



PROPOSED DISPOSAL OF ASSETS OF THE TYRE DISTRIBUTION UNIT TO INTERESTED PERSONS – WAIVER FROM REQUIREMENT TO COMPLY WITH RULE 1014 (2) OF THE LISTING MANUAL OF THE SGX-ST

1. INTRODUCTION

- 1.1. The Board of Directors of SP Corporation Limited (the "**Company**") and together with its subsidiaries, the "**Group**") refers to the Company's announcement dated 25 July 2017 (the "**Announcement**") relating to the proposed disposal of assets of the Tyre Distribution Unit to interested persons ("**Proposed Disposal**"). Unless otherwise defined, all capitalised or other terms used herein shall have the same meanings ascribed to them in the Announcement.
- 1.2. As undertaken in the Announcement, the Company had on 28 July 2017 applied to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for a waiver from the requirement to comply with Rule 1014(2) of the Listing Manual of the SGX-ST ("**Mainboard Rules**") which is to seek approval from the Company's shareholders (the "**Shareholders**") for the Proposed Disposal (the "**Waiver**") in an extraordinary general meeting ("**EGM**").

2. WAIVER FROM THE REQUIREMENT TO COMPLY WITH RULE 1014(2) OF THE LISTING MANUAL OF THE SGX-ST

- 2.1. In Singapore Exchange Regulation Pte Ltd ("**SGX RegCo**")'s reply dated 15 September 2017, the SGX RegCo informed the Company that it has no objection to the Company's application for Waiver, subject to the following:
- (i) the Company announcing the Waiver granted, the reasons for seeking the Waiver and the conditions as required under Rule 107 of the Mainboard Rules; and
 - (ii) submission of a written confirmation from the Company that the Waiver does not contravene any laws and regulations governing the Company and the constitution of the Company.
- 2.2. The release of this announcement seeks to satisfy the condition set out in sub-paragraph (i) above. The written confirmation referred to in sub-paragraph (ii) will be separately submitted to the SGX-ST.

3. REASONS FOR WAIVER APPLICATION

- 3.1. The reasons for the Company's application for Waiver are as follows:
- 3.1.1. ***Assets pursuant to the Proposed Disposal are from the loss-making Tyre Distribution Unit***
- a. Paragraph 4.1 of Practice Note 10.1 of the Mainboard Rules states as follows:

Under Rule 1014, the profit test does not apply to an acquisition of profitable assets as shareholders are not expected in normal circumstances to be concerned if the assets



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to be acquired are profit contributors. Similarly, shareholders generally would not be concerned if the assets to be disposed of are non-core or loss-making. Thus, for such disposals, the Exchange may grant a waiver of Rule 1014 from the requirement to seek shareholders' approval for the disposal.

- b. The Company's principal activity is that of investment holding, which includes the provision of management services to related companies and has 2 main business segments: (a) Commodities Trading business which involves the marketing and trading of a broad range of products including coal, rubber, metals as well as other commodities, consumer products and products used by manufacturers in the energy, tyre, metal and automotive industries in Asia; and (b) Tyre Distribution business which involves the distribution, retreading and sale of tyres. The Group is principally a trader and distributor in the Commerce Sector.
- c. Commodities Trading business segment has been increasingly the main revenue contributor (FY2016: 87.0%; FY2015: 83.4%) to the Group and its profit before tax for the financial year ended 31 December 2016 ("FY2016") and FY2015 accounted for approximately 109.2% and 120.1% of that of the Group, respectively. For the 6 months ended 30 June 2017 ("1H2017"), Commodities Trading contributed 91.7% of the Group's revenue and reported a profit before tax of \$0.6 million. Therefore, for 1H2017, the Group would have reported a profit if not because of the \$1.1 million loss under Tyre Distribution business which resulted in a Group's net loss before tax of approximately S\$0.4 million.
- d. Conversely, revenue from the Tyre Distribution Unit has been decreasing and it has been suffering losses since FY2014.
- e. We set out below the relevant figures between Tyre Distribution Unit and the Group for the periods between FY2013 and 1H2017:

Revenue for the year / 6 months ended (S\$'000)	31 Dec 13	31 Dec 14	31 Dec 15	31 Dec 16	30-Jun-17
Tyre Distribution Unit's Revenue	37,021	27,807	19,855	16,309	4,887
Group's Revenue	152,591	131,913	119,675	125,640	58,853
%	24.3%	21.1%	16.6%	13.0%	8.3%

PBT for the year / 6 months ended (S\$'000)	31 Dec 13	31 Dec 14	31 Dec 15	31 Dec 16	30-Jun-17
Tyre Distribution Unit's Profit (Loss) before tax	210	(117)	(905)	(913)	(1,066)
Group's Profit (Loss) before tax	2,549	2,303	1,614	2,252	(385)
%	8.2%	-5.1%	-56.1%	-40.5%	276.9%

- f. It is clear from the above tabulation that the Tyre Distribution business has been in a loss-making position and as outlined in the Announcement, the outlook is not expected to improve in the medium term. Accordingly, it would be in the interests of the Company to complete the Proposed Disposal as soon as practicable, so that its financial performance does not get adversely affected further.
- g. The Board note that the Audit and Risk Committee (having reviewed the terms and conditions of the Agreements) is of the view that the Proposed Disposal is entered into on an arm's length basis, is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.



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h. The Board is of the view that:

- (i) expediting the completion of the Proposed Disposal will be in the interests of the Group and its shareholders since the Group will recognise an excess of Consideration over book value of the Assets of approximately S\$0.8 million and stop the performance of the Group being dragged by the Tyre Distribution business; and
- (ii) the compliance costs (financial and time) for obtaining shareholders' approval in respect of the Proposed Disposal outweighs any resulting protection to shareholders as the Assets to be disposed of belong to the Tyre Distribution business, a loss-making segment of the Company.

3.1.2. ***Risk profile of the Group will be improved***

The Board is of the further view that there will be no material change in the risk profile of the Group arising from the Proposed Disposal. The Board opined that the discontinuation of the loss-making tyre distribution activities is an improvement to the Group's risk profile of a trader and distributor in the Commerce Sector.

4. **WAIVER FROM CONVENING EGM**

As the SGX-ST has granted the Waiver to the Company, the Company will not be convening an EGM to seek Shareholders' approval for the Proposed Disposal and accordingly, will not be dispatching a circular to Shareholders in relation thereto.

BY ORDER OF THE BOARD

Helena Chua
Company Secretary
20 September 2017