cash and cash equivalents  | (9,155)        | (5,286)        |
| Cash and cash equivalents at the beginning of financial year                       | 18,141         | 23,041         |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | 583            | 386            |
| <b>Cash and cash equivalents at the end of financial year (Note 12)</b>            | <b>9,569</b>   | <b>18,141</b>  |

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2015

## 1 GENERAL

SP Corporation Limited (the "Company") (Registration No. 195200115K) is domiciled and incorporated in Singapore with its registered office at 9 Oxley Rise, #03-02 The Oxley, Singapore 238697 and principal place of business at 6 Shenton Way, OUE Downtown 1, #41-03, Singapore 068809. The Company is listed on the Singapore Exchange Securities Trading Limited. 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 investment holding, which includes the provision of management services to related companies. The principal activities of the subsidiaries are set out in Note 28 to the financial statements.

The consolidated financial statements of the Company and its subsidiaries (the "Group") and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Directors on 27 January 2016.

## 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 *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, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

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.



# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

On 1 January 2015, the Group 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 Company's accounting policies and has no material effect on the amounts reported for the current or prior financial years.

#### 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 109 *Financial Instruments*<sup>2</sup>
- FRS 115 *Revenue from Contracts with Customers*<sup>2</sup>
- Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*<sup>1</sup>
- Amendments to FRS 27 *Separate Financial Statements: Equity Method in Separate Financial Statements*<sup>1</sup>
- Amendments to FRS 16 *Property, Plant and Equipment* and FRS 38 *Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation*<sup>1</sup>
- Amendments to FRS 110 *Consolidated Financial Statements* and FRS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*<sup>1</sup>
- Amendments to FRS 110 *Consolidated Financial Statements*, FRS 112 *Disclosure of Interests in Other Entities*, FRS 28 *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*<sup>1</sup>
- Improvements to Financial Reporting Standards (November 2014)<sup>1</sup>

<sup>1</sup> Applies to annual periods beginning on or after January 1, 2016, with early application permitted.

<sup>2</sup> Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

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:

#### *FRS 109 Financial Instruments*

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting (iii) impairment requirements for financial assets.

#### Key requirements of FRS 109:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (b) Adoption of New and Revised Standards (cont'd)

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

*FRS 109 Financial Instruments (cont'd)*

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.
- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in FRS 39. Under FRS 109, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

*FRS 115 Revenue from Contracts with Customers*

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 Revenue, FRS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (b) Adoption of New and Revised Standards (cont'd)

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

*Amendments to FRS 1 Presentation of Financial Statements: Disclosure Initiative*

The amendments have been made to the following:

- Materiality and aggregation – An entity shall not obscure useful information by aggregating or disaggregating information and materiality considerations apply to the primary statements, notes and any specific disclosure requirements in FRSs.
- Statement of financial position and statement of profit or loss and other comprehensive income – The list of line items to be presented in these statements can be aggregated or disaggregated as relevant. Guidance on subtotals in these statements has also been included.
- Presentation of items of other comprehensive income ("OCI") arising from equity-accounted investments – An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single items based on whether or not it will subsequently be reclassified to profit or loss.
- Notes – Entities have flexibility when designing the structure of the notes and guidance is introduced on how to determine a systematic order of the notes. In addition, unhelpful guidance and examples with regard to the identification of significant accounting policies are removed.

*Improvements to Financial Reporting Standards (November 2014)*

| Standard   | Topic  | Key amendment  |
|--|--|--|
| FRS 107<br><i>Financial Instruments: Disclosures</i> | Servicing contracts  | Provides additional guidance to clarify whether a servicing contract results in continuing involvement in a transferred asset for the purpose of determining the disclosures required.   |
|  | Applicability of the amendments to FRS 107 to condensed interim financial statements | Clarifies that the offsetting disclosures are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with FRS 34 Interim Financial Reporting. |

Management is currently evaluating the impact of the above FRSs and amendments to FRSs on the financial statements of the Group and the Company.

### (c) Basis of Consolidation

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (c) **Basis of Consolidation (cont'd)**

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

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

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

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

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

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

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

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.

### (d) **Business Combination**

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

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the 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.

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

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

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

### (e) **Financial Instruments**

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



# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (e) Financial Instruments (cont'd)

#### 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".

#### Financial assets

All financial assets are recognised and de-recognised on a trade date basis 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.

#### *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
- on initial recognition, 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 27.

#### *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.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (e) **Financial Instruments (cont'd)**

#### Financial assets (cont'd)

##### *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 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 measured on the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured on the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset, such impairment loss will not be reversed in subsequent periods.

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.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

##### *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.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (e) **Financial Instruments (cont'd)**

#### Financial liabilities and equity instruments

##### *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.

##### *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.

Ordinary share are classified as equity, incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effect.

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.

##### *Financial liabilities*

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

##### *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
- on initial recognition, 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 and other comprehensive income. Fair value is determined in the manner described in Note 27.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (e) **Financial Instruments (cont'd)**

#### Financial liabilities and equity instruments (cont'd)

##### *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.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

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.

##### *Derecognition of financial liabilities*

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

##### *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.

##### *Offsetting arrangements*

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

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (f) Leases

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

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

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

### (g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, director labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Allowance is made where necessary for obsolete, slow-moving items and defective inventories.

### (h) Cash and Cash Equivalents in the Consolidated Statement of Cash Flows

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

### (i) 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:

|                     | Number of years |
|---------------------|-----------------|
| 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.

### (j) 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.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (j) **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.

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.

### (k) **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.

### (l) **Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue 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.

Revenue from the rendering of services that are of short duration is recognised when the services are rendered.

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



# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (l) **Revenue Recognition (cont'd)**

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.

### (m) **Borrowing Costs**

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

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

### (n) **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.

### (o) **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.

### (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 and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

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

Deferred tax liabilities are recognised 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.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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.

### (q) **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.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (q) Foreign Currency Transactions and Translation (cont'd)

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.

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

### Critical judgements in applying the entity's accounting policies

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 and other products. Accordingly, the sales value of these transactions was recognised as revenue which is approximately \$22.1 million (2014: \$25.5 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 Note 9 to the financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2015

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

### Critical judgements in applying the entity's accounting policies (cont'd)

#### Recoverability of refundable deposit

Management assesses at the end of each reporting period whether there is any evidence that the refundable deposit of US\$6,000,000 (equivalent to \$8,435,000) placed with a related party is impaired. A considerable amount of judgement is required in assessing the ultimate realisation of this deposit, including reviewing the financial information of the related party, its current creditworthiness, past collection history and ongoing coal delivery from the coal mine whom the Group has placed the deposit with. If the financial condition of the coal mine continues 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.

#### Income taxes

The Group has exposure to income tax in different jurisdictions. Significant assumptions are required in determining the provision for income tax. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amount of income tax recoverable, income tax payable and deferred tax position are disclosed in the statements of financial position.

## 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:

| Segment              | Principal activities   |
|----------------------|--|
| Commodities Trading  | Trades and markets a broad range of products including coal, rubber, metals as well as other commodities and products used by manufacturers in the energy, tyre, metal and automotive industries in Asia. It also distributes consumer products. |
| Tyre Distribution    | Markets and distributes tyres and retreading of tyres.   |
| Corporate and Others | General corporate activities and others.   |

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

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

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2015

## 4 SEGMENT INFORMATION (CONT'D)

### Products and services from which reportable segments derive their revenues (cont'd)

#### Segment revenue and results

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

|  | Commodities<br>Trading<br>\$'000 | Tyre<br>Distribution<br>\$'000 | Corporate<br>and<br>Others<br>\$'000 | Inter-<br>segment<br>Eliminations<br>\$'000 | Consolidated<br>\$'000 |
|--|----------------------------------|--------------------------------|--------------------------------------|---|------------------------|
| <b>Financial year ended 31 December 2015</b> |                                  |                                |                                      |   |                        |
| <b>Revenue</b>                               |                                  |                                |                                      |   |                        |
| – External customers                         | 99,820                           | 19,855                         | –                                    | –   | 119,675                |
| – Inter-segment                              | –                                | –                              | 3,040                                | (3,040)                                     | –                      |
| Total segment revenue                        | 99,820                           | 19,855                         | 3,040                                | (3,040)                                     | 119,675                |
| <b>Result</b>                                |                                  |                                |                                      |   |                        |
| Segment result                               | 1,223                            | (924)                          | 365                                  | (1)   | 663                    |
| Finance income                               | 953                              | 20                             | 215                                  | (212)                                       | 976                    |
| Finance costs                                | (237)                            | –                              | –                                    | 212   | (25)                   |
| Profit before tax                            | 1,939                            | (904)                          | 580                                  | (1)   | 1,614                  |
| Income tax expense                           |                                  |                                |                                      |   | (148)                  |
| Profit after tax                             |                                  |                                |                                      |   | 1,466                  |
| <b>Assets</b>                                |                                  |                                |                                      |   |                        |
| Segment assets                               | 67,388                           | 6,650                          | 2,573                                | –   | 76,611                 |
| Unallocated assets                           |                                  |                                |                                      |   | 112                    |
| Total assets                                 |                                  |                                |                                      |   | 76,723                 |
| <b>Liabilities</b>                           |                                  |                                |                                      |   |                        |
| Segment liabilities                          | 20,486                           | 4,706                          | 1,000                                | –   | 26,192                 |
| Unallocated liabilities                      |                                  |                                |                                      |   | 167                    |
| Total liabilities                            |                                  |                                |                                      |   | 26,359                 |
| <b>Other information</b>                     |                                  |                                |                                      |   |                        |
| Capital expenditure                          | 13                               | 177                            | 202                                  | –   | 392                    |
| Depreciation of plant and equipment          | 5                                | 105                            | 57                                   | –   | 167                    |
| Gain on disposal of plant and equipment      | –                                | (1)                            | –                                    | –   | (1)                    |
| Write-back of doubtful trade receivables     | –                                | (1)                            | –                                    | –   | (1)                    |
| Allowance for inventory obsolescence         | –                                | 89                             | –                                    | –   | 89                     |

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2015

## 4 SEGMENT INFORMATION (CONT'D)

### Products and services from which reportable segments derive their revenues (cont'd)

Segment revenue and results (cont'd)

|  | Commodities<br>Trading<br>\$'000 | Tyre<br>Distribution<br>\$'000 | Corporate<br>and<br>Others<br>\$'000 | Inter-<br>segment<br>Eliminations<br>\$'000 | Consolidated<br>\$'000 |
|--|----------------------------------|--------------------------------|--------------------------------------|---|------------------------|
| <b>Financial year ended 31 December 2014</b> |                                  |                                |                                      |   |                        |
| <b>Revenue</b>                               |                                  |                                |                                      |   |                        |
| – External customers                         | 104,106                          | 27,807                         | –                                    | –   | 131,913                |
| – Inter-segment                              | –                                | –                              | 3,040                                | (3,040)                                     | –                      |
| Total segment revenue                        | 104,106                          | 27,807                         | 3,040                                | (3,040)                                     | 131,913                |
| <b>Result</b>                                |                                  |                                |                                      |   |                        |
| Segment result                               | 1,426                            | (143)                          | 308                                  | –   | 1,591                  |
| Finance income                               | 686                              | 27                             | 183                                  | (156)                                       | 740                    |
| Finance costs                                | (184)                            | –                              | –                                    | 156   | (28)                   |
| Profit before tax                            | 1,928                            | (116)                          | 491                                  | –   | 2,303                  |
| Income tax expense                           |                                  |                                |                                      |   | (172)                  |
| Profit after tax                             |                                  |                                |                                      |   | 2,131                  |
| <b>Assets</b>                                |                                  |                                |                                      |   |                        |
| Segment assets                               | 53,582                           | 10,538                         | 4,608                                | –   | 68,728                 |
| Unallocated assets                           |                                  |                                |                                      |   | 23                     |
| Total assets                                 |                                  |                                |                                      |   | 68,751                 |
| <b>Liabilities</b>                           |                                  |                                |                                      |   |                        |
| Segment liabilities                          | 13,415                           | 6,185                          | 1,230                                | –   | 20,830                 |
| Unallocated liabilities                      |                                  |                                |                                      |   | 323                    |
| Total liabilities                            |                                  |                                |                                      |   | 21,153                 |
| <b>Other information</b>                     |                                  |                                |                                      |   |                        |
| Capital expenditure                          | –                                | 24                             | 11                                   | –   | 35                     |
| Depreciation of plant and equipment          | 4                                | 109                            | 53                                   | –   | 166                    |
| Gain on disposal of plant and equipment      | –                                | –                              | –                                    | –   | –                      |
| Write-back of doubtful trade receivables     | –                                | (3)                            | (4)                                  | –   | (7)                    |
| Allowance for inventory obsolescence         | –                                | 76                             | –                                    | –   | 76                     |



# NOTES TO FINANCIAL STATEMENTS

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## 4 SEGMENT INFORMATION (CONT'D)

### Geographical Information

The Group's businesses are mainly in Singapore, China including Hong Kong, Indonesia, Malaysia and Germany. 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<br>external customers |                | Non-current assets |                | Capital expenditure |                |
|--------------------------------------|------------------------------------|----------------|--------------------|----------------|---------------------|----------------|
|                                      | 2015<br>\$'000                     | 2014<br>\$'000 | 2015<br>\$'000     | 2014<br>\$'000 | 2015<br>\$'000      | 2014<br>\$'000 |
| <i>Based on location of customer</i> |                                    |                |                    |                |                     |                |
| Singapore                            | 68,854                             | 61,688         | 454                | 304            | 315                 | 35             |
| China including Hong Kong            | 13,668                             | 12,497         | –                  | –              | –                   | –              |
| Indonesia                            | 13,453                             | 22,529         | –                  | –              | –                   | –              |
| Malaysia                             | 8,196                              | 8,369          | 76                 | 1              | 77                  | –              |
| Germany                              | 7,452                              | 13,016         | –                  | –              | –                   | –              |
| Other ASEAN countries                | 4,714                              | 10,261         | –                  | –              | –                   | –              |
| Brunei                               | 2,097                              | 1,895          | –                  | –              | –                   | –              |
| Others                               | 1,241                              | 1,658          | –                  | –              | –                   | –              |
|                                      | 119,675                            | 131,913        | 530                | 305            | 392                 | 35             |

### Information about major customers

Included in the Commodities Trading revenue of \$99.8 million (2014: \$104.1 million) were sales of approximately \$45.5 million and \$17.1 million (2014: \$36.7 million and \$13.5 million) to the Group's two largest customers.

## 5 PLANT AND EQUIPMENT

| Group                  | Plant and<br>equipment<br>\$'000 | Motor<br>vehicles<br>\$'000 | Total<br>\$'000 |
|------------------------|----------------------------------|-----------------------------|-----------------|
| <b>Cost:</b>           |                                  |                             |                 |
| At 1 January 2015      | 1,084                            | 335                         | 1,419           |
| Translation difference | (11)                             | –                           | (11)            |
| Additions              | 112                              | 280                         | 392             |
| Disposals              | (15)                             | –                           | (15)            |
| Write-offs             | (43)                             | –                           | (43)            |
| At 31 December 2015    | 1,127                            | 615                         | 1,742           |
| At 1 January 2014      | 1,278                            | 335                         | 1,613           |
| Translation difference | (1)                              | –                           | (1)             |
| Additions              | 35                               | –                           | 35              |
| Disposals              | (2)                              | –                           | (2)             |
| Write-offs             | (226)                            | –                           | (226)           |
| At 31 December 2014    | 1,084                            | 335                         | 1,419           |

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2015

## 5 PLANT AND EQUIPMENT (CONT'D)

| Group                               | Plant and<br>equipment<br>\$'000          | Motor<br>vehicles<br>\$'000          | Total<br>\$'000         |
|-------------------------------------|---|--------------------------------------|-------------------------|
| <b>Accumulated depreciation:</b>    |   |                                      |                         |
| At 1 January 2015                   | 870                                       | 244                                  | 1,114                   |
| Translation difference              | (11)                                      | –                                    | (11)                    |
| Depreciation for the financial year | 129                                       | 38                                   | 167                     |
| Disposals                           | (15)                                      | –                                    | (15)                    |
| Write-offs                          | (43)                                      | –                                    | (43)                    |
| At 31 December 2015                 | 930                                       | 282                                  | 1,212                   |
| At 1 January 2014                   | 958                                       | 219                                  | 1,177                   |
| Translation difference              | (1)                                       | –                                    | (1)                     |
| Depreciation for the financial year | 141                                       | 25                                   | 166                     |
| Disposals                           | (2)                                       | –                                    | (2)                     |
| Write-offs                          | (226)                                     | –                                    | (226)                   |
| At 31 December 2014                 | 870                                       | 244                                  | 1,114                   |
| <b>Carrying amounts:</b>            |   |                                      |                         |
| At 31 December 2015                 | 197                                       | 333                                  | 530                     |
| At 31 December 2014                 | 214                                       | 91                                   | 305                     |
| <b>Company</b>                      | <b>Plant and<br/>equipment<br/>\$'000</b> | <b>Motor<br/>vehicles<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
| <b>Cost:</b>                        |   |                                      |                         |
| At 1 January 2015                   | 228                                       | –                                    | 228                     |
| Additions                           | –   | 202                                  | 202                     |
| At 31 December 2015                 | 228                                       | 202                                  | 430                     |
| At 1 January 2014                   | 264                                       | –                                    | 264                     |
| Additions                           | 11  | –                                    | 11                      |
| Disposals and write-off             | (47)                                      | –                                    | (47)                    |
| At 31 December 2014                 | 228                                       | –                                    | 228                     |
| <b>Accumulated depreciation:</b>    |   |                                      |                         |
| At 1 January 2015                   | 150                                       | –                                    | 150                     |
| Depreciation for the financial year | 52  | 5                                    | 57                      |
| At 31 December 2015                 | 202                                       | 5                                    | 207                     |
| At 1 January 2014                   | 144                                       | –                                    | 144                     |
| Depreciation for the financial year | 53  | –                                    | 53                      |
| Disposals and write-off             | (47)                                      | –                                    | (47)                    |
| At 31 December 2014                 | 150                                       | –                                    | 150                     |
| <b>Carrying amounts:</b>            |   |                                      |                         |
| At 31 December 2015                 | 26  | 197                                  | 223                     |
| At 31 December 2014                 | 78  | –                                    | 78                      |

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2015

## 6 INVESTMENTS IN SUBSIDIARIES

|   | Company        |                |
|---|----------------|----------------|
|   | 2015<br>\$'000 | 2014<br>\$'000 |
| Unquoted equity shares, at cost                             | 14,049         | 14,049         |
| Recognition of financial guarantee provided to subsidiaries | 4,041          | 3,599          |
| Less: Impairment loss                                       | (117)          | (19)           |
|   | <b>17,973</b>  | <b>17,629</b>  |

Further details regarding the subsidiaries are set out in Note 28.

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 of \$98,000 (2014: \$19,000) in a subsidiary was recognised during the financial year. In making this judgement, the company evaluates, among other factors, the market and economic environment in which the subsidiaries operate, economic performance of the subsidiaries, the duration and extent to which the cost of investment in the subsidiaries exceed its net tangible asset value which according to management, is the best estimate of the recoverable amount.

## 7 INVENTORIES

| Group          | At cost<br>\$'000 | At net<br>realisable<br>value<br>\$'000 | Total<br>\$'000 |
|----------------|-------------------|---|-----------------|
| <b>2015</b>    |                   |   |                 |
| Raw materials  | 73                | –                                       | 73              |
| Finished goods | 606               | 235                                     | 841             |
|                | <b>679</b>        | <b>235</b>                              | <b>914</b>      |
| <b>2014</b>    |                   |   |                 |
| Raw materials  | 88                | –                                       | 88              |
| Finished goods | 715               | 416                                     | 1,131           |
|                | <b>803</b>        | <b>416</b>                              | <b>1,219</b>    |

The net realisable value of the above inventories is stated net of allowance of \$196,000 (2014: \$150,000). During the financial year, \$89,000 (2014: \$76,000) was recognised as an expense in respect of write-down of inventories to net realisable value.

# NOTES TO FINANCIAL STATEMENTS

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## 8 TRADE AND OTHER RECEIVABLES

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 |
| Trade receivables (Note 9)   | 43,973         | 38,690         | 457            | –              |
| Other receivables (Note 10)  | 927            | 752            | 18,795         | 17,831         |
| Advances to suppliers: <sup>(1)</sup>                                    |                |                |                |                |
| – Third party  | 3,936          | –              | –              | –              |
| – Related party [Note 24(a)(ii)]   | 4,897          | –              | –              | –              |
| Refundable deposit with related party <sup>(2)</sup><br>[Note 24(a)(ii)] | 8,435          | 7,939          | –              | –              |
|  | <b>62,168</b>  | <b>47,381</b>  | <b>19,252</b>  | <b>17,831</b>  |

(1) During the financial year, a subsidiary made payment for a progress billing of \$3,936,000 (2014: Nil) from a third party supplier on order placement.

Advance to a related party for coal order placement is interest-free and repayable by 31 March 2016.

(2) Refundable deposit of US\$6,000,000 (2014: US\$6,000,000) relates to monies placed by the Group with a coal mine which is a related party to secure coal allocations. The deposit is secured by a corporate guarantee issued by the immediate holding company of the coal mine, which itself is a coal mine and a related party of the Group.

The refundable deposit (equivalent to \$8,435,000 [2014: \$7,939,000]) is repayable within 1 year and subject to yearly renewal by mutual agreement between the two parties. It bears an effective interest rate of 4.83% (2014: 4.58%) per annum (Note 10).

## 9 TRADE RECEIVABLES

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 |
| Trade receivables  | 38,643         | 35,007         | –              | –              |
| Amounts due from related parties – trade<br>[Note 24(a)(ii)] | 5,330          | 3,793          | –              | –              |
| Amount due from subsidiary – trade<br>(Notes 6 and 28)       | –              | –              | 457            | –              |
| Retention monies receivable                                  | –              | 43             | –              | –              |
|  | <b>43,973</b>  | <b>38,843</b>  | <b>457</b>     | <b>–</b>       |
| Less: Allowance for doubtful trade receivables               | –              | (153)          | –              | –              |
|  | <b>43,973</b>  | <b>38,690</b>  | <b>457</b>     | <b>–</b>       |

Certain trade receivables bear interest at the range from 8% to 12% (2014: 8%) per annum, the remaining are non-interest bearing. The trade receivables are generally on 30 to 120 days (2014: 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.

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.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2015

## 9 TRADE RECEIVABLES (CONT'D)

### Movement in the allowance for doubtful trade receivables

|  | Group          |                |
|--|----------------|----------------|
|  | 2015<br>\$'000 | 2014<br>\$'000 |
| At beginning of financial year   | 153            | 2,522          |
| Effects of exchange rate changes on the allowance for doubtful debts denominated in foreign currencies | –              | 20             |
| Amounts written off during the financial year  | (152)          | (2,382)        |
| Written back during the financial year   | (1)            | (7)            |
| At end of financial year   | –              | 153            |

Included in the Group's trade receivable balance are debtors with a carrying amount of \$16,746,000 (2014: \$9,633,000) 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        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 |
| Not past due and not impaired                               | 27,227         | 29,057         | 457            | –              |
| Past due but not impaired <sup>(a)</sup>                    | 16,746         | 9,633          | –              | –              |
|   | 43,973         | 38,690         | 457            | –              |
| Impaired receivables – collectively assessed <sup>(b)</sup> | –              | 153            | –              | –              |
| Less: Allowance for doubtful receivables                    | –              | (153)          | –              | –              |
|   | –              | –              | –              | –              |
| Total trade receivables, net                                | 43,973         | 38,690         | 457            | –              |

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

|                       | Group          |                | Company        |                |
|-----------------------|----------------|----------------|----------------|----------------|
|                       | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 |
| < 3 months            | 9,611          | 9,418          | –              | –              |
| 3 months to 6 months  | 3,784          | 215            | –              | –              |
| 6 months to 12 months | 3,351          | –              | –              | –              |
|                       | 16,746         | 9,633          | –              | –              |

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

# NOTES TO FINANCIAL STATEMENTS

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## 10 OTHER RECEIVABLES

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 |
| Prepayments  | 100            | 95             | 33             | 31             |
| Deposits   | 207            | 208            | 50             | 50             |
| Foreign currency forward contracts                           | 271            | –              | –              | –              |
| Sundry debtors   | 68             | 111            | –              | –              |
| Interest receivable from a related party<br>[Note 24(a)(ii)] | 171            | 152            | –              | –              |
| Amounts receivable from related parties<br>[Note 24(a)(ii)]  | 110            | 186            | –              | –              |
| Amount receivable from a subsidiary<br>(Notes 6 and 28)      | –              | –              | 18,712         | 17,750         |
|  | <b>927</b>     | <b>752</b>     | <b>18,795</b>  | <b>17,831</b>  |

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

The amount receivable from a subsidiary is non-trade related, unsecured, interest-free and repayable on demand except for an amount of \$18,712,000 (2014: \$17,750,000) which bears effective interest rate of 1.08% (2014: 1.10%) per annum.

## 11 TAX RECOVERABLE

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

## 12 CASH AND BANK BALANCES

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 |
| Fixed deposits  | 3,501          | 9,587          | –              | 1,000          |
| Cash at bank and on hand                                    | 9,498          | 10,236         | 1,753          | 1,991          |
| Cash and bank balances                                      | <b>12,999</b>  | <b>19,823</b>  | <b>1,753</b>   | <b>2,991</b>   |
| Less: Restricted bank balances<br>(pledged fixed deposits)  | <b>(3,430)</b> | <b>(1,682)</b> |                |                |
| Cash and cash equivalents<br>in the statement of cash flows | <b>9,569</b>   | <b>18,141</b>  |                |                |

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 \$3,430,000 (2014: \$1,682,000) are held by banks as security for facilities granted to certain subsidiaries. Fixed deposits bear interest ranging from 0.05% to 0.9% (2014: 0.45% to 1%) per annum and for tenors ranging from 31 to 183 days (2014: 31 to 186 days).



# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2015

## 13 SHARE CAPITAL

|                                | 2015<br>Number of<br>ordinary<br>Shares | Group and Company<br>2014<br>Number of<br>ordinary<br>Shares | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------|---|--|----------------|----------------|
| <b>Issued and paid up:</b>     |   |  |                |                |
| At beginning of financial year | 350,991,516                             | 350,991,516  | 58,366         | 58,366         |
| Effect of share consolidation  | (315,892,384)                           | –  | –              | –              |
| At end of financial year       | <b>35,099,132</b>                       | 350,991,516  | <b>58,366</b>  | 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.

On 14 May 2015, the Company completed the consolidation of ten existing shares to one consolidated share. As a result of the exercise, the issued share capital of the Company comprises 35,099,132 shares.

## 14 DEFERRED TAX

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 |
| At beginning of financial year                        | 26             | 35             | 5              | 13             |
| Write-back during the financial year                  | (2)            | (9)            | (1)            | (8)            |
| At end of financial year                              | <b>24</b>      | 26             | <b>4</b>       | 5              |
| Deferred tax at 31 December related to the following: |                |                |                |                |
| <i>Deferred tax liabilities</i>                       |                |                |                |                |
| – Differences in accounting and tax depreciation      | 24             | 26             | 4              | 5              |

## 15 TRADE AND OTHER PAYABLES

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 |
| Trade creditors   | 16,324         | 13,215         | 45             | 45             |
| Accrued expenses  | 1,401          | 1,886          | 662            | 896            |
| Financial guarantee contracts                           | –              | –              | 255            | 250            |
| Foreign currency forward contracts                      | –              | 106            | –              | –              |
| Sundry creditors  | 202            | 147            | 1              | 3              |
| Amounts due to related parties – trade [Note 24(a)(ii)] | 4,101          | 5,476          | –              | –              |
| Progress billing to a related party [Note 24(a)(ii)]    | 4,164          | –              | –              | –              |
| Amount due to a subsidiary – non-trade (Notes 6 and 28) | –              | –              | 211            | 149            |
|   | <b>26,192</b>  | 20,830         | <b>1,174</b>   | 1,343          |

Trade creditors principally comprise amounts outstanding for trade purchases and ongoing costs. Trade payables are generally on 14 to 120 days (2014: 14 to 120 days) credit terms.

The amounts payable to related parties and a subsidiary are unsecured, interest-free and repayable on demand.

# NOTES TO FINANCIAL STATEMENTS

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## 16 REVENUE

|                       | Group          |                |
|-----------------------|----------------|----------------|
|                       | 2015<br>\$'000 | 2014<br>\$'000 |
| Sale of products      | 117,097        | 129,122        |
| Rendering of services | 2,578          | 2,791          |
|                       | <b>119,675</b> | <b>131,913</b> |

## 17 OTHER OPERATING INCOME

|  | Group          |                |
|--|----------------|----------------|
|  | 2015<br>\$'000 | 2014<br>\$'000 |
| Foreign currency exchange gain           | 324            | 32             |
| Handling fee income                      | 149            | 21             |
| Gain on disposal of plant and equipment  | 1              | –              |
| Write-back of doubtful trade receivables | 1              | 7              |
| Sundry income                            | 29             | 39             |
|  | <b>504</b>     | <b>99</b>      |

## 18 OTHER OPERATING EXPENSES

|                                      | Group          |                |
|--------------------------------------|----------------|----------------|
|                                      | 2015<br>\$'000 | 2014<br>\$'000 |
| Allowance for inventory obsolescence | 89             | 76             |

## 19 FINANCE INCOME

|                                  | Group          |                |
|----------------------------------|----------------|----------------|
|                                  | 2015<br>\$'000 | 2014<br>\$'000 |
| Interest income:                 |                |                |
| Bank deposits                    | 48             | 88             |
| Third parties                    | 478            | 300            |
| Related parties [Note 24(a)(ii)] | 450            | 352            |
|                                  | <b>976</b>     | <b>740</b>     |

## 20 FINANCE COSTS

|                                   | Group          |                |
|-----------------------------------|----------------|----------------|
|                                   | 2015<br>\$'000 | 2014<br>\$'000 |
| Interest expense on bills payable | 25             | 28             |

# NOTES TO FINANCIAL STATEMENTS

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## 21 INCOME TAX EXPENSE

|   | 2015<br>\$'000 | Group<br>2014<br>\$'000 |
|---|----------------|-------------------------|
| Income tax:                                     |                |                         |
| Current financial year                          | 82             | 240                     |
| Withholding tax paid                            | 18             | 28                      |
| Under (Over) provision in prior financial years | 50             | (87)                    |
|   | 150            | 181                     |
| Write-back of deferred tax                      | (2)            | (9)                     |
|   | 148            | 172                     |

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

|  | 2015<br>% | Group<br>2014<br>% |
|--|-----------|--------------------|
| Domestic statutory tax rate  | 17.0      | 17.0               |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | (0.7)     | (0.5)              |
| Under (Over) provision in prior financial years                                | 3.1       | (3.8)              |
| Exempt income  | (2.4)     | (3.1)              |
| Withholding tax paid   | 1.1       | 1.2                |
| Expenses not deductible for tax purposes                                       | 1.8       | 0.3                |
| Income capital in nature   | (9.9)     | (2.7)              |
| Deferred tax benefits not recognised   | 2.4       | 0.9                |
| Effect of tax concessions  | (1.3)     | (2.1)              |
| Others   | (1.8)     | 0.3                |
| Effective tax rate   | 9.3       | 7.5                |

Domestic income tax is calculated at 17% (2014: 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 2015, the Group had unutilised tax losses and capital allowances of approximately \$8,942,000 (2014: \$9,001,000) and \$1,856,000 (2014: \$1,832,000) 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 \$1,824,000 (2014: \$1,842,000) 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.

# NOTES TO FINANCIAL STATEMENTS

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## 22 PROFIT FOR THE FINANCIAL YEAR

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

|   | Group          |                |
|---|----------------|----------------|
|   | 2015<br>\$'000 | 2014<br>\$'000 |
| Salaries and wages  | 2,982          | 3,432          |
| Employer's contribution to defined contribution plans including<br>Central Provident Fund | 233            | 236            |
| Employees benefit expenses (including directors' remuneration)                            | 3,215          | 3,668          |
| Remuneration paid or payable to:  |                |                |
| Directors of the Company  | 763            | 866            |
| Key management personnel <sup>(1)</sup>   | 739            | 812            |
| Cost of inventories included in cost of sales   | 114,024        | 124,565        |
| Fees for audit services to:   |                |                |
| Auditors of the Company   | 103            | 103            |
| Other auditors  | 8              | 8              |
| Fees for non-audit services to:   |                |                |
| Auditors of the Company   | 31             | 16             |
| Other auditors <sup>(2)</sup>   | 106            | 42             |

### Notes:

- (1) With effect from the financial year ended 31 December 2014, the Company identified key management personnel to include key executives of the Group, apart from directors of subsidiaries.
- (2) The non-audit fees mainly represent tax fees paid for the provision of tax compliance and tax advisory services to Deloitte & Touche LLP, Singapore (\$30,500) and other Deloitte & Touche offices (\$69,765) respectively, and fees paid to internal auditors.

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

The employees of SP Corporation Limited and its subsidiaries 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 \$233,000 (2014: \$236,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2015, contributions of \$47,000 (2014: \$45,000) 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.

# NOTES TO FINANCIAL STATEMENTS

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## 23 EARNINGS PER SHARE (CENTS)

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

|  | 2015   | Group<br>2014<br>As<br>adjusted | 2014<br>As<br>previously<br>reported |
|--|--------|---------------------------------|--------------------------------------|
| Net profit attributable to owners of the Company (\$'000)      | 1,466  | 2,131                           | 2,131                                |
| Weighted average number of ordinary shares in issue (in '000s) | 35,099 | 35,099                          | 350,992                              |
| Basic earnings per share (cents)                               | 4.18   | 6.07                            | 0.61                                 |

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

On 14 May 2015, the Company completed the consolidation of ten existing shares to one consolidated share. As a result of the exercise, the issued share capital of the Company comprises 35,099,132 shares.

Figures shown under the "As adjusted" columns are computed assuming that the share consolidation exercise was held and effective as at 31 December 2014.

## 24 RELATED PARTY AND RELATED COMPANY TRANSACTIONS

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

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 is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless stated otherwise.

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

### (a) Transactions with related companies and related parties

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

|  | 2015<br>\$'000 | Group<br>2014<br>\$'000 |
|--|----------------|-------------------------|
| (i) <i>Tuan Sing Holdings Limited and subsidiaries</i> |                |                         |
| Rental expense   | 28             | 28                      |
| Management fee expense                                 | 150            | 150                     |

# NOTES TO FINANCIAL STATEMENTS

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## 24 RELATED PARTY AND RELATED COMPANY TRANSACTIONS (CONT'D)

### (a) Transactions with related companies and related parties (cont'd)

|                                     | Group          |                |
|-------------------------------------|----------------|----------------|
|                                     | 2015<br>\$'000 | 2014<br>\$'000 |
| <b>(ii) Related parties</b>         |                |                |
| Sales of goods and services         | (4,669)        | (9,897)        |
| Purchases of goods                  | 37,325         | 46,069         |
| Interest income                     | (450)          | (352)          |
| Handling fee income                 | (149)          | (21)           |
| Advance for coal order placement    | 4,897          | –              |
| Progress billing on order placement | 4,164          | –              |
| Placement of trade deposit          | 8,435          | 7,939          |

The Group is reliant on two related parties for the supply of 100% (2014: 100%) of its coal within its Commodities Trading segment and another two related parties for the supply of 96% (2014: 96%) of its tyres within its Tyre Distribution segment.

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.

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

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

|                          | Group          |                |
|--------------------------|----------------|----------------|
|                          | 2015<br>\$'000 | 2014<br>\$'000 |
| Short-term benefits      | 1,442          | 1,624          |
| Post-employment benefits | 60             | 54             |
|                          | 1,502          | 1,678          |

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

## 25 COMMITMENTS

### (a) Operating lease arrangements

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 |
| Rental expense – operating lease<br>in respect of rental of office premises,<br>warehouse and workshops | 602            | 608            | 184            | 184            |



# NOTES TO FINANCIAL STATEMENTS

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## 25 COMMITMENTS (CONT'D)

### (a) Operating lease arrangements (cont'd)

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

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 |
| Within one year                             | 427            | 578            | 74             | 191            |
| After one year but not more than five years | –              | 423            | –              | 74             |
|   | <b>427</b>     | <b>1,001</b>   | <b>74</b>      | <b>265</b>     |

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 (2014: 1 to 3 years) with rentals fixed for 1 to 3 years (2014: 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:

|                                    | Group          |                |
|------------------------------------|----------------|----------------|
|                                    | 2015<br>\$'000 | 2014<br>\$'000 |
| Foreign currency forward contracts | <b>18,900</b>  | 11,400         |

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

## 26 CONTINGENT LIABILITIES

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 |
| Financial guarantees to banks for facilities granted to a subsidiary | –              | –              | <b>59,987</b>  | 57,608         |

# NOTES TO FINANCIAL STATEMENTS

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## 27 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

### (a) Categories of financial instruments

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

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 |
| <b>Financial Assets</b>  |                |                |                |                |
| Loan and receivables   |                |                |                |                |
| Trade and other receivables  | 62,168         | 47,381         | 19,252         | 17,831         |
| Less: Prepayments  | (100)          | (95)           | (33)           | (31)           |
| Foreign currency forward contracts   | (271)          | –              | –              | –              |
| Advance to a supplier  | (3,936)        | –              | –              | –              |
| Advance to a related party   | (4,897)        | –              | –              | –              |
|  | 52,964         | 47,286         | 19,219         | 17,800         |
| Cash and bank balances   | 12,999         | 19,823         | 1,753          | 2,991          |
|  | 65,963         | 67,109         | 20,972         | 20,791         |
| <u>Derivative instruments not designated in hedge accounting relationships</u> |                |                |                |                |
| Foreign currency forward contracts   | 271            | –              | –              | –              |
| <b>Financial Liabilities</b>   |                |                |                |                |
| Amortised cost   |                |                |                |                |
| Trade and other payables   | 26,192         | 20,830         | 1,174          | 1,343          |
| Less: Foreign currency forward contracts                                       | –              | (106)          | –              | –              |
| Progress billing to a related party  | (4,164)        | –              | –              | –              |
|  | 22,028         | 20,724         | 1,174          | 1,343          |
| <u>Derivative instruments not designated in hedge accounting relationships</u> |                |                |                |                |
| Foreign currency forward contracts   | –              | 106            | –              | –              |

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

The Group does not have any financial instruments which are subject to enforceable master netting arrangements or similar netting agreements.

# NOTES TO FINANCIAL STATEMENTS

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## 27 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

### (c) 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.

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

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

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

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

### (i) Currency risk management

The Group's businesses are mainly in Singapore, China including Hong Kong, Indonesia, Malaysia and Germany. 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.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2015

## 27 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

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

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

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 25(b) and 27(c)(v) to the financial statements.

#### *Currency risk exposure*

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

|   | USD<br>\$'000  | SGD<br>\$'000  | Others<br>\$'000 | Total<br>\$'000 |
|---|----------------|----------------|------------------|-----------------|
| <b>SGD equivalent</b>                       |                |                |                  |                 |
| <b>Group</b>                                |                |                |                  |                 |
| <b>At 31 December 2015</b>                  |                |                |                  |                 |
| <b>Financial assets</b>                     |                |                |                  |                 |
| Cash and bank balances                      | 3,653          | 176            | 63               | 3,892           |
| Trade and other receivables                 | 620            | 74             | 90               | 784             |
| <b>Financial liabilities</b>                |                |                |                  |                 |
| Trade and other payables                    | (4,222)        | (19,256)       | –                | (23,478)        |
|   | 51             | (19,006)       | 153              | (18,802)        |
| <b>Net financial liabilities</b>            |                |                |                  |                 |
| Less: Foreign currency<br>forward contracts | –              | 18,900         | –                | 18,900          |
| <b>Currency exposure</b>                    | <b>51</b>      | <b>(106)</b>   | <b>153</b>       | <b>98</b>       |
| <b>At 31 December 2014</b>                  |                |                |                  |                 |
| <b>Financial assets</b>                     |                |                |                  |                 |
| Cash and bank balances                      | 2,541          | 2,595          | 9                | 5,145           |
| Trade and other receivables                 | 1,562          | 72             | 85               | 1,719           |
| <b>Financial liabilities</b>                |                |                |                  |                 |
| Trade and other payables                    | (5,491)        | (18,090)       | –                | (23,581)        |
|   | (1,388)        | (15,423)       | 94               | (16,717)        |
| <b>Net financial liabilities</b>            |                |                |                  |                 |
| Less: Foreign currency<br>forward contracts | –              | 11,400         | –                | 11,400          |
| <b>Currency exposure</b>                    | <b>(1,388)</b> | <b>(4,023)</b> | <b>94</b>        | <b>(5,317)</b>  |

# NOTES TO FINANCIAL STATEMENTS

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## 27 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

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

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

##### Currency risk exposure (cont'd)

The Company's functional currency is Singapore dollar. Except for cash and bank balances of \$52,000 (2014: \$50,000) which are denominated in USD, there is no other currency exposure risk. The Company has relied on natural hedges of matching USD assets and liabilities with entities within the Group and accordingly, there was insignificant USD currency risk exposure as at 31 December 2015.

##### Currency sensitivity analysis

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

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

|                       | USD<br>impact  |                | SGD<br>impact  |                | Other currency<br>impact |                |
|-----------------------|----------------|----------------|----------------|----------------|--------------------------|----------------|
|                       | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000           | 2014<br>\$'000 |
| <b>SGD equivalent</b> |                |                |                |                |                          |                |
| <b>Group</b>          |                |                |                |                |                          |                |
| Profit or loss        | 5              | (139)          | (11)           | (402)          | 15                       | 9              |

##### Company

|                |   |   |   |   |   |   |
|----------------|---|---|---|---|---|---|
| Profit or loss | 5 | 5 | – | – | – | – |
|----------------|---|---|---|---|---|---|

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

|                       | USD<br>Impact  |                | SGD<br>impact  |                | Other currency<br>impact |                |
|-----------------------|----------------|----------------|----------------|----------------|--------------------------|----------------|
|                       | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000           | 2014<br>\$'000 |
| <b>SGD equivalent</b> |                |                |                |                |                          |                |
| <b>Group</b>          |                |                |                |                |                          |                |
| Profit or loss        | (5)            | 139            | 11             | 402            | (15)                     | (9)            |

##### Company

|                |     |     |   |   |   |   |
|----------------|-----|-----|---|---|---|---|
| Profit or loss | (5) | (5) | – | – | – | – |
|----------------|-----|-----|---|---|---|---|

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2015

## 27 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

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

#### (ii) Price risk management

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

#### *Pricing sensitivity analysis*

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

#### (iii) Cash flow and fair value interest rate risk

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

The Group mainly uses trade financing for funding. The Group's interest management policy is aimed at optimising net interest cost and reducing volatility in finance cost. A summary of quantitative data of the Group's interest-bearing financial instruments can be found in Note 27(c)(v).

#### *Interest rate sensitivity analysis*

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

#### (iv) Credit risk management

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

The maximum amount the Company could be forced to settle under the financial guarantee contracts in Note 26, if the full guaranteed amount is claimed by the counterparty to the guarantee is \$59,987,000 (2014: \$57,608,000). 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. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a functions of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

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 and advances in Note 8 are derived from Singapore and Indonesia.

# NOTES TO FINANCIAL STATEMENTS

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## 27 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

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

#### (iv) Credit risk management (cont'd)

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

|                                     | Group          |                |
|-------------------------------------|----------------|----------------|
|                                     | 2015<br>\$'000 | 2014<br>\$'000 |
| <b><u>By geographical areas</u></b> |                |                |
| Singapore                           | 26,906         | 20,727         |
| Indonesia                           | 12,970         | 12,789         |
| China including Hong Kong           | 3,558          | 3,798          |
| Malaysia                            | 392            | 167            |
| Other ASEAN countries               | 53             | 625            |
| Others                              | 94             | 584            |
|                                     | <b>43,973</b>  | <b>38,690</b>  |

#### (v) Liquidity risk management

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

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

#### *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<br>or within<br>1 year<br>\$'000 | Within<br>2 to<br>5 years<br>\$'000 | After<br>5 years<br>\$'000 | Total<br>\$'000 |
|------------------------------------|---|-------------------------------------|----------------------------|-----------------|
| <b><u>Group</u></b>                |   |                                     |                            |                 |
| <b>2015</b>                        |   |                                     |                            |                 |
| <i>Gross settled:</i>              |   |                                     |                            |                 |
| Foreign currency forward contracts |   |                                     |                            |                 |
| Gross inflow                       | 271   | –                                   | –                          | 271             |
| <b>2014</b>                        |   |                                     |                            |                 |
| <i>Gross settled:</i>              |   |                                     |                            |                 |
| Foreign currency forward contracts |   |                                     |                            |                 |
| Gross outflow                      | (106)   | –                                   | –                          | (106)           |



# NOTES TO FINANCIAL STATEMENTS

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## 27 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

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

#### (v) 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 the 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<br>rate<br>% | On<br>demand<br>or within<br>1 year<br>\$'000 | Within<br>2 to<br>5 years<br>\$'000 | After<br>5 years<br>\$'000 | Adjustment<br>\$'000 | Total<br>\$'000 |
|-------------------------------|------------------------------------|---|-------------------------------------|----------------------------|----------------------|-----------------|
| <b>Group</b>                  |                                    |   |                                     |                            |                      |                 |
| <b>2015</b>                   |                                    |   |                                     |                            |                      |                 |
| Non-interest bearing          | -                                  | 22,028  | -                                   | -                          | -                    | 22,028          |
| <b>2014</b>                   |                                    |   |                                     |                            |                      |                 |
| Non-interest bearing          | -                                  | 20,724  | -                                   | -                          | -                    | 20,724          |
| <b>Company</b>                |                                    |   |                                     |                            |                      |                 |
| <b>2015</b>                   |                                    |   |                                     |                            |                      |                 |
| Non-interest bearing          | -                                  | 919   | -                                   | -                          | -                    | 919             |
| Financial guarantee contracts | -                                  | 59,987  | -                                   | -                          | (59,732)             | 255             |
|                               |                                    | 60,906  | -                                   | -                          | (59,732)             | 1,174           |
| <b>2014</b>                   |                                    |   |                                     |                            |                      |                 |
| Non-interest bearing          | -                                  | 1,093   | -                                   | -                          | -                    | 1,093           |
| Financial guarantee contracts | -                                  | 57,608  | -                                   | -                          | (57,358)             | 250             |
|                               |                                    | 58,701  | -                                   | -                          | (57,358)             | 1,343           |

##### 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. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the settlement of financial position.

# NOTES TO FINANCIAL STATEMENTS

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## 27 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

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

- (v) Liquidity risk management (cont'd)  
*Liquidity and interest risk analyses* (cont'd)

Non-derivative financial assets (cont'd)

|                                       | Effective<br>interest<br>rate<br>% | On<br>demand<br>or within<br>1 year<br>\$'000 | Within<br>2 to<br>5 years<br>\$'000 | After<br>5 years<br>\$'000 | Adjustment<br>\$'000 | Total<br>\$'000 |
|---------------------------------------|------------------------------------|---|-------------------------------------|----------------------------|----------------------|-----------------|
| <b>Group</b>                          |                                    |   |                                     |                            |                      |                 |
| <b>2015</b>                           |                                    |   |                                     |                            |                      |                 |
| Non-interest bearing                  | –                                  | 46,024  | –                                   | –                          | –                    | 46,024          |
| Variable interest rate<br>instruments | 0.06 to<br>0.25                    | 8,014   | –                                   | –                          | (9)                  | 8,005           |
| Fixed interest rate<br>instruments    | 0.34 to<br>4.83                    | 12,173  | –                                   | –                          | (239)                | 11,934          |
|                                       |                                    | 66,211  | –                                   | –                          | (248)                | 65,963          |
| <b>2014</b>                           |                                    |   |                                     |                            |                      |                 |
| Non-interest bearing                  | –                                  | 42,281  | –                                   | –                          | –                    | 42,281          |
| Variable interest rate<br>instruments | 0.05 to<br>0.24                    | 7,313   | –                                   | –                          | (11)                 | 7,302           |
| Fixed interest rate<br>instruments    | 0.45 to<br>4.58                    | 17,752  | –                                   | –                          | (226)                | 17,526          |
|                                       |                                    | 67,346  | –                                   | –                          | (237)                | 67,109          |
|                                       | Effective<br>Interest<br>rate<br>% | On<br>demand<br>or within<br>1 year<br>\$'000 |                                     |                            | Adjustment<br>\$'000 | Total<br>\$'000 |
| <b>Company</b>                        |                                    |   |                                     |                            |                      |                 |
| <b>2015</b>                           |                                    |   |                                     |                            |                      |                 |
| Non-interest bearing                  | –                                  | 518   |                                     |                            | –                    | 518             |
| Variable interest rate instruments    | 0.16                               | 1,745   |                                     |                            | (3)                  | 1,742           |
| Fixed interest rate instruments       | 1.08                               | 18,712  |                                     |                            | –                    | 18,712          |
|                                       |                                    | 20,975  |                                     |                            | (3)                  | 20,972          |
| <b>2014</b>                           |                                    |   |                                     |                            |                      |                 |
| Non-interest bearing                  | –                                  | 62  |                                     |                            | –                    | 62              |
| Variable interest rate instruments    | 0.17                               | 1,982   |                                     |                            | (3)                  | 1,979           |
| Fixed interest rate instruments       | 1.01                               | 18,751  |                                     |                            | (1)                  | 18,750          |
|                                       |                                    | 20,795  |                                     |                            | (4)                  | 20,791          |

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2015

## 27 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

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

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

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

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

The Company had no financial assets or liabilities carried at fair value in 2015 and 2014.

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

### (d) 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) other than amounts recognised in equity relating to cash flow hedges, where applicable. The Group's overall strategy remains unchanged from 2014.

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

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2015

## 28 LIST OF SUBSIDIARIES

| Name of subsidiary and<br>country of incorporation/operation       | Principal activities  | Interest and<br>voting power held<br>by the Group |           |
|--|---|---|-----------|
|  |   | 2015<br>%   | 2014<br>% |
| SP Resources International Pte. Ltd.<br>(Singapore) <sup>(a)</sup> | Trading and marketing of industrial products  | 100   | 100       |
| SP Global International Pte. Ltd.<br>(Singapore) <sup>(a)</sup>    | Distribution of consumer products   | 100   | 100       |
| Globaltraco International Pte Ltd<br>(Singapore) <sup>(a)</sup>    | Distribution of tyres   | 100   | 100       |
| SP Performance Pte. Ltd.<br>(Singapore) <sup>(a)</sup>             | Investment holding  | 100   | 100       |
| Performance Retreads Sdn. Bhd.<br>(Malaysia) <sup>(b)</sup>        | Retreading of tyres   | 100   | 100       |
| SP Energy Pte. Ltd. (Singapore) <sup>(a)</sup>                     | Investment holding  | 100   | 100       |
| SP Mining & Engineering Pte. Ltd.<br>(Singapore) <sup>(a)</sup>    | Investment holding  | 100   | 100       |
| PT. SP Mining & Engineering<br>(Indonesia) <sup>(c)</sup>          | Engineering contractor  | 100   | 100       |
| Soil & Foundation (Pte) Limited<br>(Singapore) <sup>(a), #</sup>   | Geotechnical instrumentation and<br>investigation, laboratory testing,<br>environmental services and micro-piling | 100   | 100       |

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

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

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

# The subsidiary is in the process of liquidation.

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

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

# SGX-ST LISTING MANUAL REQUIREMENTS

31 DECEMBER 2015

## INTERESTED PERSON TRANSACTIONS

– Listing Manual Rule 907

Interested person transactions (excluding transactions less than S\$100,000) during the financial year ended 31 December 2015 are set out below.

| Name of interested persons   | Group   |            |  |               |
|--|---|------------|--|---------------|
|  | Aggregate value of all interested person transactions (excluding transactions conducted under shareholders' mandate pursuant to Rule 920) |            | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 |               |
|  | 31-12-2015  | 31-12-2014 | 31-12-2015   | 31-12-2014    |
|  | S\$'000   | S\$'000    | S\$'000  | S\$'000       |
| <u>William Nursalim alias William Liem &amp; Associates</u>                          |   |            |  |               |
| Sales  | –   | –          | 3,565  | 9,749         |
| Purchases  | –   | –          | 25,930   | 30,185        |
| Placement of trade deposit   | –   | –          | 8,435  | 7,939         |
| Interest income from placement of trade deposit                                      | –   | –          | 387  | 351           |
| Advance for coal order placement   | –   | –          | 4,897  | –             |
| <b>Aggregate value of transactions entered into with the same interested persons</b> | –   | –          | 43,214   | 48,224        |
| <u>Nuri Holdings (S) Pte Ltd &amp; Associates</u>                                    |   |            |  |               |
| Sales  | –   | –          | 1,014  | –             |
| Progress billing on order placement  | –   | –          | 4,164  | –             |
| <b>Aggregate value of transactions entered into with the same interested persons</b> | –   | –          | 5,178  | –             |
| <u>Tuan Sing Holdings Limited &amp; Associates</u>                                   |   |            |  |               |
| Management fee expense   | –   | –          | 150  | 150           |
| <b>Total interested persons transactions</b>   | –   | –          | <b>48,542</b>  | <b>48,374</b> |

## MATERIAL CONTRACTS

– Listing Manual Rule 1207(8)

Save as disclosed above, there were no other material contracts entered into by the Company and its subsidiaries involving the interest of the Chief Executive Officer, Director or controlling shareholder, which were either subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

## TREASURY SHARES

– Listing Manual Rule 1207(9)(f)

At no time during the financial year or subsequent to the financial year end, did the Company hold any treasury shares.

## AUDITORS

– Listing Manual Rule 1207(6)

The aggregate amount of fees paid to the auditors, broken down into audit and non-audit services, as well as the Audit and Risk Committee's review and affirmation that all the non-audit services provided by the auditors had not affected the auditors' independence, are presented under Note 22 of the Notes to Financial Statements for the financial year ended 31 December 2015. In addition, a statement in relation to the Company's compliance with Rules 712 and 715 is reflected under Note 28 of the Notes to Financial Statements for the financial year ended 31 December 2015.

# SHAREHOLDING STATISTICS

AS AT 11 FEBRUARY 2016

## SHARE CAPITAL AND VOTING RIGHTS

|  |   |                    |
|--|---|--------------------|
| Issued and fully paid up share capital | : | S\$58,365,721.95   |
| No. of shares issued                   | : | 35,099,132         |
| Class of shares                        | : | Ordinary shares    |
| Voting rights                          | : | One vote per share |

## DISTRIBUTION OF SHAREHOLDINGS

| Size of Shareholdings | No. of Shareholders | %             | No. of Shares     | %             |
|-----------------------|---------------------|---------------|-------------------|---------------|
| 1 – 99                | 120                 | 3.32          | 5,232             | 0.02          |
| 100 – 1,000           | 2,753               | 76.09         | 1,198,541         | 3.41          |
| 1,001 – 10,000        | 684                 | 18.90         | 1,936,717         | 5.52          |
| 10,001 – 1,000,000    | 60                  | 1.66          | 3,812,323         | 10.86         |
| 1,000,001 & above     | 1                   | 0.03          | 28,146,319        | 80.19         |
| <b>Total</b>          | <b>3,618</b>        | <b>100.00</b> | <b>35,099,132</b> | <b>100.00</b> |

## TWENTY LARGEST SHAREHOLDERS

as shown in the Register of Members and Depository Register

| No.          | Name of Shareholders                  | No. of Shares     | %            |
|--------------|---------------------------------------|-------------------|--------------|
| 1            | Tuan Sing Holdings Limited            | 28,146,319        | 80.19        |
| 2            | Hong Leong Finance Nominees Pte Ltd   | 840,000           | 2.39         |
| 3            | United Overseas Bank Nominees Pte Ltd | 771,323           | 2.20         |
| 4            | Tan Xingkuan (Chen Xingkuan)          | 350,110           | 1.00         |
| 5            | Chen Biqing                           | 177,700           | 0.51         |
| 6            | Tan Xing Yu                           | 172,600           | 0.49         |
| 7            | Lim & Tan Securities Pte Ltd          | 151,300           | 0.43         |
| 8            | Low Cheng Lum                         | 110,000           | 0.31         |
| 9            | DBS Nominees Pte Ltd                  | 89,750            | 0.26         |
| 10           | Choy Loke Wai                         | 65,800            | 0.19         |
| 11           | Liow Keng Teck                        | 60,000            | 0.17         |
| 12           | HSBC (Singapore) Nominees Pte Ltd     | 57,250            | 0.16         |
| 13           | OCBC Securities Private Ltd           | 56,282            | 0.16         |
| 14           | Lim Ah Moi @ Lim Geok Hiong           | 47,100            | 0.13         |
| 15           | Kuek Nga Hong                         | 46,400            | 0.13         |
| 16           | Goh Weng Siang                        | 41,500            | 0.12         |
| 17           | Mak Hing Kwai                         | 36,300            | 0.10         |
| 18           | OCBC Nominees Singapore Pte Ltd       | 33,700            | 0.10         |
| 19           | Lim Hock Huat Paul                    | 33,200            | 0.09         |
| 20           | UOB Kay Hian Pte Ltd                  | 30,500            | 0.09         |
| <b>Total</b> |                                       | <b>31,317,134</b> | <b>89.22</b> |

## SUBSTANTIAL SHAREHOLDERS

as shown in the Register of Substantial Shareholders

| Name                       | No. of Shares<br>(Direct Interest) | %     | No. of Shares<br>(Deemed Interest) | %     |
|----------------------------|------------------------------------|-------|------------------------------------|-------|
| Tuan Sing Holdings Limited | 28,146,319                         | 80.19 | –                                  | –     |
| Nuri Holdings (S) Pte Ltd* | –                                  | –     | 28,146,319                         | 80.19 |
| Michelle Liem Mei Fung**   | –                                  | –     | 28,146,319                         | 80.19 |

### Notes:

\* By virtue of its interests in Tuan Sing Holdings Limited

\*\* By virtue of her interests in Nuri Holdings (S) Pte Ltd

## SHAREHOLDINGS HELD IN THE HANDS OF THE PUBLIC

Based on the information available to the Company as at 11 February 2016, approximately 19.81% of the issued ordinary shares of the Company is held by the public and therefore, Rules 723 and 1207(9)(e) of the Listing Manual issued by the Singapore Exchange Securities Trading Limited have accordingly been complied with. The Company confirms that at least 10% of the ordinary shares of the Company is at all times held by the public.



## SP CORPORATION LIMITED

(Company Registration No.: 195200115K)

Registered office: 9 Oxley Rise, #03-02 The Oxley, Singapore 238697

To: The Shareholders of SP Corporation Limited  
("Shareholders")

Dear Sir/Madam

### **Renewal of the Shareholders' Mandate for Interested Person Transactions**

We refer to item 7 of the Notice of the 63<sup>rd</sup> Annual General Meeting ("63<sup>rd</sup> AGM") of the Company, which is an Ordinary Resolution ("Resolution 6") to be proposed at the 63<sup>rd</sup> AGM for the renewal of the Company's shareholders' mandate for interested person transactions. The purpose of this letter is to provide Shareholders with information relating to Resolution 6.

#### **1. Background**

At the 62<sup>nd</sup> Annual General Meeting of the Company held on 27 April 2015 (the "62<sup>nd</sup> AGM"), Shareholders had approved the renewal of a shareholders' mandate for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") to enable the Company, its subsidiaries and associated companies that are considered to be "entities at risk" within the meaning of Chapter 9 of the Listing Manual, or any of them, to enter into certain types of transactions with specified classes of the Company's interested persons, provided that such transactions entered into in the ordinary course of business, are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders (the "Shareholders' Mandate").

#### **2. Renewal of the Shareholders' Mandate**

Under Chapter 9 of the Listing Manual, a general mandate for transactions with interested persons is subject to annual renewal. The Shareholders' Mandate approved at the 62<sup>nd</sup> AGM was expressed to continue in force until the next annual general meeting of the Company, being the 63<sup>rd</sup> AGM, which is to be held on 5 April 2016. Accordingly, it is proposed that the Shareholders' Mandate be renewed at the 63<sup>rd</sup> AGM, to take effect until the conclusion of the next annual general meeting of the Company.

The types of transactions and classes of interested persons in respect of which the Shareholders' Mandate is sought to be renewed remain unchanged. Particulars of the Shareholders' Mandate, including the rationale for, the benefits to be derived by the Company, as well as the review procedures for determining transaction prices with the specified classes of interested persons, are set out in Appendix A of this letter.

General information on the listing rules relating to interested person transactions, including the meanings of terms such as "associate", "controlling shareholder" and "interested person" used in Chapter 9 of the Listing Manual, is set out in Appendix B of this letter.

#### **3. Audit and Risk Committee's Statement**

The Audit and Risk Committee of the Company confirms that:

- (a) the methods or procedures for determining the transaction prices under the Shareholders' Mandate have not changed since the 62<sup>nd</sup> AGM; and
- (b) the methods or procedures referred to in (a) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.



#### 4. Directors' and Substantial Shareholders' Interests

The interests of the Directors and substantial shareholders in the issued shares of the Company can respectively be found in the 'Directors' Statement' and 'Shareholding Statistics' of the Company's Annual Report 2015.

Certain Directors of the Company, namely, Messrs Peter Sung, Boediman Gozali (alias Tony Wu), Chong Chou Yuen and William Nursalim alias William Liem are regarded as being interested in the proposed renewal of the Shareholders' Mandate. Mr William Nursalim alias William Liem is within the classes of interested persons covered by the Shareholders' Mandate. Mr Boediman Gozali (alias Tony Wu) is the uncle of Mr William Nursalim alias William Liem. Mr Peter Sung had declared himself non-Independent in November 2005. Mr Chong Chou Yuen is the Chief Financial Officer of Tuan Sing Holdings Limited (the Company's holding company).

The aforesaid Directors and their respective associates will abstain from voting their respective shareholdings (if any) on Resolution 6 relating to the renewal of the Shareholders' Mandate at the forthcoming 63<sup>rd</sup> AGM.

Tuan Sing Holdings Limited, Nuri Holdings (S) Pte Ltd, and their respective associates, being within the classes of interested persons in relation to the proposed renewal of the Shareholders' Mandate, will abstain from voting their respective shareholdings (if any) on Resolution 6 relating to the renewal of the Shareholders' Mandate at the forthcoming 63<sup>rd</sup> AGM.

#### 5. Recommendation

The Directors who are considered independent for the purposes of the proposed renewal of the Shareholders' Mandate are Messrs Cheng Hong Kok and Tan Lye Huat. They are of the opinion that the entry into of the Interested Person Transactions (as described in paragraph 2 of Appendix A) between the SP Group (as described in paragraph 1 of Appendix A) and the Interested Persons (as described in paragraph 3 of Appendix A) in the ordinary course of business will enhance the efficiency of the SP Group and is in the best interests of the Company. For the reasons set out in paragraphs 1 and 2 of Appendix A, they recommend that Shareholders vote in favour of Resolution 6 for the renewal of the Shareholders' Mandate at the forthcoming 63<sup>rd</sup> AGM.

#### 6. Responsibility Statement

The Directors collectively and individually accept responsibility for the accuracy of the information given in this letter and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this letter are fair and accurate and that there are no material facts the omission of which would make any statement in this letter misleading.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made or opinions expressed in this letter.

Shareholders who are in any doubt as to the action they should take, should consult their stockbrokers or other professional advisers immediately.

Yours faithfully  
SP CORPORATION LIMITED



**Peter Sung**  
Chairman

7 March 2016  
Singapore

## APPENDIX A

### SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

#### 1. Rationale for the Shareholders' Mandate

It is envisaged that in the normal course of their businesses, transactions between SP Corporation Limited (the "Company"), its subsidiaries and associated companies with the Company's interested persons are likely to occur, and may arise from time to time or at any time.

In view of the time-sensitive nature of commercial transactions, the obtaining of a mandate from Shareholders ("Shareholders' Mandate") pursuant to Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited, will enable the Company, its subsidiaries and associated companies which are considered to be "entities at risk" within the meaning of Chapter 9 of the Listing Manual (together, the "SP Group") or any of them, to enter into certain types of transactions as set out in Paragraph 2 below, with the Company's interested persons set out in Paragraph 3 below (the "Interested Persons"), provided that such transactions are entered into in the ordinary course of business of the SP Group, are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

The Shareholders' Mandate will provide the SP Group with added means to underpin its diversification and growth strategy by leveraging on the SP Group's network and its close working relationship with Interested Persons. In particular, it would enable the SP Group to pursue commercial transactions in the ordinary course of business in an expedient manner with Interested Persons, particularly in the areas of trading, marketing, distribution and manufacturing and related specialist services, that would value add and provide new engines of growth for the SP Group.

The Shareholders' Mandate is intended to enhance the SP Group's ability to pursue business opportunities which are time-sensitive in nature, and will eliminate the need for the Company to announce, or to announce and convene separate general meetings on each occasion to seek Shareholders' prior approval for, the entry by the relevant company in the SP Group into such transactions. This will substantially reduce the expenses associated with the convening of general meetings on an ad hoc basis, improve administrative efficacy considerably, and allow manpower resources and time to be channelled towards attaining other corporate objectives.

#### 2. Nature and Scope of Interested Person Transactions

The types of transactions with Interested Persons to be covered by the Shareholders' Mandate relate principally to the provision or obtaining of services and products in the normal course of the SP Group's businesses ("Interested Person Transactions") but not in respect of purchase or sale of assets, undertakings or businesses as provided under Rule 920(1) of the Listing Manual. The Interested Person Transactions are as described below.

##### (a) Construction and Engineering Services Transactions

The Company's principal subsidiaries and associated companies carry out building and construction works as building, engineering and foundation contractors as well as project managers. They also provide specialist engineering services including but not limited to foundation piling, soil and foundation work consultancy, geotechnical works, ground improvement works, pipe jacking and diaphragm wall construction.

Transactions with Interested Persons under this category will consist of the following:

- (i) the tender by companies in the SP Group (whether by way of public tender, invitation or otherwise) and/or the award of contracts by Interested Persons to companies in the SP Group, or, as the case may be, the tender by Interested Persons (whether by way of public tender, invitation or otherwise) and/or the award of contracts by companies in the SP Group to Interested Persons, whether as main contractors or as sub-contractors, for construction and engineering services including turnkey projects for residential, commercial, industrial and engineering works or infrastructural development (including build, operate and transfer ("BOT")) or other projects;

## APPENDIX A

- (ii) the provision by companies in the SP Group to, or receipt from Interested Persons of, project management, consultancy, engineering services, geotechnical soil investigation and/or instrumentation services for residential, industrial, commercial, infrastructural or other building, construction, engineering works and/or development projects undertaken by the Interested Persons or (as the case may be) companies in the SP Group; and
- (iii) the provision by the companies in the SP Group to, or receipt from Interested Persons of, industrial, commercial, infrastructural or other building, construction, engineering works and/or development projects undertaken by Interested Persons or (as the case may be) companies in the SP Group including but not limited to treated water supply and water treatment services, power and natural resources mining services.

As construction and engineering services constitute one of the core businesses of the SP Group, the inclusion of the above category of transactions in the Shareholders' Mandate will facilitate such transactions by the SP Group with Interested Persons that arise in the normal course of operations of the SP Group in a more expeditious manner.

### **(b) Construction and Engineering Materials and Equipment Transactions**

Related to its activities in building, construction and engineering services, the SP Group may also engage in sourcing, purchasing, supplying and trading in building, construction and engineering materials including but not limited to concrete and granite aggregates, steel bars, steel sheet piles, timber products, wall and floor tiles, and construction equipment.

Transactions that may be carried out with Interested Persons under this category consist of the following:

- (i) the design, installation, supply and provision of equipment and machinery and/or building, construction and engineering materials including but not limited to paint, electric motors and generators by companies in the SP Group to Interested Persons or vice versa; and
- (ii) the purchase or sale, and/or rental of equipment and machinery and/or building, construction and engineering materials including but not limited to paint, electric motors and generators by companies in the SP Group from, or to Interested Persons for on-sale or for use in the construction and/or engineering services activities of the SP Group or, as the case may be, the Interested Persons.

These transactions relate to the supply of materials and equipment used in the building, construction and engineering industry. The inclusion of this category of transactions in the Shareholders' Mandate will allow the SP Group to transact with Interested Persons in an expeditious manner to meet business needs for the supply and/or provision of materials and equipment.

### **(c) Trading and Marketing Transactions**

The SP Group is engaged in the trading and marketing of various products relating to the automotive, tyre and rubber, chemical, petrochemical, mining, aquaculture, power, electronics and agriculture industries.

Transactions coming within this category consist of the following:

- (i) the marketing, sale by or purchase of, fish meal, shrimp feed and their related feedstock materials, shrimps and other products in the aquaculture industry;
- (ii) the marketing, sale by or purchase of, the provision or receipt of, technical, operation, maintenance and engineering services for machinery, equipment and spare parts related to tyre and rubber, power, petrochemical, chemical, aquaculture, agriculture, mining and other industries referred to in sub-paragraphs (c)(i) above and (c)(iii) to (ix) below;

## APPENDIX A

- (iii) the marketing, sale by or purchase of, palm oil and related products, fertilizers and other natural produce items in the agriculture industry;
- (iv) the marketing, sale by or purchase of, natural resources including but not limited to coal, metals like iron, aluminium, zinc, gold and copper and their alloys for various industries such as the power and cement industries, automotive manufacturing industries, chemicals, tyre and rubber industries;
- (v) the marketing, sale by or purchase of, printed circuit boards, electrical and electronics parts and electrical cables and motors and other products related to the electronics and electrical industries;
- (vi) the marketing, sale by or purchase of, paint, basic and intermediate petrochemicals including but not limited to ethylene, monoethylene glycol, polyester, synthetic rubber, nylon fibres and others related to the petrochemical industries;
- (vii) the distribution, marketing, sale and purchase of rubber and tyre related stocks and related products (including raw materials and auxiliary products);
- (viii) the sale, purchase, rental and/or leasing of rubber, tyre and tyre related retreading machinery and equipment or components and parts in respect thereof; and
- (ix) the provision and/or receipt of commissions, rebates and other trade-related or marketing incentives to or by counter-parties including but not limited to dealers, distributors and principals.

The entry into and/or renewal of distribution, commission, agency or other marketing or representation agreements with Interested Persons, and the purchase, sale, import and export of products set out above, will come within the ambit of this category of transactions.

### **(d) Distribution Transactions**

The SP Group is engaged in the distribution of various consumer, automotive and related products.

Transactions coming within this category consist of the following:

- (i) distribution of consumer products including but not limited to hygiene, paper and food products; and
- (ii) distribution of tyres and automotive related products including but not limited to alloy wheels, rubber belts, batteries, electrical and pneumatic sensors.

The entry into and/or renewal of distribution, commission, agency or other marketing or representation agreements with Interested Persons, and the purchase, sale, import and export of products set out above, will come within the ambit of this category of transactions.

### **(e) Manufacturing Transactions**

Transactions coming within this category consist of the following:

- (i) the provision by the companies in the SP Group to, or the receipt from, Interested Persons of, tyre retreading services and logistic services related to the rubber, tyre and automotive industries; and
- (ii) the provision by the companies in the SP Group to, or the receipt from, Interested Persons of, design, technical expertise, operation, maintenance, manufacturing and purchase or sales of tyre machinery and equipment and related parts and products.

## APPENDIX A

### (f) *Business, Management and Technical Services Transactions*

It is expected that with further diversification of the activities of the SP Group, overhead costs and administrative costs may increase with the establishment of more business units. As such, the centralisation of management and support services staff within Tuan Sing Holdings Limited ("TSH"), its subsidiaries and associated companies (together with TSH, collectively, the "TSH Group") and between the SP Group and the Interested Persons will enable business services costs to be shared, avoid duplication of efforts and enhance communication within the TSH Group, the SP Group and the Interested Persons. The latter results in savings for all operating companies within the TSH Group, the SP Group and the Interested Persons through shared resources and economies of scale, and ensures that the services provided are of a uniform approach and consistent standard throughout the operating subsidiaries.

Further, it is expected that TSH (the holding company of the Company) and other Interested Persons may provide certain corporate functions and support to the SP Group in areas including but not limited to finance, treasury, investment risk review and management; corporate planning and business development; management information systems; human resource management and development; information technology management and development; legal and corporate secretarial affairs; and internal audit.

Additionally, as part of the TSH Group, the Company can benefit in treasury transactions from competitive rates or quotes from TSH and third party financial institutions in an expedient manner. By transacting directly with TSH, the Company may obtain better yields through the elimination of margins which third party intermediaries might ordinarily be expected to earn.

The SP Group may also lease premises to or from, Interested Persons for meeting various business needs.

Transactions covered by this category consist of the following:

- (i) the provision by the companies in the SP Group to, or the receipt from, Interested Persons of, corporate, administrative and support services including but not limited to the areas of internal audit, corporate planning and development, treasury and fund management services and staff secondments;
- (ii) the borrowing of funds from Interested Persons or *vice versa* on a short-term and medium-term basis; the placement of funds with the TSH Group on a short-term and medium-term basis; and the entry into with Interested Persons of foreign exchange, swap, and option transactions for hedging purposes (collectively, "Treasury Transactions");
- (iii) the leasing or letting of office, warehouse and other business premises to or from the TSH Group and/or other Interested Persons; and
- (iv) the provision by the companies in the SP Group to, or the receipt from, Interested Persons of, subcontracting and outsourcing services, supply chain management services (including but not limited to packaging, transport and logistic services), sharing of logistic facility management including but not limited to rental and subletting of premises.

These transactions relate to the supply of corporate, support and administrative services, subcontracting and outsourcing services, supply chain services and premises by the TSH Group and other Interested Persons to companies in the SP Group. The inclusion of this category of transactions in the Shareholders' Mandate will allow the SP Group to transact with the TSH Group and other Interested Persons in an expeditious manner to meet its business needs and requirements.

## APPENDIX A

### 3. Classes of Interested Persons with which the SP Group is transacting

The Shareholders' Mandate will apply to the following classes of Interested Persons:

- (a) TSH;
- (b) Nuri Holdings (S) Pte Ltd;
- (c) Mr William Nursalim alias William Liem; and
- (d) any company which, at the time at which the transaction is entered into, is an associate of the Interested Persons named in (a) to (c) above.

### 4. Review Procedures for Interested Person Transactions

Pursuant to the Shareholders' Mandate, the Company has formed a special review committee (the "Review Committee") to ensure that transactions with Interested Persons are undertaken on the SP Group's normal commercial terms under the Shareholders' Mandate. The Review Committee comprise senior executives of the Company namely, the Managing Director, up to two executive Directors, the head of the relevant business units and the Financial Controller/Chief Financial Officer, who have been tasked by the Board of Directors of the Company (based on the recommendation of the Audit and Risk Committee of the Company (the "Audit and Risk Committee") from time to time) with the review and approval of such transactions.

To ensure that the Interested Person Transactions arising from the normal course of business of the SP Group are undertaken at arm's length and on the SP Group's normal commercial terms, and will not be prejudicial to the interests of the Company and its minority Shareholders, the SP Group has implemented the following guidelines for the review and approval of Interested Person Transactions under the proposed renewal of the Shareholders' Mandate:

- (a) A transaction equal to or exceeding S\$100,000 in value but below S\$3 million (the "Financial Threshold"), will be reviewed and approved by any two members of the Review Committee, who shall ensure that the Interested Person Transactions are made on arm's length basis and on terms and conditions no more favourable than those which would be granted to an unrelated third party in similar circumstances, and which are on the SP Group's normal commercial terms or otherwise in accordance (where applicable) with industry norms and that they are not prejudicial to the interests of the Company and its minority Shareholders.
- (b) A transaction equal to or exceeding the Financial Threshold will be reviewed and approved by any two members of the Audit and Risk Committee, who shall ensure that the Interested Person Transactions are made on arm's length basis and on terms and conditions no more favourable than those which would be granted to an unrelated third party in similar circumstances, and which are on the SP Group's normal commercial terms or otherwise in accordance (where applicable) with industry norms and that they are not prejudicial to the interests of the Company and its minority Shareholders.
- (c) Any member of the Review Committee and the members of the Audit and Risk Committee may, as he/they deem fit, request for additional information pertaining to the transaction under review from independent sources or advisers, including the obtaining of valuations from independent professional valuers.
- (d) If a member of the Review Committee or the Audit and Risk Committee has an interest in a transaction, he shall abstain from participating in the review and approval process in relation to that transaction. If more than three members of the Review Committee are interested in the transaction, the review and approval process shall be undertaken by the Chairman of the Audit and Risk Committee or another member of the Audit and Risk Committee (who has no interest in the transaction) designated by the Chairman of the Audit and Risk Committee for such purpose.

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## APPENDIX A

The Audit and Risk Committee will also:

- (i) carry out periodic reviews (on a quarterly basis) to ascertain that the established guidelines and procedures for Interested Person Transactions have been complied with; and
  - (ii) consider from time to time whether the established guidelines and procedures for transactions with Interested Persons have become inappropriate or are unable to ensure that the transactions will be carried out on normal commercial terms, and are not prejudicial to the interests of the Company and its minority Shareholders.
- (e) For the purpose of the above review procedures, where goods and/or services (other than Treasury Transactions) are to be purchased or obtained by the SP Group from Interested Persons, quotations will be obtained (wherever possible or available) from at least two other unrelated third party suppliers for similar quantities and/or quality of the materials, equipment, machinery or services concerned as a basis for comparison to determine whether the price and terms offered by the Interested Person are fair and reasonable. Where it is impractical or not possible for such quotes to be obtained, the Review Committee or the Audit and Risk Committee will ensure that the terms of supply are fair and reasonable, in accordance with industry norms and in line with business practices of the relevant industry taking into consideration, factors such as but not limited to pricing, payment terms, credit worthiness, the strategic purpose for the transaction and market conditions.

In relation to Treasury Transactions, the following guidelines shall apply:

Borrowings. The SP Group will only borrow funds from an Interested Person if the interest rate quoted by the Interested Person is not more than the lowest rate quoted by the SP Group's principal bankers for loans of an equivalent amount and tenure. Quotations of rates will be procured from at least two of the SP Group's principal bankers each time that funds are proposed to be borrowed from an Interested Person.

Placements. The SP Group will only place funds with the TSH Group if the interest rate quoted by the TSH Group is not less than the highest of the rates quoted by the SP Group's principal bankers for deposits of an equivalent amount and tenure. Quotations of rates will be procured from at least two of the SP Group's principal bankers each time that funds are proposed to be placed with the TSH Group.

Forex, swaps and options. The SP Group will only enter into forex, swap and option transactions with an Interested Person if the rates quoted by the Interested Person are no less favourable to the SP Group than those quoted by the SP Group's principal bankers. Quotations of rates will be procured from at least two of the SP Group's principal bankers each time that a forex, swap or option transaction is proposed to be entered into with an Interested Person.

In addition, the Company will monitor the Treasury Transactions entered into with Interested Persons as follows:

- (i) Where the aggregate value of funds placed with the TSH Group shall at any time exceed the consolidated shareholders' funds of the Company (based on its latest audited accounts), each subsequent placement of funds with the TSH Group shall require the prior approval of the Audit and Risk Committee.
- (ii) Where the aggregate principal amount of all forex, swap and option transactions entered into with the same Interested Person (as such term is construed under Chapter 9 of the Listing Manual) exceeds at any one time the equivalent of the consolidated shareholders' funds of the Company (based on its latest audited accounts), each subsequent forex, swap or option transaction to be entered into with the same Interested Person shall require the prior approval of the Audit and Risk Committee.



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## APPENDIX A

### **5. Interested Person Transactions Register**

The Company maintains a register of transactions carried out with Interested Persons pursuant to the Shareholders' Mandate (recording the basis on which they are entered into). Further, the Company's annual internal audit plan will incorporate a review of transactions entered into in the relevant financial year pursuant to the Shareholders' Mandate.

### **6. Excluded Transactions**

The Shareholders' Mandate will not cover any transaction by a company in the SP Group with an Interested Person that is below S\$100,000 in value as the threshold and aggregation requirements of Chapter 9 of the Listing Manual would not apply to such transactions.

Transactions with interested persons (including the Interested Persons) which do not fall within the ambit of the Shareholders' Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual, or other applicable provisions of the Listing Manual and/or the Companies Act (Cap. 50), if any.

### **7. Validity Period of the Shareholders' Mandate**

The Shareholders' Mandate will take effect from the passing of the resolution relating thereto, and will (unless revoked or varied by the Company in general meeting) continue in force until the conclusion of the next annual general meeting of the Company. Approval from Shareholders will be sought for the renewal of the Shareholders' Mandate at the next annual general meeting and at each subsequent annual general meeting of the Company, subject to satisfactory review by the Audit and Risk Committee of its continued application to the transactions with Interested Persons.

### **8. Disclosure in Annual Report**

Disclosure will be made in the Company's annual report of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year and in the annual reports for subsequent financial years that the Shareholders' Mandate continues in force in accordance with the requirements of Chapter 9 of the Listing Manual.

## APPENDIX B

### GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE LISTING MANUAL

1. Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") deals with transactions in which a listed company or any of its subsidiaries or associated companies (that are not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s) (as defined in Chapter 9), has control over the associated company) proposes to enter with a party who is an interested person of the listed company.
2. Transactions with interested persons which do not come within the ambit of a general mandate for interested person transactions approved by shareholders of the listed company pursuant to Chapter 9 of the Listing Manual (including any renewal thereof) will be subject to applicable provisions of Chapter 9 and/or other applicable provisions of the Listing Manual. As such, an immediate announcement and/or shareholders' approval would be required in respect of transactions with interested persons if certain financial thresholds as set out in Chapter 9 of the Listing Manual are reached or exceeded. In particular, an immediate announcement is required where:
  - 2.1 the value of a proposed transaction is equal to or exceeds 3% of the group's latest audited net tangible assets ("NTA"); or
  - 2.2 the aggregate value of all transactions entered into with the same interested person during the same financial year, is equal to or more than 3% of the group's latest audited NTA. An announcement will have to be made immediately of the latest transaction and all future transactions entered into with that same interested person during the same financial year,and shareholders' approval (in addition to an immediate announcement) is required where:
  - 2.3 the value of a proposed transaction is equal to or exceeds 5% of the group's latest audited NTA; or
  - 2.4 the aggregate value of all transactions entered into with the same interested person during the same financial year, is equal to or more than 5% of the group's latest audited NTA. The aggregation will exclude any transaction that has been approved by shareholders previously, or is the subject of aggregation with another transaction that has been approved by shareholders.
3. For the purposes of aggregation, interested person transactions below S\$100,000 each are excluded.
4. For illustration purposes, based on the audited accounts of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2015, the latest audited NTA of the Group is S\$50.4 million. Accordingly, in relation to the Company, for the purposes of Chapter 9 in the current financial year, shareholders' approval would be required where:
  - (a) the transaction is of a value equal to, or more than, S\$2.5 million, being 5% of the Group's latest audited NTA; or
  - (b) the transaction, when aggregated with other transactions entered into with the same interested person during the same financial year, is of a value equal to, or more than, S\$2.5 million. The aggregation will exclude any transaction that has been approved by shareholders previously, or is the subject of aggregation with another transaction that has been approved by shareholders.
5. Chapter 9 of the Listing Manual allows for a listed company to seek a mandate from its shareholders for recurrent transactions with interested persons of a revenue or trading nature necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses.

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## APPENDIX B

6. For the purposes of Chapter 9 of the Listing Manual:

- 6.1 an “interested person” means a director, chief executive officer or controlling shareholder of the issuer, or an associate of any such director, chief executive officer or controlling shareholder;
- 6.2 a “controlling shareholder” is a person who holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in the company (unless otherwise excepted by SGX-ST) or in fact exercises control over a company; and
- 6.3 an “associate” in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means his immediate family (i.e. spouse, children, adopted children, step-children, siblings and parents), the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more. An “associate” in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 63<sup>rd</sup> Annual General Meeting of SP Corporation Limited (the "Company") will be held at MND Function Room, Annexe A, 9 Maxwell Road, MND Complex, Singapore 069112 on Tuesday, 5 April 2016 at 11.30 a.m. to transact the following business:

### AS ORDINARY BUSINESS:

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2015 together with the Directors' Statement and the Report of the Auditors thereon. **(Resolution 1)**
2. To approve the payment of Directors' fees of S\$175,052 for the financial year ended 31 December 2015 (2014: S\$169,072). **(Resolution 2)**
3. To re-elect the following Directors who will retire by rotation pursuant to Article 99(2) of the Company's Articles of Association and who, being eligible, offer themselves for re-election:
  - (a) Mr William Nursalim alias William Liem **(Resolution 3a)**
  - (b) Mr Tan Lye Huat **(Resolution 3b)**
4. To re-appoint Deloitte & Touche LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 4)**
5. To transact any other ordinary business that may properly be transacted at an Annual General Meeting.

### AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:

#### 6. **Authority to allot and issue shares up to ten per centum (10%) of the issued shares**

"That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors be empowered to allot and issue shares in the capital of the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be allotted and issued pursuant to this Resolution shall not exceed ten per centum (10%) of the issued shares in the capital of the Company at the time of the passing of this Resolution and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier." **(Resolution 5)**

#### 7. **Renewal of the Shareholders' Mandate for Interested Person Transactions**

"That:-

- a. approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual ("Chapter 9") of the Singapore Exchange Securities Trading Limited, for the Company, its subsidiaries and associated companies that are considered to be "entities at risk" under Chapter 9, or any of them, to enter into any of the transactions falling within the types of Interested Person Transactions described in Appendix A of the Company's letter to shareholders dated 7 March 2016 (the "Letter"), with any party who is of the Classes of Interested Persons described in Appendix A of the Letter, provided that such transactions are carried out in the ordinary course of business and on normal commercial terms, will not be prejudicial to the interests of the Company and its minority shareholders and are in accordance with the guidelines and review procedures for Interested Person Transactions as set out in the Letter (the "Shareholders' Mandate");
- b. such Shareholders' Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and

## NOTICE OF ANNUAL GENERAL MEETING

- c. the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the Shareholders' Mandate and/or this Resolution." **(Resolution 6)**

By Order of the Board



Lee Pih Peng  
Company Secretary

7 March 2016  
Singapore

**Notes:**

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote on his behalf, save that no limit shall be imposed on the number of proxies for nominee companies. A proxy need not be a member of the Company.
2. An instrument appointing a proxy must be deposited at the registered office of the Company at 9 Oxley Rise, #03-02 The Oxley, Singapore 238697 not less than 48 hours before the time for holding the Annual General Meeting or any adjournment thereof.

### Additional Information Relating to the Notice of the 63<sup>rd</sup> Annual General Meeting

**Resolution 3(a)** – Mr William Nursalim alias William Liem, upon re-election as a Director of the Company, will remain as a member of the Nominating Committee. He is considered a Non-Executive and Non-Independent Director.

**Resolution 3(b)** – Mr Tan Lye Huat, upon re-election as a Director of the Company, will remain as the Chairman of Remuneration Committee and a member of the Audit and Risk Committee and Nominating Committee. He is considered a Non-Executive and Independent Director.

Detailed information on Mr William Nursalim alias William Liem and Mr Tan Lye Huat can be found under the "Directors' Profile" section in the Company's Annual Report 2015.

**Resolution 5** – is to empower the Directors to issue shares in the capital of the Company up to an amount not exceeding in aggregate 10% of the issued shares in the capital of the Company. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares will be calculated based on the issued shares in the capital of the Company at the time that this resolution is passed after adjusting for any subsequent consolidation or subdivision of shares.

**Resolution 6** – is to renew effectively up to the conclusion of the next Annual General Meeting of the Company (unless earlier revoked or varied by the Company in general meeting) the Shareholders' Mandate to enable the Company, its subsidiaries and associated companies that are considered "entities at risk" to enter, in the ordinary course of business, into the types of mandated transactions with specified classes of the Company's interested persons. The Shareholders' Mandate which was previously renewed by shareholders at the 62<sup>nd</sup> Annual General Meeting of the Company on 27 April 2015, will be expiring at the forthcoming 63<sup>rd</sup> Annual General Meeting. Particulars of the Shareholders' Mandate and the Audit and Risk Committee's confirmation (pursuant to Rule 920(1) of the Listing Manual of the Singapore Exchange Securities Trading Limited) in respect of the proposed renewal of the Shareholders' Mandate, are contained in the Company's letter to shareholders dated 7 March 2016.

**SP CORPORATION LIMITED**

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 195200115K)

**PROXY FORM****Annual General Meeting****IMPORTANT**

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than 2 proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF monies to buy shares in SP Corporation Limited, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their CPF Approved Nominees if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notes to this Proxy Form.

I/We \_\_\_\_\_ (Name), NRIC/Passport No. \_\_\_\_\_

of \_\_\_\_\_ (Address)

being a member(s) of **SP CORPORATION LIMITED** (the "Company") hereby appoint:

| Name    | NRIC/Passport No. | Proportion of Shareholdings (%) |
|---------|-------------------|---------------------------------|
| Address |                   |                                 |

and/or (delete as appropriate)

| Name    | NRIC/Passport No. | Proportion of Shareholdings (%) |
|---------|-------------------|---------------------------------|
| Address |                   |                                 |

or failing whom the Chairman of the Annual General Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at MND Function Room, Annexe A, 9 Maxwell Road, MND Complex, Singapore 069112 on Tuesday, 5 April 2016 at 11.30 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Annual General Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Annual General Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her/their discretion.

| No.                      | Ordinary Resolutions   | Number of votes For* | Number of votes Against* |
|--------------------------|--|----------------------|--------------------------|
| <b>Ordinary Business</b> |  |                      |                          |
| 1.                       | To adopt the Audited Financial Statements, Directors' Statement and the Report of the Auditors |                      |                          |
| 2.                       | To approve Directors' fees   |                      |                          |
| 3.                       | (a) To re-elect Mr William Nursalim alias William Liem as Director                             |                      |                          |
|                          | (b) To re-elect Mr Tan Lye Huat as Director  |                      |                          |
| 4.                       | To re-appoint Auditors and authorise the Directors to fix their remuneration                   |                      |                          |
| <b>Special Business</b>  |  |                      |                          |
| 5.                       | To authorise the Directors to allot and issue shares   |                      |                          |
| 6.                       | To approve the renewal of the Shareholders' Mandate for Interested Person Transactions         |                      |                          |

\* **Note:** If you wish to exercise all your votes "For" or "Against" the above resolution, please tick "✓" within the box provided. Otherwise, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2016

Total Number of Shares held (see Note 1)

Signature(s) of Member(s)/Common Seal

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

#### Notes to Proxy Form

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
2. (a) A member (otherwise than a relevant intermediary) is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.  
(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).  
"Relevant intermediary" means:
  - (i) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
  - (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
  - (iii) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 9 Oxley Rise, #03-02 The Oxley, Singapore 238697 not less than 48 hours before the time appointed for holding the meeting.
5. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointer or by his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorized officer.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointer by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. The Company shall be entitled to reject an instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointor specified in the instrument (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

#### Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representatives to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

1<sup>st</sup> fold here

Please  
Affix  
Postage  
Stamp

**The Company Secretary  
SP CORPORATION LIMITED  
9 Oxley Rise  
#03-02 The Oxley  
Singapore 238697**

2<sup>nd</sup> fold here









# CORPORATE DIRECTORY

## BOARD OF DIRECTORS

Peter Sung (*Chairman*)  
Boediman Gozali (alias Tony Wu)  
Cheng Hong Kok  
Chong Chou Yuen  
William Nursalim alias William Liem  
Tan Lye Huat

## REGISTERED OFFICE

9 Oxley Rise  
#03-02 The Oxley  
Singapore 238697  
Tel: (65) 6223 7211  
Fax: (65) 6224 1085 (General)  
Fax: (65) 6733 3835 (Corporate Affairs)

## HEAD/CORPORATE OFFICE

6 Shenton Way  
OUE Downtown 1 #41-03  
Singapore 068809  
Tel: (65) 6645 3260  
Fax: (65) 6645 3261  
Website: [www.spcorp.com.sg](http://www.spcorp.com.sg)  
Email: [enquiry@spcorp.com.sg](mailto:enquiry@spcorp.com.sg)

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

Lee Hui Gek  
*Chief Financial Officer*

Lee Pih Peng  
*Company Secretary*

## SHARE REGISTRAR

B.A.C.S. Private Limited  
8 Robinson Road  
#03-00 ASO Building  
Singapore 048544  
Tel: (65) 6593 4848  
Fax: (65) 6593 4847

## EXTERNAL AUDITORS

Deloitte & Touche LLP  
Partner-in-charge: Yang Chi Chih  
(Appointed since financial year  
31 December 2013)  
6 Shenton Way  
OUE Downtown 2 #33-00  
Singapore 068809  
Tel: (65) 6224 8288  
Fax: (65) 6538 6166

## INTERNAL AUDITORS

PricewaterhouseCoopers Management  
Consultants Pte Ltd  
Partner-in-charge: Ng Siew Quan  
8 Cross Street  
#17-00 PWC Building  
Singapore 048424  
Tel: (65) 6236 3388  
Fax: (65) 6236 3300

## COMMODITIES TRADING UNIT

SP Resources International Pte. Ltd.  
SP Global International Pte. Ltd.  
6 Shenton Way  
OUE Downtown 1 #41-03  
Singapore 068809  
Tel: (65) 6645 3260  
Fax: (65) 6645 3261

## TYRE DISTRIBUTION UNIT

Globaltraco International Pte Ltd  
SP Performance Pte. Ltd.  
2 Woodlands Sector 1  
#01-09  
Singapore 738068  
Tel: (65) 6265 3088  
Fax: (65) 6262 2133  
Website: [www.gtradial.com.sg](http://www.gtradial.com.sg)

## Globaltraco International Pte Ltd – Vietnam Representative Office

Kim Xuan Gia Building  
Floor 03, Suite D  
43-45 Ho Tung Mau Street  
Ben Nghe Ward, District 1  
Ho Chi Minh City  
Vietnam  
Tel: (84 8) 3822 8369  
Fax: (84 8) 3823 1141

## Performance Retreads Sdn. Bhd.

53 Jalan Cemerlang  
Taman Perindustrian Cemerlang  
Batu 10½, Jalan Kota Tinggi  
81800 Ulu Tiram, Johor Darul Takzim  
Malaysia  
Tel: (60 7) 861 7671  
Fax: (60 7) 861 7672

## OTHERS

SP Energy Pte. Ltd.  
Soil & Foundation (Pte) Limited  
SP Mining & Engineering Pte. Ltd.  
6 Shenton Way  
OUE Downtown 1 #41-03  
Singapore 068809  
Tel: (65) 6645 3260  
Fax: (65) 6645 3261

PT. SP Mining & Engineering  
5<sup>th</sup> Floor Wisma Sudirman Suite 01  
Jl. Jend. Sudirman Kav 34  
Jakarta 10220  
Indonesia

## GENERAL INFORMATION

### DISCLAIMER

Readers should note that legislation in Singapore governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. This Annual Report is provided for information purposes only and does not constitute an invitation to invest in the Company's shares. Except where you are a shareholder, this report is not, in particular, intended to confer any legal rights on you. Any decision you make by relying on this information is solely your responsibility. The historical information given is as of the dates specified, is not updated and any forward-looking statement is made subject to the reservation specified in the following paragraphs.

### CAUTIONARY NOTES

This Annual Report may contain forward-looking statements. Words such as 'expects', 'anticipates', 'intends' or the negative use of these terms and other similar expressions of future performance or results and their negatives are intended to identify such forward-looking statements. Forward-looking statements are based upon current expectations and assumptions regarding anticipated developments and other factors affecting the Group. They are not historical facts, nor are they guarantees of future performance or events.

Forward-looking statements involve assumptions, risks and uncertainties. Actual future performance or results may differ materially from those expressed or implied in forward-looking statements as a result of various important factors. These factors include but not limited to, economic, political and social conditions in the geographic markets where the Group operates, interest rate and foreign currency exchange rate movements, cost of capital and availability of capital, competition from other companies and venues for sale/manufacture/distribution of goods and services, shift in demands, customers and partners, and changes in operating costs. Unpredictable or unknown factors not documented in this report could also have material adverse effects on forward-looking statements.

Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date of this report. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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