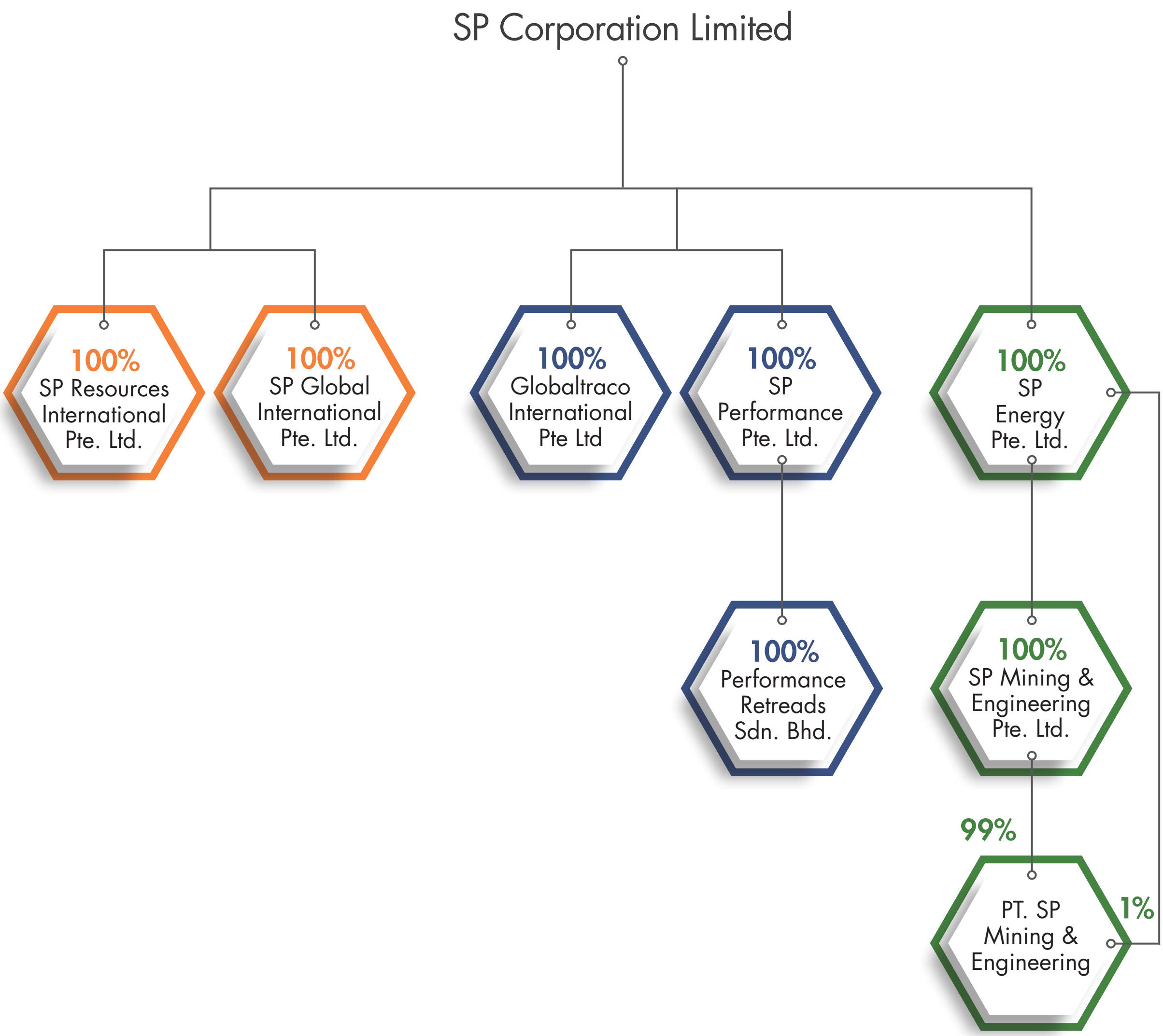
SP CORPORATION LIMITED

ANNUAL REPORT **2016**

GROUP STRUCTURE
AS AT 25 JANUARY 2017



Commodities Trading Unit

Tyre Distribution Unit

Others

Financial data in this Annual Report are stated in Singapore dollars unless otherwise indicated.

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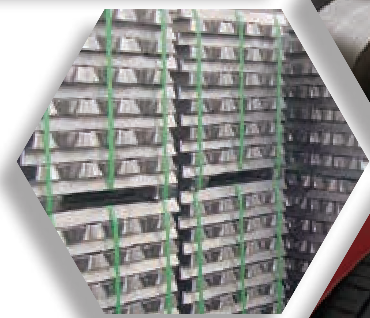
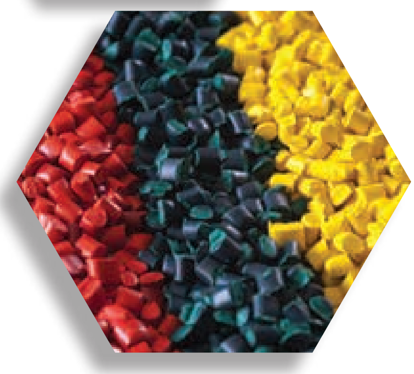




CHAIRMAN'S STATEMENT

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 2016 ("**FY2016**").

The Group's revenue of $125.6 million was 5% above that in FY2015 mainly due to higher contribution from commodities trading, offset by lower export tyre sales. Notwithstanding the loss suffered by the tyre distribution business, profit after tax increased by 23% to $1.8 million versus $1.5 million in FY2015.

The global growth prospects remain weak amid the ongoing political and economic uncertainties and concerns about the effectiveness of monetary policy in spurring stronger growth. The profitability of the commodities trading and tyre distribution businesses will continue to be impacted by the volatility of commodity prices and the prevailing intense competition.

The Group will continue to focus on cost management and productivity improvement to sustain its existing businesses in the coming year. The Group will also explore investment opportunities to achieve the long-term goal of enhancing our shareholders' value.

To our fellow directors, management and staff, I would like to express my heartfelt appreciation for your dedication and commitment. To our esteemed customers, suppliers and business partners, I wish to thank you for your confidence and continued 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 would like to register our deepest gratitude to you, our shareholders, for your unwavering support year after year. We strive to enhance shareholder value in the years ahead.

PETER SUNG
Chairman

25 January 2017

CEO'S OPERATIONS REVIEW

For the financial year ended 31 December 2016 ("**FY2016**"), the Group reported higher revenue of $125.6 million as compared to $119.7 million in FY2015, mainly due to higher commodities trading activities, while the tyre distribution business continued to be affected by intense competition. The Group's profit after tax rose from $1.5 million in FY2015 to $1.8 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 posted an increase in revenue of $109.3 million in FY2016, as compared to $99.8 million in FY2015 primarily attributable to higher trading revenue from coal and sale of machinery; while trading revenue from rubber, metals and consumer products were lower. The Unit managed to increase its trading volumes for coal and rubber during this period when commodity prices were generally on the decline except for coal price.

In the coming year, the volatility of commodity prices is expected to persist on the back of events such as the meeting of OPEC ministers scheduled for 25 May 2017, several key European elections, headlines about U.S. President Donald Trump's policy priorities and cabinet choices, and wider macroeconomic developments in both emerging and developed economies.

The Commodities 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, the Philippines and Thailand. It commenced distribution of Giti brand commercial tyres from China during the financial year. 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, 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 recorded revenue of $16.3 million in FY2016, as compared to $19.9 million in FY2015. The weaker sales performance this year was largely due to strong competition in the key tyre distribution markets in ASEAN region. The Unit posted a net loss of $0.7 million arising from lower revenue, partially offset by lower operating overheads and expenses.

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. It will keep on improving its service commitments and deliverables and remain resilient towards price competition.

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

BOEDIMAN GOZALI (ALIAS TONY WU)
Managing Director and Chief Executive Officer

25 January 2017

DIRECTORS' PROFILE

PETER SUNG
CHAIRMAN
NON-INDEPENDENT &
NON-EXECUTIVE DIRECTOR

- Bachelor of Arts degree with a First Class Honours in Economics, University of Singapore

Date of appointment as Director: 28 January 2002
Date of last re-election as Director: 27 April 2015
Proposed for re-election at the AGM on 6 April 2017

Board committee
Remuneration Committee (Member)

Present directorship in other listed companies
Nil

Present principal commitments (other than directorships in other listed companies)
- Calbert Pte. Ltd. (Chairman)
- Nuri Holdings (S) Pte Ltd (Senior Advisor)

Past directorship in other listed companies held over the preceding three years
Nil

Background and working experience
- School teacher.
- Worked with Shell, Sime Darby and the Pilecon groups of companies in Singapore and Malaysia in the corporate planning, marketing, sales and personnel functions.
- Singapore's ambassador to the Philippines.
- Minister of State in Singapore with attachments to the Ministries of Foreign Affairs, Home Affairs and National Development.
- Member of the Singapore Parliament.

Relationship with other Directors, the Company or its 10% shareholders
Mr Sung is the senior advisor to Nuri Holdings (S) Pte Ltd, the deemed substantial shareholder of the Company.

BOEDIMAN GOZALI (ALIAS TONY WU)
MANAGING DIRECTOR ("MD") AND
CHIEF EXECUTIVE OFFICER ("CEO")
NON-INDEPENDENT &
EXECUTIVE DIRECTOR

- Diploma in Marketing, Institute of Marketing, United Kingdom

Date of appointment as Director: 1 August 2010
Date of appointment as MD and CEO: 1 August 2010
Date of last re-election as Director: 27 April 2015

Board committee
Nil

Present directorship in other listed companies
Nil

Present principal commitments (other than directorships in other listed companies)
- Bestway Holdings Pte Ltd (Chairman)
- Bestway Properties Pte Ltd (Chairman)
- Bestway Investment Asia Pte. Ltd. (Chairman)
- Sanya Summer Mall Department Store Co. Ltd (Chairman)
- Sanya Summer Commercial Co. Ltd. (Chairman)
- Danzhou Summer Property Developments Co. Ltd. (Chairman)

Past directorship in other listed companies held over the preceding three years
Nil

Background and working experience
- Chairman and Managing Director of several companies in Bestway Group in Singapore from 1993 to August 2010.
- President Director and Commissioner of PT. Indonesia Prima Property Tbk, a company listed on the Stock Exchange in Indonesia, from 2004 to 2010.
- Senior economist of The Economist Intelligence Unit (SEA) Ltd in the United Kingdom and Singapore in the 1970s.

Relationship with other Directors, the Company or its 10% shareholders
Mr Wu is the maternal uncle of Mr William Nursalim alias William Liem, a Non-Executive Director of the Company. He is also the maternal uncle of Ms Michelle Liem Mei Fung, a deemed substantial shareholder of the Company by virtue of her interests in Nuri Holdings (S) Pte Ltd.

CHENG HONG KOK
LEAD INDEPENDENT DIRECTOR ("LID")
INDEPENDENT &
NON-EXECUTIVE DIRECTOR

- Bachelor of Science (Chemical Engineering) Degree with First Class Honours, University of London
- Advanced Executive Management Program, Kellogg Graduate School of Management, Northwestern University, United States of America
- Singapore State Scholar/Colonial Welfare and Development Scholar
- Eisenhower Fellow

Date of appointment as Director: 24 May 2001
Date of appointment as LID: 29 January 2013
Date of last re-election as Director: 27 April 2015
Proposed for re-election at the AGM on 6 April 2017

Board committee
- Audit and Risk Committee (Chairman)
- Nominating Committee (Chairman)
- Remuneration Committee (Member)

Present directorship in other listed companies
- Far East Orchard Limited (listed on SGX-ST)

Present principal commitments (other than directorships in other listed companies)
Nil

Past directorship in other listed companies held over the preceding three years
Nil

Background and working experience
- Held various senior positions in Singapore Petroleum Company Limited (SPC) as head of corporate planning, finance and accounting, supply and trading, and marketing and distribution. Was President and CEO of SPC from 1981 to 1996 and Board Director and Exco Member from 1999 to 2009.
- Involved in the Asean Council on Petroleum (ASCOPE).
- Board member of the Singapore Economic Development Board.
- Member of the Government Economic Planning Committee.

Relationship with other Directors, the Company or its 10% shareholders
Nil

DIRECTORS' PROFILE

CHONG CHOU YUEN
NON-INDEPENDENT & NON-EXECUTIVE DIRECTOR

- Bachelor of Accountancy, National University of Singapore
- Master of Business Administration, National University of Singapore

Date of appointment as Director: 8 December 2005
Date of last re-election as Director: 27 April 2015

Board committee
- Audit and Risk Committee (Member)

Present directorship in other listed companies
Nil

Present principal commitments (other than directorships in other listed companies)
- Tuan Sing Holdings Limited (listed on SGX-ST) (Chief Financial Officer)
- Singapore Heart Foundation (Board Member and Honorary Treasurer)
- Alexandra Health Pte. Ltd. (Member of Audit Sub-Committee)

Past directorship in other listed companies held over the preceding three years
Nil

Background and working experience
- Finance and accounting management in various industries covering countries in the Asia Pacific, Middle East and the Caribbean.
- Regional Finance Director, Asia-Pacific of Equant Pte. Ltd.
- Group Finance Director of Berger International Ltd

Membership and others
- Fellow of the Institute of Singapore Chartered Accountants

Relationship with other Directors, the Company or its 10% shareholders
Nil

WILLIAM NURSALIM ALIAS WILLIAM LIEM
NON-INDEPENDENT & NON-EXECUTIVE DIRECTOR

- Bachelor of Science in Business, University of California at Berkeley
- Master of Business Administration, Massachusetts Institute of Technology

Date of appointment as Director: 7 March 2003
Date of last re-election as Director: 5 April 2016

Board committee
- Nominating Committee (Member)

Present directorship in other listed companies
- Tuan Sing Holdings Limited (listed on SGX-ST)

Present principal commitments (other than directorships in other listed companies)
- Gul Technologies Singapore Pte. Ltd. (Director)
- Nuri Holdings (S) Pte Ltd (Director)

Past directorship in other listed companies held over the preceding three years
Nil

Background and working experience
- Corporate analyst at Lehman Brothers.
- General management of business development/projects at GT Asia Pacific Holdings and Habitat Properties Pte Ltd.

Relationship with other Directors, the Company or its 10% shareholders
Mr Liem is the nephew of Mr Boediman Gozali (alias Tony Wu), the Managing Director and Chief Executive Officer of the Company. He is also the brother of Ms Michelle Liem Mei Fung, a deemed substantial shareholder of the Company by virtue of her interests in Nuri Holdings (S) Pte Ltd.

TAN LYE HUAT
INDEPENDENT & NON-EXECUTIVE DIRECTOR

Date of appointment as Director: 1 January 1999
Date of last re-election as Director: 5 April 2016

Board committee
- Remuneration Committee (Chairman)
- Audit and Risk Committee (Member)
- Nominating Committee (Member)

Present directorship in other listed companies
- Japan Foods Holdings Ltd (listed on SGX-ST)
- Dynamic Colours Limited (listed on SGX-ST)
- Neo Group Limited (listed on SGX-ST)
- Nera Telecommunications Ltd (listed on SGX-ST)

Present principal commitments (other than directorships in other listed companies)
Nil

Past directorship in other listed companies held over the preceding three years
Nil

Background and working experience
- 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.
- Volunteering at a number of other governance-related associations.
- Over 20 years of banking, public-accounting and senior commercial experience.

Membership and others
- 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)
- Chartered Director Fellow (C. Dir FIoD) of the Institute of Directors (IOD, UK)

Relationship with other Directors, the Company or its 10% shareholders
Nil

RISK MANAGEMENT **STATEMENT**

SP Corporation Limited ("**SP Corp**" or the "**Company**") continues to explore and develop opportunities to sustain earnings and to drive long-term increase in shareholders' value. In doing so, we are exposed to certain risks. Hence, our ability to prevent, detect and manage risks is crucial for an effective governance and control of the business.

Our Enterprise Risk Management ("**ERM**") framework is designed to be in line with "*ISO31000 – Risk Management Principles and Guidelines*" and the recommended practices under "*Risk Governance Guidance for Listed Boards*" issued by the Corporate Governance Council on 10 May 2012. It outlines the principles, process, tools, risk categories and types, key responsibilities, reporting requirements and communication timelines within SP Corp and its subsidiaries (the "**Group**") and intends to provide reasonable assurance that the Group's objectives can be achieved and its obligations to customers, shareholders, employees and society can be met.

RISK MANAGEMENT PRINCIPLES

At SP Corp, risk management is an integrated process that supports informed decision-making throughout the Group.

Our integrated approach recognises the need for clear, timely direction and decision from the Board of Directors (the "**Board**"), senior management and our business unit management, where appropriate. Risk management is also embedded into the day-to-day decision-making and operational activities.

The top-down approach involves a review of the external environment in which we operate and the extent of our risk appetite. The result from this strategic risk management will guide the actions that we will take in executing our strategy. Key risk indicators have been identified for each of our principal risks and are used to monitor our risk exposure. These key risks are reviewed annually by the Audit and Risk Committee ("**ARC**") to ensure that the activities of the business remain within our risk appetite.

The bottom-up approach involves identifying, managing and monitoring risks at the operational level. Such operational risk management is embedded in our everyday operations. Control of this process is through maintaining of risk registers by all business units. These risk registers are aggregated and reviewed by the Managing Director and Chief Executive Officer ("**CEO**" or the "**Chief Executive Officer**") and the Chief Financial Officer ("**CFO**"), with significant and emerging risks escalated for the Board's and the ARC's consideration as appropriate. This process complements the top-down view by helping us to identify our principal risks and ensuring that operational risks are fully considered in determining the risk appetite and the corresponding strategy of the business.

ANNUAL REVIEW OF RISK GOVERNANCE AND OVERSIGHT STRUCTURE

Under the ERM framework, the Board has overall responsibility for assessing and managing risks with a particular focus on determining the nature and extent of significant risks it is willing to take in achieving its strategic objectives, especially those that would threaten its solvency or liquidity. The ARC oversees the adequacy and effectiveness of the Group's risk management and internal control systems.

The CEO and the CFO are responsible in implementing the Company's strategy, strengthening the Group's risk management culture, ensuring the overall framework of risk management is comprehensive and responsive to changes in the business, and managing the internal audit function. They regularly review the completeness and accuracy of risk assessments, risk reporting and the adequacy of risk mitigation efforts.

The CEO and the CFO, in turn, place reliance on their business unit teams to monitor and manage operational risks on an ongoing basis, and to identify emerging risks. The risk registers provide a framework for all relevant staff to recognise their shared responsibility for an effective management of risks on a regular and timely basis.

Our ERM system is designed to provide reasonable, but not absolute, assurance that the Group's assets are safeguarded, the risks facing the business are being assessed and all information that may be required to be disclosed is reported to the Board through the ARC. We have reviewed the current ERM framework and are of the view that it remains appropriate for the financial year ended 31 December 2016.

MANAGE RISK IN DELIVERING STRATEGY

We remain focused on optimising our existing businesses in commodities trading and tyre distribution. In pursuing our corporate strategies and business goals, we acknowledge that it is necessary to take certain risks that we believe are manageable and appropriate in relation to expected opportunities. However, it should be within our risk appetite by taking into consideration our assessment of the macro-environment that we are operating in. We use key risk indicators to ensure that the activities of the business are within our risk appetite.

RISK MANAGEMENT PROCESS AND CULTURE

The Group places considerable importance on maintaining a strong control environment to ensure that risks are managed and business strategies are executed. Policies and procedures, Delegation of Authority matrix, minimum internal controls and Code of Ethics have been defined and put into practice by all business units. Together with compliance with laws and regulations, these established procedures and internal guidelines form the control environment of SP Corp for which employees are accountable for their compliance.

In addition, the Group has established a Whistle-blowing Policy since November 2006, under which employees and outsiders could, through well-defined and accessible channels, raise concerns in confidence about possible improprieties in matters of business activities, financial reporting or other matters to the Whistle-blowing Committee. The Committee is bound to report, within certain established timeline, the results of its investigation to the ARC.

RISK MANAGEMENT STATEMENT

On a quarterly basis, the head of business unit is required to submit management representation letters to the CEO and the CFO to confirm the effectiveness of the financial reporting, risk management, compliance and internal control systems in their respective units. Such submissions form the basis of the quarterly representation letters presented by the CEO and the CFO to the ARC. Compliance checklist and declaration on ethics by all employees have also been implemented at the end of each year to promote accountability.

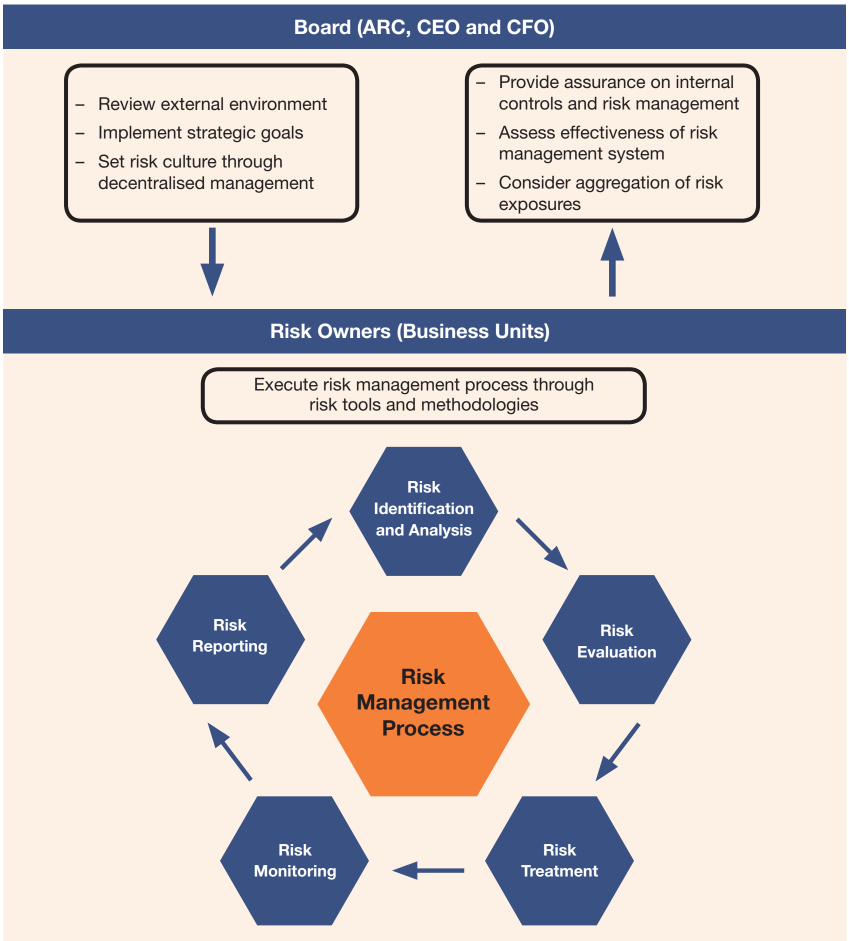
The internal audit function is outsourced to PricewaterhouseCoopers Risk Services Pte. Ltd. which provides independent checks on operational issues and risk controls, and reports directly to the ARC.

To enhance risk awareness and reinforce the corporate culture of risk-conscious decision-making, the finance teams and operational managers of the Group attended a risk management training held during the Finance Conference organised by SP Corp's immediate holding company in August 2016.

RISK MANAGEMENT IMPLEMENTED: RISK RELATING TO PERSONAL DATA PROTECTION

The Personal Data Protection Act ("**PDPA**") 2012 in Singapore regulates the collection, use, disclosure, transfer and security of personal data. The Group is exposed to personal data protection risk as such data in our possession may be subject to unauthorised access, modification, disclosure, use, copying, whether in hardcopy or electronic form. Furthermore, this risk may expose the Group to fines, payment of damages, or legal suits for non-compliance. The Group has put in place a Personal Data Protection Policy for employees and stakeholders in January 2017.

RISK ASSESSMENT AND OVERSIGHT STRUCTURE



KEY RISK PROFILE 2016

We list the 22 key risks that have been identified and in light of the changing business environment, we are closely monitoring the impact on our risk landscape.

NO THREAT TO GOING CONCERN

After making due inquiry, we are satisfied that as on 31 December 2016, there were no risks that could affect the ability of the Group to continue as a going concern in the next twelve months.

SP Corp partnered with RSVP Singapore, a non-profit organisation, to organise a company-sponsored learning journey at the Lee Kong Chian Natural History Museum for a group of upper primary children from the Chinese Development Assistance Council in November 2016.

RISK MANAGEMENT **STATEMENT**

RISK MATRIX TABLE

CONSEQUENCE	Rare	Unlikely	Possible	Likely	Almost Certain
Extreme					
High					
Major		• Compliance	• Strategy • Business Continuity	• Macroeconomic and Competition	
Moderate		• Liquidity • Tax	• Customer • Terrorism • Foreign Exchange and Derivative Financial Instruments • Credit • People • Sourcing	• Political, Regulatory and Industry • Reputation • Price	
Low		• Interest Rate • Financial Management • Ethics and Integrity • Information Technology and Cyber Security • Product Quality • Insurance	• Work Health and Safety		
Negligible					

LIKELIHOOD

RISK EXPOSURE AND APPETITE TABLE

Risk Level	Action Requirements
Extreme	**Not acceptable:** * Immediate action required * Must be managed by senior management with a detailed treatment plan
High	**Senior management attention:** * Senior management attention needed and management responsibility specified * Treatment plans to be developed * Must be monitored on regular frequency
Medium	**Tolerable:** * Management responsibility must be specified * Treatment plans to be developed * Ongoing monitoring and review
Low	**Acceptable:** * Manage by routine process/procedures * Consider additional controls only if they are of clearly quantifiable cost benefit * Ongoing monitoring and review
Negligible	**Acceptable:** * Manage by routine process/procedures * Unlikely to require specific application of resources

RISK MANAGEMENT STATEMENT

BUSINESS AND STRATEGY RISKS

Business and strategy risks refer to factors affecting businesses such as customer demand, revenue attainment, macroeconomic conditions, competition and regulatory environment. They are normally managed by the respective business units in the Group in their pursuit of growth and meeting earnings target.

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
Strategy Risk • The Group is exposed to risks associated with optimisation of existing businesses within the current prolonged challenging environments and its expansion plans. • Expansion involves the financial burden of setting up new business units and dealing with unfamiliar rules and regulations in foreign countries or nuances in customer service expectations.	• Despite the challenges, the Group continues to remain relevant in the business arena by leveraging on the close business relationships with its principal suppliers for reliable and quality supplies; and with key customers through development of competitive sales strategy and pricing structure to boost market presence. • New investment proposal is evaluated carefully to ensure that it is in line with the corporate strategy and investment objectives and that it can meet the relevant hurdle rates of financial returns in addition to consideration of other relevant risk factors.
Macroeconomic and Competition Risks • Changing macroeconomic conditions in the countries where the Group operates may adversely affect the Group's performance. • Our relative size and reliance on principal suppliers may be a disadvantage in the highly competitive markets of commodities trading and tyre distribution. The Group may be more vulnerable to external shocks and negative occurrences specific to its operations.	• The Group monitors key economic indicators and keeps itself updated on potential changes in the countries where it operates. • The Group strives to maintain competitiveness through differentiation in its service delivery to key customers and forging collaborative relationships with its principal suppliers. • The Group maintains a nimble organisation structure which is responsive and easily adaptable to changing environments.
Business Continuity Risk • The Group may face business continuity risks associated with heavy reliance on principal suppliers for its tyre distribution and coal trading businesses as any significant changes in the modus operandi of the principal suppliers, such as direct market participation or limitations in pricing/delivery/product range structures, will have a significant impact on the Group's operations and performance.	• The Group engages in regular communications with its principal suppliers to ensure continuous flows of quality supplies and works closely with the suppliers on joint marketing or business development efforts. • The Group maintains good relationships with all suppliers to reduce its vulnerability to significant concentration of supply risk.
Political, Regulatory and Industry Risks • Risks arising from uncertain political conditions and changes in government policies, laws and regulations in the countries where the Group operates may adversely affect the Group's performance or limit the market demand and supply and impact the Group's ability to conduct business. • The Group is exposed to the supply and demand cycles of the commodities and tyre industries.	• The Group monitors changes in political and industry conditions in countries where it operates and keeps itself updated on changes of regulations by the authorities. • The Group maintains close working relationship with advisors and local authorities so as to keep abreast with any changes. • Locals recruited to handle overseas matters are required to apprise head office of material political, regulatory or industry developments on a timely basis.
Customer Risk • Risks associated with loss of customers through uncompetitive pricing, inadequate service delivery, unsatisfactory product quality, extended delivery lead times or distant relationships. • The Group may face product switch by customers or loss of accounts in these multi-brands, multi-traders, multi-suppliers and highly competitive environments.	• The Group continues to maintain strong relationship with customers through regular and personalised interactions with value-added service delivery. • The Group ensures reliability of supplies to customers in terms of quality, delivery lead times, pricing and service through established business relations with principal suppliers.

RISK MANAGEMENT **STATEMENT**

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
Reputation Risk • The Group may face negative publicity if there is mishandling of transactions or events.	• The Group values its reputation and has put in place an open communication programme to ensure timely and effective communication with its key stakeholders.
Terrorism Risk • The Group may be adversely affected by unpredictable terrorist attacks. • This will potentially result in damage on assets and disruption in operations and may cause irreversible impact on the safety and lives of personnel.	• This is an inherent risk and uncontrollable event that the Group cannot avoid. • The Group has a disaster recovery plan in place. • All leased premises of the Group are managed by established property owners with security measures in place.

FINANCIAL RISKS

Financial risks arise from volatility in the underlying financial market and include factors such as interest rates, foreign exchange and equity prices.

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
Liquidity Risk • Availability of banking facilities or additional debt-financing on favourable terms is subject to prevailing external factors including global and local economic conditions, credit and capital market sentiments, etc.	• The Group monitors and maintains a level of cash and cash equivalents deemed adequate to finance its operations. • The Group manages trade financing proactively to ensure financing requirements are met as and when required with strict compliance on banking covenants. • Cash flow projections and available bank facilities are actively reviewed to ensure efficient management of liquidity position, including usage of internal funds to reduce dependency on external financing.
Foreign Exchange and Derivative Financial Instruments Risks • Exchange gains or losses may arise when the assets and liabilities in foreign currencies are translated or exchanged into Singapore dollars for financial reporting or repatriation purposes. • Market conditions may move against the assumptions the Group adopts at the time of hedging transactions, an inherent risk.	• Natural hedging is used extensively including matching sale and purchase or matching asset and liability of the same currency and amount whenever practicable. • Currency translation risk is inherent for operations outside Singapore, non-cash in nature and is therefore not hedged. • Derivative financial instruments are only used to manage foreign currency exposure. • Hedging is to meet actual operational requirements, not for speculative purposes.
Price Risk • Risk of variability and volatility in pricing trends of commodities and tyres may have an adverse impact on the Group's performance.	• This is an inherent risk that the Group cannot avoid. • The Group keeps abreast of developments in global markets and key price indicators. • The Group works closely with principal suppliers to counteract prevailing intense competition so as to develop a price-sensitive and value-added service delivery to customers.
Credit Risk • Credit risk arises when counterparties default on their contractual obligations resulting in financial loss to the Group.	• Standard operating procedures are in place, which include extending pre-approved credit terms to credit-worthy customers and monitoring credit risk on a regular basis. • Major collectability issues are highlighted in monthly operations reports and management meetings.

RISK MANAGEMENT STATEMENT

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
Interest Rate Risk • The Group is exposed to interest rate fluctuations from trade financing or bank borrowings.	• The Group keeps abreast of the trend of interest rate movements. • The Group optimises net interest cost and reduces volatility in finance cost.
Tax Risk • The Group is exposed to vagaries of tax interpretations or changes at short notice in foreign jurisdictions.	• The Group monitors changes in tax rulings in different countries on a periodic basis. • Tax provisions are made in strict compliance to the rules so as to reduce under-accrual in the book of accounts.
Financial Management Risk • Other than the Group's policies and guidelines and the internal audit function which has been outsourced, the Group relies on self-assessment, review and reporting process from the business units to ensure that transactions are carried out in conformity with the accounting standards and Group accounting policies and that the internal controls are adequate and effective. • This system may not prevent or detect all frauds or misstatements in a timely manner. • Changes in conditions or operations may cause system effectiveness to vary from time to time.	• Internal controls over financial reporting are reviewed regularly. The process has already been embedded within our corporate governance structure. • On a quarterly basis, business units' operating and finance heads are to report the results of their self-review in their management representation letter. • Quarterly management representation letter also serves as a platform for all business units' operating and finance heads to highlight any transactions and/or events which may have material or potential financial impact to the Group.

OPERATIONAL RISKS

Operational risks refer to persons, processes, products, information technology and practices in the business activities which may not operate as designed or planned.

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
Ethics and Integrity Risk • Risk of fraudulent, illegal or unethical acts committed by employees, customers or suppliers against the Group may cause loss in profitability, or assets or reputational damage.	• Policies and procedures, Delegation of Authority matrix, minimum acceptable internal controls, Code of Ethics, and Whistle-blowing Policy have been defined and put into practice by all business units. In January 2017, the Group adopted the Anti-bribery and Anti-corruption Policy. Accountability is established through year end internal control self-assessment review by each business unit and annual declaration by each employee on compliance with Independence Policy and Code of Ethics.
Information Technology and Cyber Security Risks • The Group is susceptible to information technology and cyber security risks which are a constantly evolving threat to an entity's ability to achieve its objectives and deliver its core functions. Security failings or network disruptions in today's information-driven economy can result in significant long-term expense to affected entities and substantially damage consumer trust and brand reputation. Sensitive customer information, intellectual property and even control of key equipment are increasingly at risk from cyber attack.	• The Group complemented its Policy on Management Information Systems by implementing the Information Security Policy in January 2017, covering cyber security and data protection measures. All employees are to observe these policies at all times to ensure the integrity and availability of information while preventing unauthorised access to the Group's information systems. Appropriate steps have been taken to prevent unauthorised modification, destruction, or disclosure of these assets, whether accidental or intentional, as well as to ensure the security, reliability, integrity and availability of the data.

RISK MANAGEMENT STATEMENT

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
People Risk • The Group depends on the services of good personnel for business continuity. • Succession plan execution is a challenge given the size of the Group.	• The Group provides a safe working environment under which employees could develop their career with work-life balance and appropriate training and development opportunities so as to ensure that human capital are nurtured and retained. • Competitive salary packages are offered based on performance that is mapped against key performance indicators agreed at the beginning of the financial year.
Sourcing Risk • The Group is exposed to risks associated with failure of suppliers to provide timely and quality products, limited or significant concentration of supplies, or failure of utility supplies.	• Operating manuals, standard operating procedures, Delegation of Authority matrix are in place on sourcing process. • The Group implements supplier-aligned marketing approach in strategic markets through regular communication with principal suppliers. • The Group expands suppliers' base where applicable to reduce over-reliance on any supplier.
Product Quality Risk • Products which are below specifications or unsafe have significant impact on the Group's reputation, profitability and reliability. Significant product failure either in terms of scale or gravity will impact future sales.	• Quality assurance processes are managed by suppliers. • Feedback on product quality monitoring and incidences are provided to suppliers. • Proper system on claims or reimbursements is in place.
Work Health and Safety Risk • The Group is exposed to work health and safety risks of employees arising from incidents in the production process, pandemics, etc.	• The Group cultivates a safety-consciousness culture at all levels including the setting up of employees' safety council, where appropriate, and has implemented a Workplace Safety and Health Policy. • Refresher drills on fire safety, emergency evacuation and first aid response are conducted regularly. • Disease pandemic preparedness plan is in place to safeguard the health and welfare of employees and to ensure quick resumption of critical business functions.
Insurance Risk • The Group is exposed to the risks (such as war, outbreak of contagious diseases, environmental breaches) that may not be insurable or the premium prohibitive or damage suffered may not be fully compensated by insurance proceeds.	• The Group conducts insurance review with insurance brokers on an annual basis to ensure adequate and comprehensive insurance coverage.

COMPLIANCE RISKS

Compliance risks are the current and prospective risks arising from violation of, or non-compliance with laws, rules, regulations, or ethical standards.

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
Compliance Risk • There have been rapid changes in laws, regulations and practices making compliance more complicated. • The Group's internal control systems and related framework may not be kept up-to-date in time.	• Internal controls, risk management and corporate governance frameworks, and control self-assessment processes have all been in place and are reviewed on an annual basis. • Whistle-blowing Policy and annual declaration by staff on ethics have been implemented. • External auditors are engaged for statutory audit and internal auditors are engaged to conduct operations review; both report directly to the ARC.

FIVE-YEAR FINANCIAL **SUMMARY**

FOR THE FINANCIAL YEAR ($'000)	2016	2015	2014	2013	2012
Revenue	**125,640**	119,675	131,913	152,591	173,311
Profit before tax	**2,252**	1,614	2,303	2,549	2,469
Income tax expense	**(450)**	(148)	(172)	(146)	(357)
Profit after tax	**1,802**	1,466	2,131	2,403	2,112

AT YEAR END ($'000)	2016	2015	2014	2013	2012
Plant and equipment	**375**	530	305	436	214
Other assets	**77,596**	76,193	68,446	70,849	69,675
Total assets	**77,971**	76,723	68,751	71,285	69,889
Shareholders' funds	**52,984**	50,364	47,598	44,498	41,379
Other liabilities	**24,987**	26,359	21,153	26,787	28,510
Total liabilities and equity	**77,971**	76,723	68,751	71,285	69,889

SHARE PRICES ($)	2016	2015	2014	2013	2012
Last transacted*	**0.48**	1.10	1.00	1.20	1.10
High*	**1.20**	1.10	1.20	1.20	1.20
Low*	**0.36**	0.80	0.80	0.90	0.80
Average (arithmetic)*	**0.78**	0.95	1.00	1.05	1.00
Turnover (million shares)	**1.84**	0.64	0.27	0.90	0.80

SHAREHOLDERS' RETURNS AND FINANCIAL RATIOS	2016	2015	2014	2013	2012
Earnings per share (cents)*	**5.13**	4.18	6.07	6.85	6.02
Net assets per share ($)*	**1.51**	1.43	1.36	1.27	1.18
Return on shareholders' funds (%)	**3.5%**	3.0%	4.6%	5.6%	5.2%
Return on total assets (%)	**2.3%**	2.0%	3.0%	3.4%	2.8%

* 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 2016	
15 April 2016	Announcement of results for the first quarter ended 31 March 2016
25 July 2016	Announcement of results for the second quarter and half year ended 30 June 2016
26 October 2016	Announcement of results for the third quarter ended 30 September 2016
25 January 2017	Announcement of audited full-year results for the financial year ended 31 December 2016
8 March 2017	Dispatch of 2016 Annual Report
6 April 2017	64th Annual General Meeting

FINANCIAL YEAR ENDING 31 DECEMBER 2017 ("FY2017")	
April 2017	Proposed announcement of results for the first quarter ending 31 March 2017
July 2017	Proposed announcement of results for the second quarter and half year ending 30 June 2017
October 2017	Proposed announcement of results for the third quarter ending 30 September 2017
January 2018	Proposed announcement of full-year results for the financial year ending 31 December 2017

Note: The dates for the proposed FY2017 results announcements are indicative only and are subject to change.

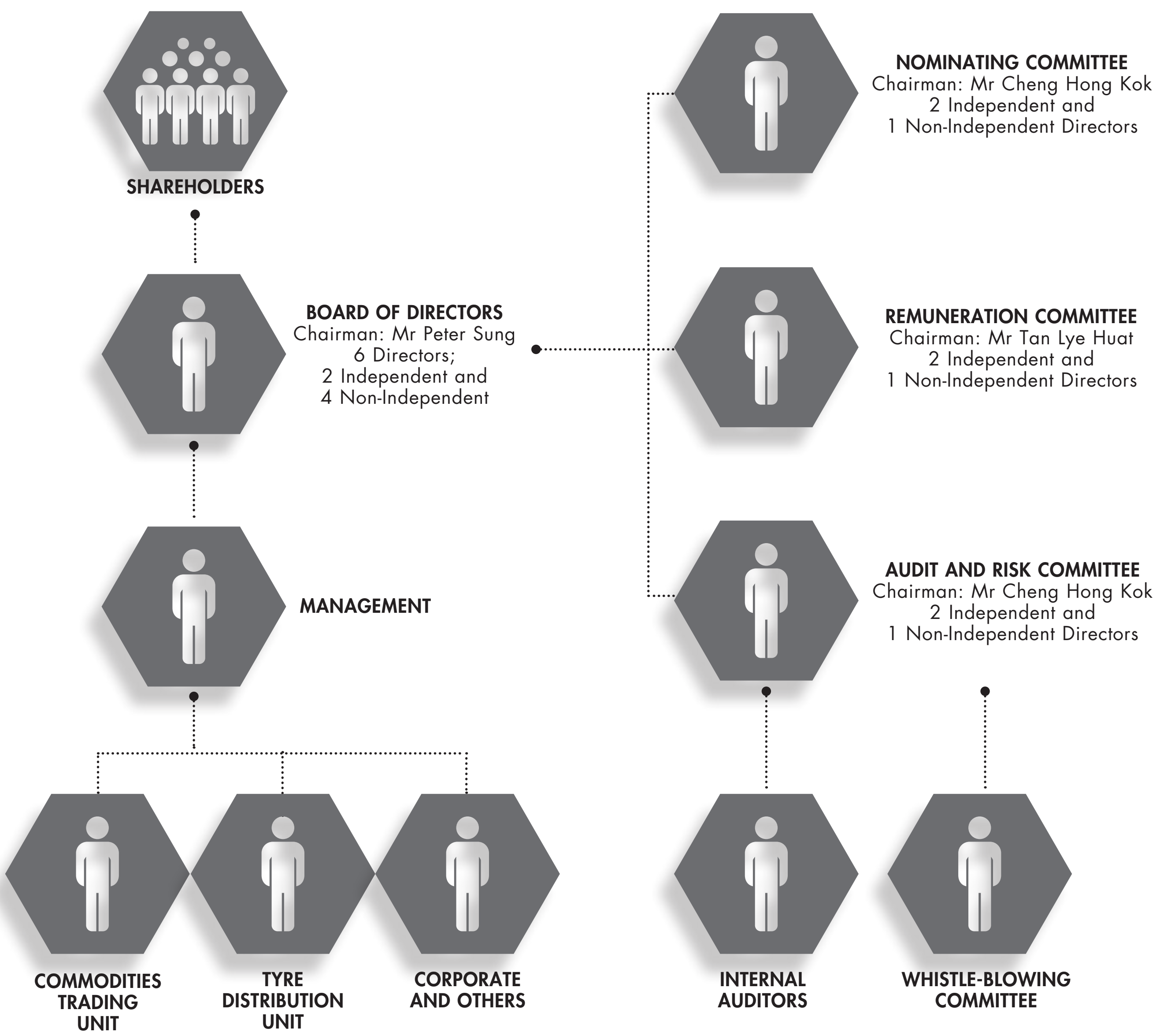
CORPORATE GOVERNANCE **REPORT**

The Group continues to be committed to high standards of corporate conduct. The Board of Directors (the "**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 written Terms of References.

The Board is pleased to report the Company's corporate governance practices for the financial year ended 31 December 2016 ("**FY2016**") with specific reference to each guideline of the Code of Corporate Governance 2012 (the "**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. Where the Company's practices differ from any principle or guideline, the Company's position in respect of the same is explained in this Report.

CORPORATE GOVERNANCE FRAMEWORK



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: Board's Conduct of its Affairs

Guideline 1.1
Principal Duties of the Board
Apart from its statutory duties, during FY2016 the Board also performed the following:

i. providing entrepreneurial leadership, setting corporate strategies and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;

ii. reviewing and approving the Group's annual business plan, including the annual budget, operational and capital expenditure plans as well as constructively challenge the Management on the strategic options and planning process;

iii. reviewing the adequacy and effectiveness of the Company's risk management and ensuring that the Management maintains a sound system of internal controls (including financial, operational, compliance and information technology) to safeguard the shareholders' investments and the Company's assets;

iv. overseeing the conduct of the Company and evaluate whether the business is properly managed, and reviewing the performance of the Management in meeting agreed goals and objectives; and

v. monitoring the Group's performance, position and prospects by reviewing management/operations reports and management accounts on a monthly basis.

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 make objective decisions in the interest of the Group.

Guideline 1.3
Delegation by the Board
The Board is supported by a number of committees to assist it in the discharge of its responsibilities and to 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 thresholds, 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 (last reviewed on 24 November 2016). More details on the Board's delegation are presented below. The Board committees and the Management remain accountable to the Board.

CORPORATE GOVERNANCE **REPORT**

Guideline 1.4

Board and Board Committees Meetings and Attendance Records of the Board Members

The Board and its committees met regularly based on schedules planned one year ahead so as to ensure maximum attendance by all participants and as warranted by particular circumstances. On occasions when Directors were unable to attend meetings in person, telephonic participation at the meetings is allowed under the Constitution of the Company. To enable members of the Board and its committees to prepare for the meetings, agendas and materials were circulated at least one week before the meetings.

The attendance of the Directors at the meetings during FY2016 is set out below:

2016 Meeting Attendance	Board	Audit and Risk Committee	Remuneration Committee	Nominating Committee	General Meeting
Total Number of Meetings	**5**	**4**	**1**	**1**	**1**
Peter Sung	5	–	1	–	1
Boediman Gozali (alias Tony Wu)	3	–	–	–	1
Cheng Hong Kok	5	4	1	1	1
Chong Chou Yuen	5	4	–	–	1
William Nursalim alias William Liem	3	–	–	1	1
Tan Lye Huat	5	4	1	1	1

During FY2016, Non-Executive Directors (including Independent Directors) also communicate or meet amongst themselves and/or with the CEO and senior management 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.

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 the Management on matters requiring the Board's specific approval which include:

- material acquisition and disposal of assets/investments
- corporate/financial restructuring and corporate exercises
- budgets/forecasts
- material financial/funding arrangements and capital expenditures
- delegation of authority matrix and policies and procedures

During FY2016, 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 developments and strategic direction of the Group, and material developments relating to accounting, legal, regulatory and/or corporate governance issues.

Guideline 1.6

Board Orientation and Training

It is our policy to provide new Directors with a detailed and thorough induction, including meeting with key management personnel and an overview of their responsibility. Where necessary, the Company will provide training for the first-time Directors in areas such as accounting, legal and industry-specific knowledge.

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.

The Board is routinely being updated on pertinent developments in the business including changes in laws and regulations, code of corporate governance, financial reporting standards and industry-related matters so as to enable them to effectively discharge their duties. Training attended by some of the Directors in FY2016 includes (1) Sustainability Strategy & Reporting organised by Deloitte & Touche LLP where experts shared their insights on the dynamics around managing sustainability risk and unlocking opportunities for a sustainable business growth, and (2) Audit Committee Seminar – Raising The Bar for Financial Reporting and Audit jointly organised by the Accounting and Corporate Regulatory Authority, the Singapore Exchange Limited and the Singapore Institute of Directors.

The Company will fund Directors' participation at industry conferences, seminars or any training programme in connection with their duties as Directors. During FY2016, the Management informed the Directors of relevant training programs, seminars and workshops organised by various professional bodies and organisations.

Guideline 1.7
Appointment Letter to new Director
Upon appointment to the Board, all new Directors receive a formal letter of appointment setting up his/her duties and responsibilities as well as explaining the policies and practices of the Group. New Directors also receive an information pack that contains the Group's organisation structure, the Company's Annual Report, Constitution, respective Board committees' Terms of Reference, the Group's policy relating to disclosure of interests in securities and prohibition on dealings in the Company's securities as well as guidelines on directors' fees. Directors are given appropriate briefings by the Management on the business activities of the Group, its strategic directions, and the Company's corporate governance policies and practices when they are first appointed to the Board.

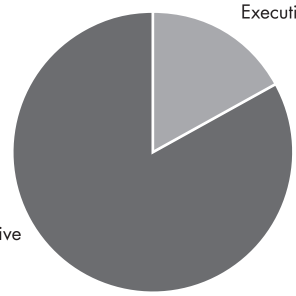
No new Director was appointed during FY2016.

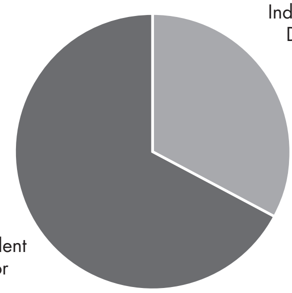
Principle 2: Board Composition and Guidance

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[Note 1] 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.

There were six Board members throughout FY2016 – two were independent and four were non-independent. Other than the Managing Director and Chief Executive Officer ("**CEO**"), all Directors were non-executive.

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.





Note 1 A "10% shareholder" is a person who has an interest or interests in one or more voting shares in the Company and the total votes attached to that share or those shares is not less than 10% of the total votes attached to all the voting shares in the Company. "Voting shares" exclude treasury shares. The Company did not have any treasury shares as at 31 December 2016.

CORPORATE GOVERNANCE **REPORT**

Guideline 2.2

Composition of Independent Directors on the Board

As the Chairman is not an Independent Director, the NC has reviewed the percentage of Independent Directors on the Board and has recommended to the Board to consider increasing the independence element so as to be in line with Guideline 2.2 of the Code. The Code provides that Independent Directors shall make up at least half of the Board where, *inter alia*, the Chairman of the Board is not an Independent Director.

The NC and the Board noted that such guideline shall be complied with by not later than the date of the Company's Annual General Meeting to be held in year 2018.

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 process includes the use of a declaration form on independence which each Independent Director is required to complete and submit to the NC for review. The results of the self-assessment are then collated, communicated and reported to the Board.

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 FY2016, 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 assessment on their independence status by the other Directors. In the process, all other Directors were requested to complete a questionnaire to review more rigorously the independence of Independent Directors who have served on the Board beyond nine years. The questionnaire included the exercise of independency in areas such as their contribution to the Company, knowledge and abilities, integrity and teaming. Having considered the assessment made by the other Directors on the independence status of Messrs Cheng Hong Kok and Tan Lye Huat and other relevant factors as further elaborated below, the Board is of the view 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 the CEO, other Non-Independent Directors, controlling shareholders and/or their associates and the Group/Company's Management.

The Board is of further view that an individual's independence cannot be determined arbitrarily on the basis of a set period of time.

Guideline 2.5

Board Composition and Size

The NC conducted its annual review on the size and 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. The Board's decision-making process is not dominated by any individual or group of individuals.

Nevertheless, the NC has recommended to the Board to consider increasing the representation of Independent Directors 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.

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 under "Directors' Profile" section of this Annual Report.

Guideline 2.7
Role of Non-Executive Directors
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 was monitored by the Non-Executive Directors. As Non-Executive Directors constitute a majority of the Board, objectivity on such deliberations is assured.

Guideline 2.8
Regular Meetings of Non-Executive Directors
During FY2016, Non-Executive Directors (including Independent Directors) met amongst themselves regularly and on an ad hoc basis, communicated with the CEO and his management team 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.

As and when warranted, the Board sets aside time to meet without the presence of the Executive Director and the Management at Board meetings. The Board is hence of the view that it is not necessary to pre-arrange formal sessions.

CORPORATE GOVERNANCE **REPORT**

Principle 3: Chairman and Chief Executive Officer

Guideline 3.1
Separation of the Role of Chairman and CEO
The Company has different individuals assuming the Non-Executive 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, 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 sets the agenda for the meeting and ensures that Board members are provided with adequate and timely information. As a general rule, meeting papers are sent to Directors at least one week in advance in order for the Directors to be adequately prepared for the meeting. The Chairman leads the meetings and ensures full discussion of each agendum. He also ensures that Board members are able to engage the Management in constructive debate on various matters including strategic issues. Members of the management team who have prepared the meeting papers, or who can provide additional insights into the matters to be discussed are invited to present their papers during the meetings.

At annual general meetings ("**AGMs**") and other shareholder meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and the Management.

Guideline 3.3
Lead Independent Director
In view that the Chairman is not an Independent Director, the Board has appointed Mr Cheng Hong Kok as the Lead Independent Director.

Guideline 3.4
Lead Independent Director to lead in periodical meetings amongst themselves
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: Board Membership

Guideline 4.1
NC Membership and Key Terms of Reference
The NC consists of the following three members with the majority, including the 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)

The NC is guided by its written Terms of Reference which stipulates its principal roles as follows:

i. nomination of new Directors to the Board and re-election of Directors at regular intervals, having regard to provisions in the Constitution of the Company and the Code;

ii. 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;

iii. 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;

iv. approve the appointment of personnel who are not members of the Board as directors of the Company's subsidiaries;

v. 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;

vi. review the Directors' mix of skills, qualities and experiences that the Board requires to function competently and efficiently annually;

vii. 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;

viii. to review rigorously, as appropriate, the independence of any Director who has served on the Board beyond nine years from the date of his first appointment; and

ix. 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.

Guideline 4.2
Responsibilities of NC
The 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 as a whole. It also ensures compliance with the provisions of the Constitution of the Company which stipulates that at each AGM, one-third of the Directors, including the CEO who is also the sole Executive Director (or, if their number is not three or a multiple of three, the number nearest to one-third), shall retire from office by rotation at least once every three years in accordance with the Constitution, and may stand for re-election. The NC having reviewed, has recommended to the Board which has agreed for the following Directors to retire by rotation and seek re-election at the Company's forthcoming AGM:

i. Mr Cheng Hong Kok
ii. Mr Peter Sung

Subject to their re-election, Mr Cheng Hong Kok shall continue to serve as Chairman of the ARC and the NC, a member of the RC as well as remain as the Lead Independent Director. Mr Peter Sung shall continue to serve as Chairman of the Board and a member of the RC.

Guideline 4.3
Continuous Review of 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. The NC is also committed to reassess the independence of each individual Director as and when warranted.

CORPORATE GOVERNANCE **REPORT**

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. For FY2016, no Director has exceeded this stipulation.

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 all the Directors have discharged their duties adequately for FY2016.

Guideline 4.5

Appointment of Alternate Directors

As at 31 December 2016, the Company has no alternate director on its Board.

Guideline 4.6

Nomination and Selection of Directors

The NC is responsible for recommending identified candidates to the Board to fill vacancies arising from resignation, retirement or any other reasons or if there is a need to appoint additional directors with the required skill or knowledge to the Board in order to fill the competency gap in the Board as identified by the NC. The potential candidate may be proposed by existing Directors, substantial shareholders, the Management or through third party referrals.

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

i. 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.

ii. the NC considers the various sources of seeking suitable candidates either through internal promotion; or recommendations from Directors/substantial shareholders/Management; or external sources such as search consultants.

iii. short-listed candidates will be required to furnish their curriculum vitae stating in detail their qualification, working experience, employment history, and to complete certain prescribed forms to enable the NC to assess the candidate's independence status and compliance with the Company's established internal guidelines.

iv. the NC evaluates the candidates' capabilities by taking into consideration diversity of skills, experience, background, gender, age, ethnicity and other relevant factors and how the candidates fit into the overall desired competency matrix of the Board.

v. 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 FY2016, no new Director was appointed to the Board.

Guideline 4.7

Key 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 principal commitments, academic/professional qualifications, membership/chairmanship in the Company's Board committees, date of appointment and last re-election and other information, are furnished under the "Directors' Profile" section of this Annual Report. Similar information is also published on the Company's website.

Principle 5: Board Performance

Guideline 5.1
Board Evaluation Process
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.

The evaluation of individual Directors is differentiated between Executive Director and Non-Executive Directors. The 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 in the early part of FY2016.

For FY2016, all Directors were requested to complete a Board Performance Checklist which assesses the effectiveness of the Board and the Chairman of the Board. In addition, each Director was also requested to complete a Board Committees Performance checklist which assesses the performance of the respective Board committees. The Board Performance Checklist included assessment criteria such as the size of the Board, the degree of independence of the Board, information flow from the Management and adequacy of the Board and committees' meetings held to enable proper consideration of issues. To ensure confidentiality, the evaluation returns completed by all Directors were submitted to the Company Secretary for collation. The results of the performance evaluation were presented first to the NC for review and discussion and then to the Board. The Board was satisfied with the results of the assessment for FY2016.

Guideline 5.2
Board Performance Criteria
Each financial year, the NC undertakes a process to assess the effectiveness of the Board and its Board Committees.

The NC has established objective criteria to evaluate the Board's performance which includes benchmarking of 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. More relevant and meaningful criteria would also be used when applicable.

For FY2016, the NC duly observed the aforesaid process and criteria and was satisfied with the results of the review.

Guideline 5.3
Individual Director Evaluation
The evaluation of individual Director's performance is performed on an annual basis which includes a Board of Directors Competency Matrix to assess the Directors' respective areas of specialisation and expertise, and general consideration of such other factors as mentioned below.

For FY2016, the NC took note of each individual Director's attendance at meetings of the Board, Board committees as well as at general meeting; 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.

Principle 6: Access to Information

Guideline 6.1
Complete, Adequate and Timely 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. All scheduled Board and Board committees' meetings were planned twelve months ahead and all meeting papers are distributed to the Directors at least one week in advance of the meetings.

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.

CORPORATE GOVERNANCE **REPORT**

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/operations reports, management accounts, 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 was circulated to the Board on a regular basis as and when there was material development in the Group's business operations.

Guideline 6.3
Company Secretary
The role of the Company Secretary is clearly defined which includes, *inter alia*, advising the Board on all matters regarding the proper functioning of the Board, including compliance with the Company's Constitution and applicable regulations, including requirements of the Singapore Companies Act, Cap. 50 ("**Companies Act**"), the Securities and Futures Act and the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual. She assists the Board in implementing and strengthening corporate governance policies and procedures.

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 FY2016, 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.

Guideline 6.5
Independent Professional Advice
In the furtherance of their duties, Directors, either individually or as a group, may seek independent professional advice at the expense of 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 notes to the financial statements of the Group.

Principle 7: Procedures for Developing Remuneration Policies

Guideline 7.1
RC Composition
The RC comprises the following three Directors, all of whom are non-executive and the majority, including the 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 stipulates its principal roles as follows:

i. 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;

ii. 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;

iii. 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;

iv. 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;

v. review and approve the compensation of key management personnel;

vi. review the appropriateness and transparency of remuneration matters for disclosure to shareholders; and

vii. have explicit authority to investigate any matter within its Terms of Reference including seeking expert advice within and/or outside the Company.

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.

Non-Executive Directors receive remuneration packages consisting of Directors' fees and attendance fees which are based on a scale of fees divided into basic retainer fees as Director, additional fees for serving on any of the Board committees and attendance fees for participation in meetings at the Board and any of the Board committees.

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	

In determining the quantum of such fees, factors such as frequency of meetings, time spent, responsibilities of Non-Executive Directors, and the need to be competitive in order to attract, motivate and retain these Directors are taken into account. The Chairman and members of the ARC receive higher additional fees to take into account the nature of their responsibilities. The remuneration framework for the Non-Executive Directors remains unchanged from that of the financial year ended 31 December 2015.

During FY2016, 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 key performance indicators ("**KPIs**") (as elaborated under Guideline 8.1 below) and the financial performance of the Group for FY2016. 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 FY2016.

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

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Guideline 7.3

RC's access to advice on remuneration matters

The RC has direct access to the Company's Head of Human Resources should they have any queries on human resources matters.

During FY2016, 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, at the Company's expense.

Guideline 7.4

Service Contract

The Company's obligations arising in the event of termination of service contracts of its Executive Director and key management personnel are contained in their respective 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 Director and Key Management Personnel

The Company's remuneration structure for its Executive Director and key management personnel comprises both fixed and variable components with an aim to attract, retain and motivate talent on a sustainable basis. The variable component is performance related and is linked to the Company's performance as well as the individual's performance. This is designed to align remuneration with the interests of shareholders and to 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 KPIs are clearly set out for each financial year and such KPIs comprise both quantitative and qualitative factors.

Throughout FY2016, the Board has only one Executive Director, namely the CEO. As stipulated in the Company's remuneration framework, the Executive Director and key management personnel of the Group do not receive Directors' fees from the Company or from its subsidiaries/associated entities if they are nominated and appointed to these boards.

Guideline 8.2

Long-term Incentive Scheme

Currently, 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

Non-Executive Directors are paid a basic fee, an additional fee for serving on any of the Board committees and an attendance fee for participation in meetings of the Board and any of the Board committees. The fee structure for Non-Executive Directors is presented under Guideline 7.2 of this Report.

The Board concurred with the RC's proposal for Non-Executive Directors' fees for FY2016. 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.

The aggregate fees of the Non-Executive Directors are subject to the approval of the shareholders at each AGM.

Guideline 8.4

Contractual provisions to reclaim incentive components of remuneration

Having reviewed and considered the variable components of the Executive Director and key management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions in the terms of the employment to reclaim incentive components of their remuneration paid in prior years.

Principle 9: Disclosure of Remuneration

Guideline 9.1

Remuneration Report

Details on the remuneration of Directors and key management personnel for FY2016 are presented below. During FY2016, there was no termination, retirement and post-employment benefits granted to any Director or key management personnel.

Guideline 9.2

Remuneration of Directors

The remuneration of each Director paid or payable by the Company for FY2016 is set out below:

Name of Directors	Directors' Fees	Salary[4]	Benefits[5]	Variable Bonus[6]	Total
Executive Director					
Boediman Gozali (alias Tony Wu)[1]	–	$532,200	$13,930	$46,150	$592,280
Non-Executive Directors					
Peter Sung[2]	$66,698	–	–	–	$66,698
Cheng Hong Kok	$60,000	–	–	–	$60,000
Chong Chou Yuen[3]	–	–	–	–	–
William Nursalim alias William Liem[3]	–	–	–	–	–
Tan Lye Huat	$50,000	–	–	–	$50,000
Total Directors' Remuneration	**$176,698 23%**	**$532,200 69%**	**$13,930 2%**	**$46,150 6%**	**$768,978 100%**

Annotations:

(1) : Mr Boediman Gozali (alias Tony Wu) is an uncle of Mr William Nursalim alias William Liem, a Non-Executive Director of the Company. As an Executive Director, Mr Boediman Gozali (alias Tony Wu) does not receive Director's fee.

(2) : Director's fee to Non-Executive Chairman includes fee of $50,000 and benefits of $16,698 provided to him for reimbursement of transport and car-related costs.

(3) : As full time employees of Tuan Sing Holdings Limited, the Company's immediate holding company, both Mr Chong Chou Yuen and Mr William Nursalim alias William Liem do not receive Directors' fees.

(4) : Salary comprises basic salary and employer's CPF contributions.

(5) : Benefits relate to car benefits and related costs.

(6) : Variable bonus includes employer's CPF contributions.

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Guideline 9.3

Remuneration of Top 5 Key Management Personnel

The table below sets out the ranges of gross remuneration of the top 5 executives (excluding the Executive Director) of the Group:

Name of Top 5 Executives	Designation	Salary(1)	Benefits(2)	Variable Bonus(3)	Remuneration Bands of $250,000
Lee Hui Gek	Chief Financial Officer	92%	–	8%	$250,000 – $499,999
Lee Kay Chen Jason	General Manager, Tyre Distribution Unit	93%	–	7%	< $250,000
Christin Budiman	Senior Finance Manager	91%	1%	8%	< $250,000
Phey Mui Noi	Senior Finance Manager	90%	2%	8%	< $250,000
Toh Bok Chuan	Senior Manager, Fleet and Operations	93%	–	7%	< $250,000
Total Remuneration of Top 5 Executives		**92%**	**0%**	**8%**	**$768,458**

Annotations:

(1) : Salary comprises basic salary, allowance and employer's CPF contributions.

(2) : Benefits relate to long-term service awards.

(3) : Variable bonus includes employer's CPF contributions.

The aggregate remuneration paid to the above executives personnel in FY2016 was $768,458.

Guideline 9.4

Employee related to Directors or CEO

Save as disclosed above, there was no employee in the Group who is an immediate family member of a Director or the CEO, whose remuneration exceeded $50,000 for FY2016.

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

The information on the link between remuneration paid to the Executive Director and key management personnel, and performance is set out under Guideline 8.1 of this Report.

III. ACCOUNTABILITY AND AUDIT

The Board recognises the importance of providing accurate and relevant information on a timely basis to all stakeholders. In this respect, the ARC reviews all financial statements and results announcements 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.

During FY2016, quarterly unaudited results and the audited full-year results of the Group have all been announced within one month after the end of each period.

Principle 10: Accountability

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 to shareholders 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 specific template, to the CEO and the 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 SGX-ST'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 FY2016, the Board reviewed quarterly representation letters from the Management to ensure compliance with all the Group's policies, operational practices and procedures, and relevant legislative and regulatory requirements.

The Company has on 30 April 2016 received signed undertakings from all its Directors and executive officers based on the revised form of Appendix 7.7, pursuant to Listing Rule 720(1) of the SGX-ST Listing Manual. The undertakings replaced and superseded the ones previously signed by the Directors and executive officers which were announced by the Company on 29 October 2015.

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 financial 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 to enhance its risk management capabilities. The key risks were identified and classified under four categories, namely, Business and Strategic Risks, Financial Risks, Operational Risks and Compliance Risk. Action plans were in place to mitigate these risks. In addition, the Group evaluates its risk exposure by adopting a three-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.

More discussion of the Group's risk management is presented in the "Risk Management Statement" section of this Annual Report.

➢ **Internal Controls**

Minimum Acceptable Controls have been implemented to enhance the Group's internal control function in areas such as finance, operations, compliance and information technology. 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.

The system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

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.

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.

As part of the Group's continuous effort to ensure that its risk management and internal control systems are adequate and effective, the Company has implemented the following new policies in January 2017:

i. <u>Information Security Policy</u>

This policy provides guidelines to employees on the proper use of the Company's information systems and to ensure that the confidentiality of proprietary information is protected. It also supports the Company's business objectives of ensuring that the security, integrity and availability of information technology systems are balanced against the need for staff to access systems and services that are necessary for their job, within the limits imposed by this policy.

ii. Personal Data Protection Policy

This policy aims to ensure that employees are aware of the legal obligations of the Company under the Personal Data Protection Act 2012, Singapore or similar legislation in countries which the Group operates so as to protect the security and confidentiality of data of third parties it obtains during its operations.

iii. Anti-bribery and Anti-corruption Policy

This policy, which complements the existing Employee Code of Conduct, sets out guidelines to ensure that the Company, its Directors, officers, employees and agents conduct their activities in an honest and ethical manner as well as to comply with the applicable anti-bribery or anti-corruption laws and regulatory requirements in the various jurisdictions in which the Group operates.

Guideline 11.3
Board's Comment on Adequacy and Effectiveness of Internal Controls
Based on the framework of risk management and internal controls established and maintained by the Company, the work performed by the internal auditors, statutory audit undertaken by the external auditors, and the written representation from the CEO and the 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 of the view that the Group's risk management and internal control systems were effective and adequate as at 31 December 2016 to address the financial, operational, compliance and information technology risks of the Group.

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

Principle 12: Audit and Risk Committee

Guideline 12.1
ARC Composition
The ARC comprises the following three Directors, all of whom are non-executive and the majority, including the 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)

Guideline 12.2
Expertise of ARC Members
The ARC members bring with them invaluable professional expertise in the accounting and financial management domains. The NC is of the view that all the ARC members are appropriately qualified to discharge their responsibilities.

CORPORATE GOVERNANCE **REPORT**

Guidelines 12.3 & 12.4

Roles, Responsibilities and Authority of ARC

The ARC is guided by its Terms of Reference which stipulate its principal roles as follows:

i. assist the Board in fulfilling its responsibilities for the Company's financial reporting, management of financial risks and monitoring of the internal control systems. 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;

ii. 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;

iii. 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;

iv. review the activities 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;

v. ensure that adequate counter measures are in place to identify and mitigate any material business risks associated with the Company and the Group. Review the adequacy of the Company and the Group'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 and the Group's internal controls is conducted at least annually;

vi. 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 internal 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;

vii. 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 of the Group, and any announcements relating to the Company and the Group's financial performance; and

viii. 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.

Minutes of the ARC meetings are routinely tabled at Board meetings for information.

During FY2016, the ARC reviewed and if appropriate, approved all disclosable interested person transactions in accordance with the Shareholders' Mandate for Interested Person Transactions. Directors who are interested in the transaction had recused themselves from the deliberation and approval process in both the ARC and the Board deliberation. On a quarterly basis, the ARC also reviewed the financial results announcements of the Company and the Group before their submission to the Board for approval.

In the review of the financial statements for FY2016, the ARC has discussed with the Management and the external auditors on significant issues and assumptions that impact the financial statements. The most significant matters have also been included in the Independent Auditor's Report to the members of the Company under "Key Audit Matters". Following the review, the ARC is satisfied that those matters, including the recoverability of refundable deposit and the Group's aged trade receivables, have been properly dealt with and recommended the Board to approve the financial statements. The Board has on 25 January 2017 approved the financial statements.

The ARC has explicit authority to investigate any matter including whistle-blowing within its Terms of Reference. All whistle-blower complaints were reviewed by the ARC to ensure independent and thorough investigation and adequate follow-up. The Company has maintained a whistle-blowing register to record all the whistle-blowing incidents. The contents including "nil" returns in the register is reviewed by the ARC at its quarterly meetings.

The ARC 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 FY2016 and as in the past years, the Company's external and internal 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 oversees the Group's relationship with its external auditors. It reviews the selection of the external auditors and recommends to the Board the appointment, re-appointment and removal of the external auditors, the remuneration and terms of engagement of the external auditors. The annual re-appointment of the external auditors is subject to shareholders' approval at each AGM of the Company.

The ARC reviewed the independence and objectivity of the external auditors through discussions with the external auditors and an annual review of the nature, extent and charges of non-audit services provided by the external auditors. The ARC is of the view that the non-audit services (mainly as tax consultants) provided by the external auditors in FY2016 did not prejudice their objectivity and independence.

A breakdown of the fees paid to the Group's external auditors (including its member firms) is disclosed in the table below:

External Auditor Fees for FY2016	$'000	% of Total Fees
Total Audit Fees	104	75
Total Non-Audit Fees	35	25
Total Fees Paid	**139**	**100**

The Company has complied with SGX-ST Listing Rules 712 and 715 in relation to the Company's appointment of auditing firms.

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 and others, 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.

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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:

i. 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);

ii. make the necessary reports and recommendations to the ARC or the Board for their review and further action, if deemed required by them; and

iii. access the appropriate external advice where necessary and, where appropriate or required, report to the relevant governmental authorities for further investigation/action.

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.

The Company treats all information received confidentially and protects the identity and the interest of all whistle-blowers. Anonymous reporting will also be attended to and anonymity honoured.

The Whistle-blowing Policy is reviewed by the ARC 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. The last review was in October 2015.

Guideline 12.8

Disclosure on ARC's activities and measures taken by ARC to keep abreast of changes to Accounting Standards

The ARC met four times during FY2016. The CEO, CFO, Company Secretary, external and internal auditors were invited to attend these meetings.

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 its member firms is a member of the ARC.

Principle 13: Internal Audit

Guidelines 13.1 & 13.2
Internal Auditors and Compliance
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 Risk Services Pte. Ltd. ("**PwC**"). Upon the recommendation by ARC, the Board has approved the re-engagement of PwC as IA of the Group. The IA has unrestricted access to the ARC as well as the documents, records, properties and personnel of the Company and the Group, where relevant to their work. 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 external audit. 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 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 issued by the Institute of Internal Auditors.

At the beginning of each financial 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. Having reviewed the audit plan of PwC, 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. As such, it reviews and updates relevant arrangements regularly and embraces effective as well as fair communication with its shareholders. It also encourages shareholders to participate at general meetings.

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. Such channels include annual reports, shareholder circulars, shareholders' meetings and announcements through SGXNet.

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Guideline 14.2

Providing Opportunity for Shareholders to Participate and Vote at General Meetings

Shareholders are entitled to attend the general meetings and are given the opportunity to participate effectively in and vote at the general meetings of the Company.

Shareholders are informed of general meetings through reports/circulars/letters sent to all shareholders in addition to notices published in the newspapers, Company's announcements via SGXNet and the Company's website. General meetings are held at venues within the central business district and easily accessible by the 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 Constitution which provided therein that no limit shall be imposed on the number of proxies for indirect investors who hold the Company's shares through a nominee company or custodian bank or through CPF agent bank. This is to facilitate shareholders holding shares through nominee companies to attend any general meeting as proxies. This practice is therefore well ahead of the introduction of the multiple proxies under the amended Companies Act (effective 3 January 2016).

Principle 15: Communication with Shareholders

Guideline 15.1

Communication with Shareholders

In line with the continuous disclosure obligations under the requirements of the SGX-ST Listing Manual and requirements of the Companies Act, the Board informs the shareholders promptly of all major developments that may have a material impact on the Group.

The Board embraces openness and transparency in the conduct of the Company's affairs, whilst safeguarding its commercial interests. Shareholders can provide their enquiries, concerns or feedbacks on the Company's website. Material information on the Group is released to the public through the Company's announcements via SGXNet as well as through its corporate website at www.spcorp.com.sg.

Guideline 15.2

Disclosure of Information on a Timely Basis

The Company communicates with shareholders and the investment community through timely release of announcements to the SGX-ST via SGXNet. Audited results for FY2016 were released within twenty-eight days from the financial year end. Unaudited quarterly results were also announced within the same time frame of twenty-eight days. The 2016 Annual Report will be distributed to shareholders twenty-eight days before the AGM scheduled to be held on 6 April 2017.

To further enhance its communication with the investors, the Company's website allows the public to have access to information on the Group including the Company's announcements made to the SGX-ST.

Guideline 15.3

Interaction with Shareholders

General meetings have been and are still the principal forum for dialogue with shareholders. During 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. Simultaneously, the Company is also able to 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 on the Company's website.

Guideline 15.5

Dividend Policy

As the Company still has accumulated losses as at 31 December 2016 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 venues within the central business district which is convenient and accessible to shareholders.

Shareholders are also informed of these meetings twenty-eight days in advance through notices in its annual reports or circulars. These notices are also released via SGXNet, published in the newspapers and posted on the Company's website.

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. Detailed information on each item in the AGM agenda is also provided in the explanatory notes to the Notice of AGM in this Annual Report.

Guideline 16.3

Attendees at General Meetings

In the past years, the Chairman of the Board and the Chairman of each of the Board committees had attended all general meetings to address issues raised by shareholders. The Company's external auditors and its legal advisers were 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 raised by shareholders and answers given by the Board and the Management will be prepared by the Company and 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 5 April 2016.

An independent firm was appointed as the scrutineer to conduct the polling process at the last AGM. 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 also announced after the said meeting via SGXNet.

CORPORATE GOVERNANCE **REPORT**

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.

INTERESTED PERSON TRANSACTIONS
– Listing Manual Rule 907

Interested Person Transactions ("**IPTs**") are executed on fair terms and at arm's length regardless of nature and size. Quarterly report on IPTs entered into by the Group is submitted to the ARC for review. Under the SGX-ST listing rules, where any IPT requires shareholders' approval, the interested person will abstain from voting and the decision will be made by disinterested shareholders. When a potential conflict of interest arises, the Director concerned neither take part in discussions nor exercise any influence over other members of the Board.

Disclosure of IPTs is presented in the "SGX-ST Listing Manual Requirements" section of this Annual Report.

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/her during his/her 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 and professionalism in 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. All employees are required to make an annual declaration on involvement in any conflict of interest situation and compliance with the code of conduct.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 2016.

In the opinion of the Directors:

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 45 to 88 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2016, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

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

Mr Peter Sung
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 AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures 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 (the "Act") as at 31 December 2016 and 21 January 2017.

4 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**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5 AUDIT AND RISK COMMITTEE

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

Mr Cheng Hong Kok (Chairman)	(Independent and Non-Executive)
Mr 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 Act and the Singapore Code of Corporate Governance.

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

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

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

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

6 EXTERNAL AUDITORS

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

ON BEHALF OF THE DIRECTORS

Peter Sung
Chairman

Boediman Gozali (alias Tony Wu)
Chief Executive Officer

25 January 2017

INDEPENDENT AUDITOR'S **REPORT**

TO THE MEMBERS OF SP CORPORATION LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of SP Corporation Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 45 to 88.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters	How the Audit Matter was addressed in the Audit
Recoverability of refundable deposit	
Management assesses at the end of the reporting period whether there is any evidence that the refundable deposit of US$6,000,000 (equivalent to $8,689,000) provided to a related party to secure coal allocations is impaired. Management monitors and takes into consideration the following in their assessment on recoverability of the refundable deposit: • the related party's past payment history to the Group; • ongoing dealings with the related party; • latest management accounts and/or audited financial statements of the related party; • management's relationships and discussion with management of the related party on their coal mines' operation; and • current valuation of the coal mines' reserves based on the related party's external independent valuation report. The Group's disclosure of the above significant estimates is provided in Note 3 to the financial statements, and further information related to the refundable deposit is provided in Note 8.	Our audit procedures focused on evaluating and challenging the key estimates used by management in assessing the recoverability of the refundable deposit. These procedures include: • obtaining an understanding of the key controls and processes that management and the directors have in place to assess the recoverability of the refundable deposit and ensured that they have been adhered to; • reviewing the agreements for the arrangement on the refundable deposit; • challenging management's assessment of the recoverability of the amount as at the reporting date, including the assessment by management on the related party's financial position and performance, its historical payment cycles and management's analysis on the valuation report issued by the related party's external valuer. Based on our procedures, we noted that management's analysis and assessment on the recoverability of the refundable deposit can be supported. We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements.

INDEPENDENT AUDITOR'S **REPORT**

TO THE MEMBERS OF SP CORPORATION LIMITED

Key Audit Matters	How the Audit Matter was addressed in the Audit
Group's aged trade receivables	
There is a risk that the Group's aged trade receivables which are past due but not impaired may not be recoverable and allowance for doubtful receivables may not be adequate or reasonable. Management monitors and assesses the Group's credit risk, and where required, adjust the level of impairment allowance, which requires management to make significant judgements regarding the expected future financial condition and the ability of future receipts from the debtors, especially where the debts are aged or overdue for more than 3 months. Inappropriate judgement and estimates made in the impairment assessment would result in a significant impact on the carrying amount of the trade receivables. Disclosure on the above key estimates has been made in Note 3 to the financial statements, and further information related to the aged trade receivables is provided in Note 9.	We have evaluated and challenged management's assessment of the recoverability of the Group's aged trade receivables which are past due but not impaired as at the reporting date, including the assessment of any allowance to be made by the Group in respect of overdue debts. We enquired with management on the reasons for the delay in payments on certain aged trade receivables and the appropriateness of any allowance for doubtful debts to be made, by considering amongst others, factors such as subsequent cash receipts, past payment practices, the ongoing business relationship with the debtors involved or where relevant, repayment schedule as agreed with the debtors. Based on our procedures, we have validated and are satisfied with the key management estimates adopted. We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements.

Information other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

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

INDEPENDENT AUDITOR'S **REPORT**

TO THE MEMBERS OF SP CORPORATION LIMITED

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, 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 view financial statements and to maintain accountability of assets.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S **REPORT**

TO THE MEMBERS OF SP CORPORATION LIMITED

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Mr Yang Chi Chih.

Deloitte & Touche LLP

Public Accountants and
Chartered Accountants
Singapore

25 January 2017

STATEMENTS OF FINANCIAL **POSITION**

31 DECEMBER 2016

	Note	Group		Company	
		2016	2015	2016	2015
		$'000	$'000	$'000	$'000
Assets					
Non-Current Assets					
Plant and equipment	5	**375**	530	**184**	223
Investments in subsidiaries	6	**–**	–	**18,413**	17,973
Total non-current assets		**375**	530	**18,597**	18,196
Current Assets					
Inventories	7	**759**	914	**–**	–
Trade and other receivables	8	**51,901**	62,168	**19,262**	19,252
Tax recoverable	11	**110**	112	**69**	84
Cash and bank balances	12	**24,826**	12,999	**2,449**	1,753
Total current assets		**77,596**	76,193	**21,780**	21,089
Total Assets		**77,971**	76,723	**40,377**	39,285
Equity and Liabilities					
Equity					
Share capital	13	**58,366**	58,366	**58,366**	58,366
Translation reserve		**1,628**	810	**–**	–
Accumulated losses		**(7,010)**	(8,812)	**(19,173)**	(20,349)
Total equity		**52,984**	50,364	**39,193**	38,017
Non-Current Liability					
Deferred tax	14	**54**	24	**1**	4
Current Liabilities					
Trade and other payables	15	**24,567**	26,192	**1,092**	1,174
Income tax payable		**366**	143	**91**	90
Total current liabilities		**24,933**	26,335	**1,183**	1,264
Total Equity and Liabilities		**77,971**	76,723	**40,377**	39,285

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE **INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group	
		2016	**2015**
		$'000	**$'000**
Revenue	16	**125,640**	119,675
Cost of sales		**(120,618)**	(114,024)
Gross profit		**5,022**	5,651
Other operating income	17	**689**	504
Distribution costs		**(2,136)**	(2,227)
Administrative expenses		**(3,148)**	(3,176)
Other operating expenses	18	**(1)**	(89)
Interest income	19	**1,835**	976
Interest expense	20	**(9)**	(25)
Profit before tax		**2,252**	1,614
Income tax expense	21	**(450)**	(148)
Profit for the financial year attributable to Owners of the Company	22	**1,802**	1,466
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**818**	1,300
Other comprehensive income for the financial year, net of tax, attributable to Owners of the Company		**818**	1,300
Total comprehensive income for the financial year attributable to Owners of the Company		**2,620**	2,766
Earnings per share (cent)			
Basic	23	**5.13**	4.18
Diluted	23	**5.13**	4.18

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Attributable to Owners of the Company			
	Share capital $'000	Translation reserve (account) $'000	Accumulated losses $'000	Total equity $'000
Group				
At 1 January 2016	**58,366**	**810**	**(8,812)**	**50,364**
Total comprehensive income for the financial year				
Profit for the financial year	**–**	**–**	**1,802**	**1,802**
Other comprehensive income for the financial year	**–**	**818**	**–**	**818**
Total	**–**	**818**	**1,802**	**2,620**
At 31 December 2016	**58,366**	**1,628**	**(7,010)**	**52,984**
At 1 January 2015	58,366	(490)	(10,278)	47,598
Total comprehensive income for the financial year				
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
At 31 December 2015	58,366	810	(8,812)	50,364
Company				
At 1 January 2016	**58,366**	**–**	**(20,349)**	**38,017**
Profit for the financial year, representing total comprehensive income for the financial year	**–**	**–**	**1,176**	**1,176**
At 31 December 2016	**58,366**	**–**	**(19,173)**	**39,193**
At 1 January 2015	58,366	–	(21,225)	37,141
Profit for the financial year, representing total comprehensive income for the financial year	–	–	876	876
At 31 December 2015	58,366	–	(20,349)	38,017

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH **FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group	
	2016	**2015**
	$'000	**$'000**
Operating Activities		
Profit before tax	**2,252**	1,614
Adjustments for:		
Depreciation of plant and equipment	**172**	167
Gain on disposal of plant and equipment	**(1)**	(1)
Write-back of doubtful trade receivables	**–**	(1)
Allowance for inventory obsolescence	**1**	89
Interest expense	**9**	25
Interest income	**(1,835)**	(976)
Fair value loss (gain) on forward contracts, unrealised	**327**	(271)
Operating cash flows before movements in working capital	**925**	646
Inventories	**154**	216
Trade and other receivables	**11,294**	(11,509)
Restricted bank balances	**750**	(1,748)
Trade and other payables	**(3,237)**	3,078
Cash generated from (used in) operations	**9,886**	(9,317)
Interest paid	**(9)**	(25)
Interest received	**2,061**	968
Income tax paid, net	**(210)**	(390)
Net cash from (used in) operating activities	**11,728**	(8,764)
Investing Activities		
Proceeds on disposal of plant and equipment	**1**	1
Payments for acquisition of plant and equipment	**(17)**	(392)
Net cash used in investing activities	**(16)**	(391)
Financing Activities		
Proceeds from borrowings	**900**	19,690
Repayment of borrowings	**(900)**	(19,690)
Net cash from financing activities	**–**	–
Net increase (decrease) in cash and cash equivalents	**11,712**	(9,155)
Cash and cash equivalents at the beginning of financial year	**9,569**	18,141
Effects of exchange rate changes on the balance of cash held in foreign currencies	**865**	583
Cash and cash equivalents at the end of financial year (Note 12)	**22,146**	9,569

See accompanying notes to financial statements.

1 GENERAL

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

The immediate and ultimate holding company is Tuan Sing Holdings Limited, a company incorporated in Singapore and listed on the SGX-ST. 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 2016 were authorised for issuance in accordance with a resolution of the Directors on 25 January 2017.

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 Financial Reporting Standards in Singapore ("FRSs").

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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Adoption of New and Revised Standards

On 1 January 2016, 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 the 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:

- Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*[1]
- Amendments to FRS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*[1]
- FRS 109 *Financial Instruments*[2]
- FRS 115 *Revenue from Contracts with Customers (with clarifications issued)*[2]
- FRS 116 *Leases*[3]

1 *Applies to annual periods beginning on or after 1 January 2017, with early application permitted.*
2 *Applies to annual periods beginning on or after 1 January 2018, with early application permitted.*
3 *Applies to annual periods beginning on or after 1 January 2019, with early application permitted if FRS 115 is adopted.*

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.
- 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

FRS 109 *Financial Instruments (cont'd)*

- 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.

Management anticipates that the initial application of the new FRS 109 will result in changes to the accounting policies relating to the impairment provisions of financial assets and liabilities. Management will consider whether a lifetime or 12-month expected credit losses on financial assets and liabilities should be recognised, which is dependent on whether there has been a significant increase in the credit risk of the assets and liabilities from initial recognition to the date of initial application of FRS 109. Additional disclosures will also be made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as management has yet to complete its detailed assessment. Management does not plan to early adopt the new FRS 109.

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. Further clarifications to FRS 115 were also issued in June 2016.

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.

Management anticipates that the initial application of the new FRS 115 should not result in changes to the accounting policies relating to revenue recognition. However, additional disclosures for trade receivables and revenue may be required, including any significant judgement and estimation made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as management has yet to complete its detailed assessment. Management does not plan to early adopt the new FRS 115.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

FRS 116 *Leases*
FRS 116 was issued in June 2016 and will supersede FRS 17 *Leases* and its associated interpretative guidance.

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

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

Management is currently still assessing the possible impact of implementing FRS 116. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the entity's financial statements in the period of initial application as management has yet to complete its detailed assessment. Management does not plan to early adopt the above new FRS 116.

IFRS Convergence in 2018
Singapore-incorporated companies listed on the SGX-ST will be required to apply a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after 1 January 2018. The Group will be adopting the new framework for the first time for financial year ending 31 December 2018.

Based on a preliminary assessment of the potential impact arising from IFRS 1 *First-time adoption of IFRS*, management does not expect any changes to the Group's current accounting policies or material adjustments on transition to the new framework, other than those that may arise from implementing new/revised IFRSs as set out in the preceding paragraphs.

Management is currently performing a detailed analysis of the available policy choices, transitional optional exemptions and transitional mandatory exceptions under IFRS 1, and the preliminary assessment above may be subject to change arising from the detailed analysis.

(c) Basis of Consolidation

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Basis of Consolidation (cont'd)

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

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

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

Changes in the Group's Ownership Interests in Existing Subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable 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 separate financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

(d) Business Combination

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

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

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Business Combination (cont'd)

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

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

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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 statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

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".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Financial Instruments (cont'd)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Financial Instruments (cont'd)

Financial Assets (cont'd)

Impairment of financial assets (cont'd)
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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Financial Instruments (cont'd)

Financial Liabilities and Equity Instruments (cont'd)

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.

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 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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Financial Instruments (cont'd)

Financial Liabilities and Equity Instruments (cont'd)

Other financial liabilities (cont'd)

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 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct 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) 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.

(i) 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.

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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Provisions

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

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

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

(k) 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.

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

(l) Borrowing Costs

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

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

(m) Retirement Benefit Costs

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

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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

(o) **Income Tax**
Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

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

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

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

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

(p) **Foreign Currency Transactions and Translation**
The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position 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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Foreign Currency Transactions and Translation (cont'd)

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

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

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

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

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

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

(q) Cash and Cash Equivalents in the Consolidated Statement of Cash Flows

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

(r) Segment Reporting

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

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

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.

(a) Critical Judgements in applying the Entity's Accounting Policies

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

(b) Key Sources of Estimation Uncertainty

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

Recoverability of Refundable 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 $8,689,000) 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, reviewing the valuation report of the coal mines and ongoing coal delivery from the coal mines whom the Group has placed the deposit with. If the financial condition of the coal mines 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 is disclosed in Note 8 to the financial statements.

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.

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.

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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**

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4 SEGMENT INFORMATION (cont'd)

Segment Revenue and Results

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

	Commodities Trading $'000	Tyre Distribution $'000	Corporate and Others $'000	Inter-Segment Eliminations $'000	Consolidated $'000
Financial Year ended 31 December 2016					
Revenue					
– External customers	109,331	16,309	–	–	125,640
– Inter-segment	–	–	3,040	(3,040)	–
Total segment revenue	109,331	16,309	3,040	(3,040)	125,640
Result					
Segment result	870	(932)	480	8	426
Interest income	1,824	19	217	(225)	1,835
Interest expense	(234)	–	–	225	(9)
Profit before tax	2,460	(913)	697	8	2,252
Income tax expense					(450)
Profit after tax					1,802
Assets					
Segment assets	70,921	3,708	3,232	–	77,861
Unallocated assets					110
Total assets					77,971
Liabilities					
Segment liabilities	22,281	1,231	1,055	–	24,567
Unallocated liabilities					420
Total liabilities					24,987
Other Information					
Capital expenditure	2	10	5	–	17
Depreciation of plant and equipment	7	121	44	–	172
Gain on disposal of plant and equipment	–	(1)	–	–	(1)
Allowance for inventory obsolescence	–	1	–	–	1

NOTES TO FINANCIAL **STATEMENTS**

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4 SEGMENT INFORMATION (cont'd)

Segment Revenue and Results (cont'd)

	Commodities Trading $'000	Tyre Distribution $'000	Corporate and Others $'000	Inter-Segment Eliminations $'000	Consolidated $'000
Financial Year ended 31 December 2015					
Revenue					
– 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
Result					
Segment result	1,223	(924)	365	(1)	663
Interest income	953	20	215	(212)	976
Interest expense	(237)	–	–	212	(25)
Profit before tax	1,939	(904)	580	(1)	1,614
Income tax expense					(148)
Profit after tax					1,466
Assets					
Segment assets	67,388	6,650	2,573	–	76,611
Unallocated assets					112
Total assets					76,723
Liabilities					
Segment liabilities	20,486	4,706	1,000	–	26,192
Unallocated liabilities					167
Total liabilities					26,359
Other Information					
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 2016

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 External Customers		Non-Current Assets		Capital Expenditure	
Based on Location of Customer	**2016 $'000**	**2015 $'000**	**2016 $'000**	**2015 $'000**	**2016 $'000**	**2015 $'000**
Singapore	**76,409**	68,854	**312**	454	**14**	315
China including Hong Kong	**23,508**	13,668	**–**	–	**–**	–
Indonesia	**9,254**	13,453	**–**	–	**–**	–
Malaysia	**8,012**	8,196	**63**	76	**3**	77
Germany	**–**	7,452	**–**	–	**–**	–
Other ASEAN countries	**5,519**	4,714	**–**	–	**–**	–
Brunei	**1,830**	2,097	**–**	–	**–**	–
Others	**1,108**	1,241	**–**	–	**–**	–
	125,640	119,675	**375**	530	**17**	392

Information about major customers

Included in the Commodities Trading revenue of $109.3 million (2015: $99.8 million) were sales of approximately $44.7 million and $16.0 million (2015: $45.5 million and $17.1 million) to the Group's two largest customers.

5 **PLANT AND EQUIPMENT**

Group	**Plant and Equipment $'000**	**Motor Vehicles $'000**	**Total $'000**
Cost			
At 1 January 2016	**1,127**	**615**	**1,742**
Additions	**17**	**–**	**17**
Disposals	**(2)**	**–**	**(2)**
Write-offs	**(10)**	**–**	**(10)**
At 31 December 2016	**1,132**	**615**	**1,747**
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

NOTES TO FINANCIAL **STATEMENTS**

31 DECEMBER 2016

5 PLANT AND EQUIPMENT (cont'd)

Group	Plant and Equipment $'000	Motor Vehicles $'000	Total $'000
Accumulated Depreciation			
At 1 January 2016	**930**	**282**	**1,212**
Depreciation for the financial year	**114**	**58**	**172**
Disposals	**(2)**	**–**	**(2)**
Write-offs	**(10)**	**–**	**(10)**
At 31 December 2016	**1,032**	**340**	**1,372**
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
Carrying Amounts			
At 31 December 2016	**100**	**275**	**375**
At 31 December 2015	197	333	530

Company	Plant and Equipment $'000	Motor Vehicles $'000	Total $'000
Cost			
At 1 January 2016	**228**	**202**	**430**
Additions	**5**	**–**	**5**
At 31 December 2016	**233**	**202**	**435**
At 1 January 2015	228	–	228
Additions	–	202	202
At 31 December 2015	228	202	430
Accumulated Depreciation			
At 1 January 2016	**202**	**5**	**207**
Depreciation for the financial year	**24**	**20**	**44**
At 31 December 2016	**226**	**25**	**251**
At 1 January 2015	150	–	150
Depreciation for the financial year	52	5	57
At 31 December 2015	202	5	207
Carrying Amounts			
At 31 December 2016	**7**	**177**	**184**
At 31 December 2015	26	197	223

6 INVESTMENTS IN SUBSIDIARIES

	Company	
	2016 **$'000**	**2015** **$'000**
Unquoted equity shares, at cost	**14,049**	14,049
Recognition of financial guarantee provided to subsidiaries	**4,481**	4,041
Less: Impairment loss	**(117)**	(117)
	18,413	17,973

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.

In 2015, an impairment loss of $98,000 in an investment in a subsidiary was recognised. In making this judgement, the Company evaluates, among other factors, the market and economic environment in which the subsidiaries operate, economic performance of the subsidiaries, the duration and extent to which the cost of investment in the subsidiaries exceed its net tangible asset value which according to management, is the best estimate of the recoverable amount.

7 INVENTORIES

Group	**At Cost** **$'000**	**At Net Realisable Value** **$'000**	**Total** **$'000**
2016			
Raw materials	**77**	**–**	**77**
Finished goods	**640**	**42**	**682**
	717	**42**	**759**
2015			
Raw materials	73	–	73
Finished goods	606	235	841
	679	235	914

The net realisable value of the above inventories is stated net of allowance of $43,000 (2015: $196,000). During the financial year, $1,000 (2015: $89,000) was recognised as an expense in respect of write-down of inventories to net realisable value.

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8 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 **$'000**	2015 $'000	**2016** **$'000**	2015 $'000
Trade receivables (Note 9)	**39,026**	43,973	**457**	457
Other receivables (Note 10)	**607**	927	**18,805**	18,795
Advances to suppliers:(1)				
– Third party	**103**	3,936	**–**	–
– Related party [Note 24(a)(ii)]	**3,476**	4,897	**–**	–
Refundable deposit with related party(2) [Note 24(a)(ii)]	**8,689**	8,435	**–**	–
	51,901	62,168	**19,262**	19,252

(1) A subsidiary made payment for a progress billing of $103,000 (2015: $3,936,000) from a third party supplier on order placement.

Advance to a related party for coal order placement is interest-free and repayable by 15 April 2017 (2015: 31 March 2016).

(2) Refundable deposit of US$6,000,000 (2015: 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 $8,689,000 [2015: $8,435,000]) is repayable within 1 year and subject to annual renewal by mutual agreement between the two parties. It bears an effective interest rate of 5.43% (2015: 4.83%) per annum (Note 10).

9 TRADE RECEIVABLES

	Group		Company	
	2016 **$'000**	2015 $'000	**2016** **$'000**	2015 $'000
Trade receivables	**27,390**	36,680	**–**	–
Amounts due from related parties – trade [Note 24(a)(ii)]	**11,636**	7,293	**–**	–
Amount due from subsidiary – trade (Notes 6 and 28)	**–**	–	**457**	457
	39,026	43,973	**457**	457

An amount of $1,963,000 in the prior year's financial statements has been reclassified from "Trade receivables" to "Amount due from related parties – trade" following a corporate transaction in December 2015 involving a director and his associated companies.

Certain past due trade receivables bear interest at rates ranging from 8% to 12% (2015: 8% to 12%) per annum in accordance with the billing terms and the remaining are non-interest bearing. The trade receivables are generally on 30 to 120 days (2015: 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.

Movement in the Allowance for Doubtful Trade Receivables

	Group	
	2016 **$'000**	2015 $'000
At beginning of financial year	**–**	153
Amounts written off during the financial year	**–**	(152)
Written back during the financial year	**–**	(1)
At end of financial year	**–**	–

9 TRADE RECEIVABLES (cont'd)

Included in the Group's trade receivable balances are debtors with a carrying amount of $15,585,000 (2015: $16,746,000) 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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Not past due and not impaired	**23,441**	27,227	**457**	457
Past due but not impaired[a]	**15,585**	16,746	**–**	–
	39,026	43,973	**457**	457
Impaired receivables – collectively assessed[b]	**–**	–	**–**	–
Less: Allowance for doubtful receivables	**–**	–	**–**	–
	–	–	**–**	–
Total trade receivables, net	**39,026**	43,973	**457**	457

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

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
< 3 months	**10,073**	9,611	**–**	–
3 months to 6 months	**2,166**	3,784	**–**	–
6 months to 12 months	**3,346**	3,351	**–**	–
	15,585	16,746	**–**	–

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

10 OTHER RECEIVABLES

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Prepayments	**115**	100	**41**	33
Deposits	**156**	207	**52**	50
Foreign currency forward contracts	**–**	271	**–**	–
Sundry debtors	**88**	68	**–**	–
Interest receivable from a related party [Note 24(a)(ii)]	**198**	171	**–**	–
Amounts receivable from related parties [Note 24(a)(ii)]	**50**	110	**–**	–
Amount receivable from a subsidiary (Notes 6 and 28)	**–**	–	**18,712**	18,712
	607	927	**18,805**	18,795

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, repayable on demand and bears an effective interest rate of 1.04% (2015: 1.08%) per annum.

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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	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Fixed deposits	**8,603**	3,501	**1,467**	–
Cash at bank and on hand	**16,223**	9,498	**982**	1,753
Cash and bank balances	**24,826**	12,999	**2,449**	1,753
Less: Restricted bank balances (pledged fixed deposits)	**(2,680)**	(3,430)		
Cash and cash equivalents in the statement of cash flows	**22,146**	9,569		

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 $2,680,000 (2015: $3,430,000) are held by banks as security for facilities granted to certain subsidiaries. Fixed deposits bear interest ranging from 0.05% to 1.02% (2015: 0.05% to 0.9%) per annum and for tenors ranging from 31 to 182 days (2015: 31 to 183 days).

13 SHARE CAPITAL

	Group and Company			
	2016 Number of Ordinary Shares	**2015 Number of Ordinary Shares**	**2016 $'000**	**2015 $'000**
Issued and Paid Up				
At beginning of financial year	**35,099,132**	350,991,516	**58,366**	58,366
Effect of share consolidation	**–**	(315,892,384)	**–**	–
At end of financial year	**35,099,132**	35,099,132	**58,366**	58,366

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

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.

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14 DEFERRED TAX

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
At beginning of financial year	**24**	26	**4**	5
Charge (Write-back) during the financial year	**28**	(2)	**(3)**	(1)
Translation difference	**2**	–	**–**	–
At end of financial year	**54**	24	**1**	4
Deferred tax at 31 December related to the following:				
Deferred tax liabilities				
– Differences in accounting and tax depreciation	**54**	24	**1**	4

15 TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Trade creditors	**18,472**	16,324	**42**	45
Accrued expenses	**1,396**	1,401	**586**	662
Financial guarantee contracts	**–**	–	**253**	255
Foreign currency forward contracts	**327**	–	**–**	–
Sundry creditors	**150**	202	**3**	1
Amounts due to related parties – trade [Note 24(a)(ii)]	**4,114**	4,101	**–**	–
Progress billing to a related party [Note 24(a)(ii)]	**108**	4,164	**–**	–
Amount due to a subsidiary – non-trade (Notes 6 and 28)	**–**	–	**208**	211
	24,567	26,192	**1,092**	1,174

Trade creditors principally comprise amounts outstanding for trade purchases and ongoing costs. Trade payables are generally on 14 to 120 days (2015: 14 to 120 days) credit terms.

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

16 REVENUE

	Group	
	2016	2015
	$'000	$'000
Sale of products	**123,512**	117,097
Rendering of services	**2,128**	2,578
	125,640	119,675

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17 OTHER OPERATING INCOME

	Group	
	2016	**2015**
	$'000	**$'000**
Foreign currency exchange gain	**360**	324
Handling fee income	**275**	149
Gain on disposal of plant and equipment	**1**	1
Write-back of doubtful trade receivables	**–**	1
Sundry income	**53**	29
	689	504

18 OTHER OPERATING EXPENSES

	Group	
	2016	**2015**
	$'000	**$'000**
Allowance for inventory obsolescence	**1**	89

19 INTEREST INCOME

	Group	
	2016	**2015**
	$'000	**$'000**
Interest income:		
Bank deposits	**34**	48
Third parties	**262**	478
Related parties [Note 24(a)(ii)]	**1,539**	450
	1,835	976

20 INTEREST EXPENSE

	Group	
	2016	**2015**
	$'000	**$'000**
Interest expense on bills payable	**9**	25

21 INCOME TAX EXPENSE

	Group	
	2016	**2015**
	$'000	**$'000**
Income tax:		
Current financial year	**181**	82
Withholding tax paid	**139**	18
Under provision in prior financial years	**102**	50
	422	150
Provision (Write-back) of deferred tax	**28**	(2)
	450	148

21 INCOME TAX EXPENSE (cont'd)

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

	Group	
	2016	**2015**
	%	**%**
Domestic statutory tax rate	**17.0**	17.0
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(0.2)**	(0.7)
Under provision in prior financial years	**4.5**	3.1
Exempt income	**(2.3)**	(2.4)
Withholding tax paid	**6.2**	1.1
Expenses not deductible for tax purposes	**0.6**	1.8
Income capital in nature	**(2.2)**	(9.9)
Deferred tax benefits not recognised	**2.2**	2.4
Effect of tax concessions	**(1.8)**	(1.3)
Others	**(4.0)**	(1.8)
Effective tax rate	**20.0**	9.3

Domestic income tax is calculated at 17% (2015: 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 2016, the Group had unutilised tax losses and capital allowances of approximately $8,931,000 (2015: $8,942,000) and $1,831,000 (2015: $1,856,000) 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 $1,820,000 (2015: $1,824,000) 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.

22 PROFIT FOR THE FINANCIAL YEAR

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

	Group	
	2016	**2015**
	$'000	**$'000**
Salaries and wages	**3,090**	2,982
Employer's contribution to defined contribution plans including Central Provident Fund	**270**	233
Employees benefit expenses (including directors' remuneration)	**3,360**	3,215
Remuneration paid or payable to:		
Directors of the Company	**769**	763
Key management personnel	**768**	739
Cost of inventories included in cost of sales	**120,618**	114,024
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	**14**	31
Other auditors[1]	**46**	106

Note:

(1) During the financial year ended 31 December 2015, 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.

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22 PROFIT FOR THE FINANCIAL YEAR (cont'd)

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 $270,000 (2015: $233,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2016, contributions of $48,000 (2015: $47,000) 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.

23 EARNINGS PER SHARE (CENT)

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

	Group	
	2016	**2015**
Net profit attributable to owners of the Company ($'000)	**1,802**	1,466
Weighted average number of ordinary shares in issue (in '000s)	**35,099**	35,099
Basic earnings per share (cent)	**5.13**	4.18

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.

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.

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

(a) Transactions with Related Companies and Related Parties

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

	Group	
	2016	**2015**
	$'000	**$'000**
(i) **Tuan Sing Holdings Limited and Subsidiaries**		
Rental expense	**26**	28
Management fee expense	**150**	150
(ii) **Related Parties**		
Sales of goods and services	**(14,170)**	(4,669)
Purchases of goods	**46,700**	37,325
Interest income	**(1,539)**	(450)
Handling fee income	**(275)**	(149)
Advance for coal order placement	**3,476**	4,897
Progress billing on order placement	**108**	4,164
Placement of trade deposit	**8,689**	8,435

The Group is reliant on two related parties for the supply of 100% (2015: 100%) of its coal within its Commodities Trading segment and another two related parties for the supply of 95% (2015: 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	
	2016	**2015**
	$'000	**$'000**
Short-term benefits	**1,466**	1,442
Post-employment benefits	**71**	60
	1,537	1,502

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	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Rental expense – operating lease in respect of rental of office premises, warehouse and workshops	**610**	602	**193**	184

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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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Within one year	368	427	199	74
After one year but not more than five years	100	–	100	–
	468	427	299	74

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 2 years (2015: 1 to 3 years) with rentals fixed for 1 to 2 years (2015: 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	
	2016 $'000	2015 $'000
Foreign currency forward contracts	15,000	18,900

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

26 CONTINGENT LIABILITIES

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Financial guarantees to banks for facilities granted to a subsidiary	–	–	61,208	59,987

27 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of Financial Instruments

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

	Group		Company	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Financial Assets				
Loan and receivables				
Trade and other receivables	**51,901**	62,168	**19,262**	19,252
Less: Prepayments	**(115)**	(100)	**(41)**	(33)
Foreign currency forward contracts	**–**	(271)	**–**	–
Advance to a supplier	**(103)**	(3,936)	**–**	–
Advance to a related party	**(3,476)**	(4,897)	**–**	–
	48,207	52,964	**19,221**	19,219
Cash and bank balances	**24,826**	12,999	**2,449**	1,753
	73,033	65,963	**21,670**	20,972
Derivative instruments not designated in hedge accounting relationships				
Foreign currency forward contracts	**–**	271	**–**	–
Financial Liabilities				
Amortised cost				
Trade and other payables	**24,567**	26,192	**1,092**	1,174
Less: Foreign currency forward contracts	**(327)**	–	**–**	–
Progress billing to a related party	**(108)**	(4,164)	**–**	–
	24,132	22,028	**1,092**	1,174
Derivative instruments not designated in hedge accounting relationships				
Foreign currency forward contracts	**327**	–	**–**	–

(b) Financial Instruments subject to Offsetting, Enforceable Master Netting Arrangement and Similar Agreements

The Group and the Company do not have any financial instruments which are subject to enforceable master netting arrangements or similar netting agreements.

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27 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL 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.

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.

NOTES TO FINANCIAL STATEMENTS

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

(c) Financial Risk Management Policies and Objectives (cont'd)

(i) Currency Risk Management (cont'd)

Currency Risk Exposure

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

SGD equivalent	USD $'000	SGD $'000	Others $'000	Total $'000
Group				
At 31 December 2016				
Financial assets				
Cash and bank balances	**2,105**	**230**	**18**	**2,353**
Trade and other receivables	**1,495**	**39**	**96**	**1,630**
Financial liabilities				
Trade and other payables	**(828)**	**(20,495)**	**(121)**	**(21,444)**
Net financial liabilities	**2,772**	**(20,226)**	**(7)**	**(17,461)**
Less: Foreign currency forward contracts	**–**	**15,000**	**–**	**15,000**
Currency exposure	**2,772**	**(5,226)**	**(7)**	**(2,461)**
Group				
At 31 December 2015				
Financial assets				
Cash and bank balances	3,653	176	63	3,892
Trade and other receivables	620	74	90	784
Financial liabilities				
Trade and other payables	(4,222)	(19,256)	–	(23,478)
Net financial liabilities	51	(19,006)	153	(18,802)
Less: Foreign currency forward contracts	–	18,900	–	18,900
Currency exposure	51	(106)	153	98

The Company's functional currency is Singapore dollar. Except for cash and bank balances of $1,524,000 (2015: $52,000) 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 2016.

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

(c) Financial Risk Management Policies and Objectives (cont'd)

(i) Currency Risk Management (cont'd)

Currency 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:

SGD equivalent	USD Impact		SGD Impact		Other Currency Impact	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Group						
Profit or loss	**277**	5	**(523)**	(11)	**(1)**	15
Company						
Profit or loss	**152**	5	**–**	–	**–**	–

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

SGD equivalent	USD Impact		SGD Impact		Other Currency Impact	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Group						
Profit or loss	**(277)**	(5)	**523**	11	**1**	(15)
Company						
Profit or loss	**(152)**	(5)	**–**	–	**–**	–

(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.

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

(c) Financial Risk Management Policies and Objectives (cont'd)

(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 $61,208,000 (2015: $59,987,000). 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 function 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, China and Indonesia.

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

	Group	
	2016	**2015**
	$'000	**$'000**
By Geographical Areas		
Singapore	**26,750**	26,906
Indonesia	**8,323**	12,970
China including Hong Kong	**3,416**	3,558
Malaysia	**210**	392
Other ASEAN countries	**1**	53
Others	**326**	94
	39,026	43,973

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

(c) Financial Risk Management Policies and Objectives (cont'd)

(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 demand or within 1 year $'000	Within 2 to 5 years $'000	After 5 years $'000	Total $'000
Group				
2016				
Gross settled:				
Foreign currency forward contracts				
Gross outflow	**(327)**	**–**	**–**	**(327)**
2015				
Gross settled:				
Foreign currency forward contracts				
Gross inflow	271	–	–	271

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 the Company can be required to pay. The tables include 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.

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27 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL 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 (cont'd)

	Effective interest rate %	On demand or within 1 year $'000	Within 2 to 5 years $'000	After 5 years $'000	Adjustment $'000	Total $'000
Group						
2016						
Non-interest bearing	**–**	**24,132**	**–**	**–**	**–**	**24,132**
2015						
Non-interest bearing	–	22,028	–	–	–	22,028
Company						
2016						
Non-interest bearing	**–**	**839**	**–**	**–**	**–**	**839**
Financial guarantee contracts	**–**	**61,208**	**–**	**–**	**(60,955)**	**253**
		62,047	**–**	**–**	**(60,955)**	**1,092**
2015						
Non-interest bearing	–	919	–	–	–	919
Financial guarantee contracts	–	59,987	–	–	(59,732)	255
		60,906	–	–	(59,732)	1,174

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27 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL 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

The following table details 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 table has 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.

	Effective interest rate %	On demand or within 1 year $'000	Within 2 to 5 years $'000	After 5 years $'000	Adjustment $'000	Total $'000
Group						
2016						
Non-interest bearing	**–**	**40,819**	**–**	**–**	**–**	**40,819**
Variable interest rate instruments	**0.07 to 0.29**	**15,300**	**–**	**–**	**(17)**	**15,283**
Fixed interest rate instruments	**0.28 to 5.43**	**17,212**	**–**	**–**	**(281)**	**16,931**
		73,331	**–**	**–**	**(298)**	**73,033**
2015						
Non-interest bearing	–	46,024	–	–	–	46,024
Variable interest rate instruments	0.06 to 0.25	8,014	–	–	(9)	8,005
Fixed interest rate instruments	0.34 to 4.83	12,173	–	–	(239)	11,934
		66,211	–	–	(248)	65,963

27 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL 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 Interest rate %	On demand or within 1 year $'000	Adjustment $'000	Total $'000
Company				
2016				
Non-interest bearing	**–**	**520**	**–**	**520**
Variable interest rate instruments	**0.12**	**972**	**(1)**	**971**
Fixed interest rate instruments	**0.97 to 1.04**	**20,182**	**(3)**	**20,179**
		21,674	**(4)**	**21,670**
2015				
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

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

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

The Company had no financial assets or liabilities carried at fair value in 2016 and 2015.

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

(d) Capital Management Policies and Objectives
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. The capital structure of the Group consists of equity attributable to owners of the Company, in the form of issued capital, translation 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 2015.

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

NOTES TO FINANCIAL **STATEMENTS**

31 DECEMBER 2016

28 LIST OF SUBSIDIARIES

Name of Subsidiary and Country of Incorporation/Operation	Principal Activities	Interest and Voting Power held by the Group 2016 %	2015 %
SP Resources International Pte. Ltd. (Singapore)[a]	Trading and marketing of industrial products	**100**	100
SP Global International Pte. Ltd. (Singapore)[a]	Distribution of consumer products	**100**	100
Globaltraco International Pte Ltd (Singapore)[a]	Distribution of tyres	**100**	100
SP Performance Pte. Ltd. (Singapore)[a]	Investment holding	**100**	100
Performance Retreads Sdn. Bhd. (Malaysia)[b]	Retreading of tyres	**100**	100
SP Energy Pte. Ltd. (Singapore)[a]	Investment holding	**100**	100
SP Mining & Engineering Pte. Ltd. (Singapore)[a]	Investment holding	**100**	100
PT. SP Mining & Engineering (Indonesia)[c]	Engineering contractor	**100**	100
Soil & Foundation (Pte) Limited (Singapore)[#]	Geotechnical instrumentation and investigation, laboratory testing, environmental services and micro-piling	**–**	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 completed member's voluntary liquidation during the financial year.

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

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

SGX-ST LISTING MANUAL **REQUIREMENTS**

31 DECEMBER 2016

Interested Person Transactions
– Listing Manual Rule 907

Interested person transactions (excluding transactions less than $100,000) during the financial year ended 31 December 2016 are set out below.

	Group			
	Aggregate value of all interested person transactions (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)	
	For the financial year		For the financial year	
Name of Interested Persons	2016 $'000	2015 $'000	2016 $'000	2015 $'000
William Nursalim alias William Liem & associates				
Sales	–	–	9,445	3,565
Purchases	–	–	37,113	25,930
Placement of trade deposit	–	–	8,689	8,435
Interest income from placement of trade deposit	–	–	435	387
Interest income from overdue trade receivables	–	–	233	–
Advance for coal order placement*	–	–	3,476	4,897
Progress billing on order placement*	–	–	108	–
Aggregate value of transactions entered into with the same interested persons	–	–	*59,499*	*43,214*
Nuri Holdings (S) Pte Ltd & associates				
Sales	–	–	4,676	1,014
Interest income from overdue trade receivables	–	–	386	–
Progress billing on order placement*	–	–	–	4,164
Aggregate value of transactions entered into with the same interested persons	–	–	*5,062*	*5,178*
Tuan Sing Holdings Limited & associates				
Management fee expense	–	–	150	150
Total interested person transactions	**–**	**–**	**64,711**	**48,542**

* The items represented the amounts as at financial year end.

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.

External Auditors
– Listing Manual Rule 1207(6)

The aggregate amount of fees paid to the external 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 external auditors had not affected the external auditors' independence, are presented under Note 22 to Financial Statements for the financial year ended 31 December 2016. In addition, a statement in relation to the Company's compliance with Rules 712 and 715 of the SGX-ST Listing Manual is reflected under Note 28 to Financial Statements for the financial year ended 31 December 2016.

SHAREHOLDING **STATISTICS**

AS AT 14 FEBRUARY 2017

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	118	3.31	5,202	0.02
100 – 1,000	2,700	75.75	1,173,601	3.34
1,001 – 10,000	680	19.08	1,948,799	5.55
10,001 – 1,000,000	64	1.80	2,689,611	7.66
1,000,001 & above	2	0.06	29,281,919	83.43
Total	3,564	100.00	35,099,132	100.00

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	ABN AMRO Clearing Bank N.V.	1,135,600	3.24
3	United Overseas Bank Nominees Pte Ltd	795,323	2.27
4	DBS Nominees Pte Ltd	189,750	0.54
5	Citibank Nominees Singapore Pte Ltd	159,350	0.45
6	Low Cheng Lum	110,000	0.31
7	Chen Biqing	96,900	0.28
8	Choy Loke Wai	65,800	0.19
9	Liow Keng Teck	60,000	0.17
10	OCBC Nominees Singapore Pte Ltd	52,800	0.15
11	HSBC (Singapore) Nominees Pte Ltd	51,250	0.15
12	Lim Ah Moi @ Lim Geok Hiong	47,100	0.13
13	Kuek Nga Hong	46,400	0.13
14	OCBC Securities Private Limited	43,200	0.12
15	Raffles Nominees (Pte) Ltd	42,670	0.12
16	Tan Xingkuan (Chen Xingkuan)	42,210	0.12
17	Lim Hock Huat Paul	40,700	0.12
18	Mak Hing Kwai	36,300	0.10
19	Chua Swee Kuan	30,000	0.09
20	Lim Hock Chye	29,500	0.08
Total		31,221,172	88.95

SUBSTANTIAL SHAREHOLDERS

as shown in the Register of Substantial Shareholders

Name	No. of Shares (Direct Interest)	%	No. of Shares (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

Note:

* 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 information available to the Company as at 14 February 2017, approximately 19.81% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

NOTICE OF ANNUAL GENERAL **MEETING**

NOTICE IS HEREBY GIVEN that the 64th 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 Thursday, 6 April 2017 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2016 and the Independent Auditor's Report thereon. **Ordinary Resolution 1**

2. To approve the payment of S$176,698 as Directors' fees for the financial year ended 31 December 2016 (2015: S$175,052). **Ordinary Resolution 2**

3. To re-elect the following Directors, each of whom retires by rotation pursuant to Article 99 of the Constitution of the Company and who, being eligible, offer themselves for re-election:

   (a) Mr Cheng Hong Kok **Ordinary Resolution 3**

   (b) Mr Peter Sung **Ordinary Resolution 4**

4. To re-appoint Deloitte & Touche LLP as Auditors of the Company and to authorise the Directors of the Company ("**Directors**") to fix their remuneration. **Ordinary Resolution 5**

5. To transact any other ordinary business that may properly be transacted at the Annual General Meeting of the Company.

SPECIAL BUSINESS:

To consider and if thought fit, to pass, with or without amendments, the following Resolutions, of which Resolutions 6 and 8 will be proposed as Ordinary Resolutions and Resolution 7 will be proposed as a Special Resolution:

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

   "That pursuant to Section 161 of the Companies Act, Cap. 50 (the "**Companies Act**"), 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."

7. **The Proposed Adoption of the New Constitution** **Special Resolution 7**

   "That the regulations contained in the new Constitution submitted to this Meeting and, for the purpose of identification, subscribed to by the Chairman thereof, be approved and adopted as the Constitution of the Company in substitution for, and to the exclusion of, the existing Constitution."

NOTICE OF ANNUAL GENERAL **MEETING**

8. **Renewal of the Shareholders' Mandate for Interested Person Transactions** **Ordinary Resolution 8**

"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 the Company's letter to shareholders dated 8 March 2017 (the "**Letter**"), with any party who is of the Classes of Interested Persons described in 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

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."

By Order of the Board

Helena Chua
Company Secretary

8 March 2017
Singapore

Meeting Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General 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 Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

2. A proxy need not be a member of the Company.

3. 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.

NOTICE OF ANNUAL GENERAL **MEETING**

EXPLANATORY NOTES ON BUSINESSES TO BE TRANSACTED:

Ordinary Resolution 1 – is to receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2016 and the Independent Auditor's Report thereon which can be found in the Company's 2016 Annual Report.

Ordinary Resolution 2 – is to approve the payment of Directors' fees of S$176,698 for the financial year ended 31 December 2016, for services rendered by the Directors on the Board as well as on various Board committees. The framework for the proposed Directors' fees is set out under the "Corporate Governance Report" in the Company's 2016 Annual Report.

Ordinary Resolution 3 – Mr Cheng Hong Kok will, upon re-election, continue to serve as (i) Chairman of the Audit and Risk Committee; (ii) Chairman of the Nominating Committee; (iii) a member of the Remuneration Committee; and (iv) the Lead Independent Director of the Company. He is considered a Non-Executive and Independent Director. There are no relationships (including immediate family relationships) between Mr Cheng and the other Directors of the Company, the Company or its 10% shareholders.

Ordinary Resolution 4 – Mr Peter Sung will, upon re-election, continue to serve as Chairman of the Board and a member of the Remuneration Committee. He is considered a Non-Executive and Non-Independent Director.

In relation to Ordinary Resolutions 3 and 4, please refer to the "Directors' Profile" section in the Company's 2016 Annual Report for more information on the Directors seeking re-election at the Annual General Meeting.

Ordinary Resolution 5 – is to re-appoint Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. The Company has complied with Rule 713(1) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual by ensuring that the audit partner is not in charge of more than 5 consecutive years of audits. The current audit partner, Mr Yang Chi Chih was appointed in April 2013.

Ordinary Resolution 6 – 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.

Special Resolution 7 – is to adopt a new Constitution following the wide-ranging changes to the Companies Act introduced pursuant to the Companies (Amendment) Act 2014 (the "**Amendment Act**"). The new Constitution will consist of the memorandum and articles of association of the Company which were in force immediately before 3 January 2016, and incorporate amendments to, *inter alia* take into account the changes to the Companies Act introduced pursuant to the Amendment Act. Please refer to Appendices A and B of the Letter for more details.

Ordinary Resolution 8 – 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 63rd Annual General Meeting of the Company on 5 April 2016, will be expiring at the forthcoming 64th Annual General Meeting. Particulars of the Shareholders' Mandate and the Audit and Risk Committee's confirmation (pursuant to Rule 920(1) of the SGX-ST Listing Manual) in respect of the proposed renewal of the Shareholders' Mandate, are contained in Appendix C of the Letter.

NOTICE OF ANNUAL GENERAL **MEETING**

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) 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 or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) 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 or service providers) to comply with any applicable laws, listing rules, take-over 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 or service providers), 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 or service providers) 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.

SP Corporation Limited will serve coffee, tea and bottled water at its 64th Annual General Meeting on Thursday, 6 April 2017.

SP CORPORATION LIMITED
(Registration No.: 195200115K)
(Incorporated in Singapore)

PROXY FORM
ANNUAL GENERAL MEETING

IMPORTANT
1. Relevant intermediaries as defined in Section 181 of the Companies Act, Cap. 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/SRS monies to buy SP Corporation Limited shares, 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 respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.

PERSONAL DATA PRIVACY
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 8 March 2017.

I/We ________________________ (Name), ____________, (NRIC/Passport/Registration No.)

of ____ (Address),

being a member(s) of SP Corporation Limited (the "**Company**") hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
Address		**No. of Shares**	**%**

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
Address		**No. of Shares**	**%**

or failing him/her, the Chairman of 64th Annual General Meeting of the Company ("**Meeting**") as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Meeting to be held at MND Function Room, Annexe A, 9 Maxwell Road, MND Complex, Singapore 069112 on Thursday, 6 April 2017 at 11.00 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 Meeting (of which Resolution Nos. 1 to 6 and 8 (inclusive) will be proposed as Ordinary Resolutions and Resolution No. 7 will be proposed as a Special Resolution) as indicated below. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

Ordinary Business		**No. of votes For***	**No. of votes Against***
Ordinary Resolution 1	Adoption of Directors' Statement, Audited Financial Statements and Independent Auditor's Report		
Ordinary Resolution 2	Approval of Directors' fees		
Ordinary Resolution 3	Re-election of Mr Cheng Hong Kok as Director		
Ordinary Resolution 4	Re-election of Mr Peter Sung as Director		
Ordinary Resolution 5	Re-appointment of Deloitte & Touche LLP as Auditors and authorisation for Directors to fix their remuneration		
Special Business			
Ordinary Resolution 6	Authority to issue shares		
Special Resolution 7	The Proposed Adoption of the New Constitution		
Ordinary Resolution 8	Renewal of the Shareholders' Mandate for Interested Person Transactions		

***Note:**
Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ________ day of ____________ 2017.

Shares in:	Total Number of Shares held
(a) Depository Register	
(b) Register of Members	

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

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 who is not 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 such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the same meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.
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 set for 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 appointor 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. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor 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 or proxies, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Cap. 50.
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 appointor are not ascertainable from the instructions of the appointor specified on the instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of shares 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.

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Please
Affix
Postage
Stamp

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

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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

AUDIT AND RISK COMMITTEE
Cheng Hong Kok *(Chairman)*
Chong Chou Yuen
Tan Lye Huat

NOMINATING COMMITTEE
Cheng Hong Kok *(Chairman)*
William Nursalim alias William Liem
Tan Lye Huat

REMUNERATION COMMITTEE
Tan Lye Huat *(Chairman)*
Cheng Hong Kok
Peter Sung

WHISTLE-BLOWING COMMITTEE
Boediman Gozali (alias Tony Wu)
Managing Director and
Chief Executive Officer

Lee Hui Gek
Chief Financial Officer

Helena Chua Guat Huat
Company Secretary

Email: whistle-blowing@spcorp.com.sg

REGISTERED OFFICE
9 Oxley Rise
#03-02 The Oxley
Singapore 238697
Tel: (65) 6223 7211
Fax: (65) 6224 1085

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
Email: enquiry@spcorp.com.sg

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 Risk Services
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
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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. They 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 are 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.

Information on or accessible through any third party or external website does not form part of and is not incorporated into this Annual Report.

In this Annual Report, unless the context otherwise requires, "SP Corp", "the Group", "we", "us", and "our" refer to SP Corporation Limited and its subsidiaries. "Statement of financial position" and "balance sheet" are used interchangeably, and reference to "this Annual Report" is a reference to this Annual Report.

Figures in parentheses in tables and in the Financial Statements denote negative values.

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