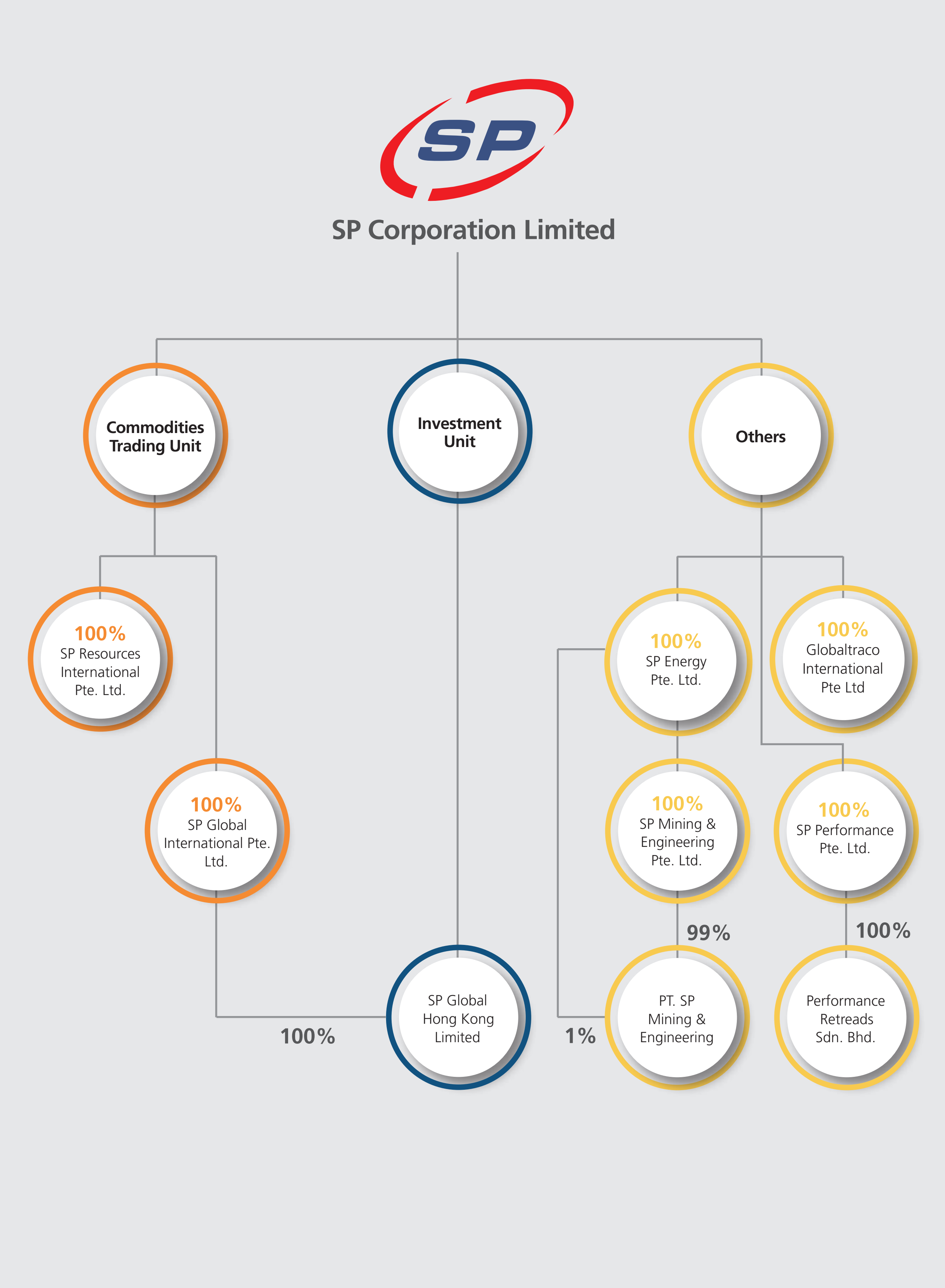
SP CORPORATION LIMITED

ANNUAL REPORT 2018

GROUP STRUCTURE

AS AT 25 JANUARY 2019



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

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 2018 ("**FY2018**").

In FY2018, the Group achieved profit after tax of $1.9 million from $0.4 million in FY2017, with higher revenue of $136.4 million which represents a 7% increase over the last year. The increased commodities trading levels, a reduction of loss following the divestment of the tyre distribution business in FY2017, and higher interest income have contributed to the stronger earnings.

Global growth is expected to slow down in 2019 with trade tensions and financial market pressures remaining elevated. Other downside risks such as heightened political uncertainty, escalating geopolitical tensions, and conflict further cloud the outlook.

The Group's core commodities trading business, particularly coal trading, will remain the focus for FY2019, with continuing cost management and productivity improvement. The Group will also pursue investment opportunities to achieve the long term goal of enhancing our shareholders' value.

Mr Chong Chou Yuen, who joined our Board as a Non-Executive Director on 8 December 2005, has decided to resign on 1 August 2018. On behalf of the Board, I would like to express our sincere thanks to Mr Chong for his dedication and valuable contributions to the Group over the years.

The Board has appointed Mr David Lee Kay Tuan as a Non-Executive Director and a member of the Audit and Risk Committee with effect from 1 August 2018. We extend a warm welcome to Mr Lee back to the Board. Mr Lee was Managing Director and Chief Executive Officer from 28 February 2006 to 30 November 2009.

To our fellow directors, management and staff, I would like to express my sincere appreciation for your dedication and contributions. To our treasured customers, suppliers and business partners, I wish to thank you for your continuing confidence and support to the Group. We look forward to many more years of productive alliances and partnerships in the future.

Last but not least, on behalf of the Board of Directors, we would like to register our heartfelt gratitude to you, our shareholders, for your steadfast support over the years. We strive to grow shareholder value in years to come.

PETER SUNG
Chairman

25 January 2019

CEO'S OPERATIONS REVIEW

Revenue for the Group rose to $136.4 million for the financial year ended 31 December 2018 ("**FY2018**") from $127.7 million in FY2017 because of higher commodities trading activities. The Group's profit after tax increased from $0.4 million in FY2017 to $1.9 million. The stronger performance reflected the actions taken by the Group to divest the loss-making tyre distribution business in FY2017, which resulted in a significant reduction of expenses in FY2018, as well as improved margin from coal trading and higher interest income.

COMMODITIES TRADING UNIT

The Commodities Trading Unit primarily carries out trading of coal, rubber, metals as well as other commodities and products used by manufacturers in the energy, tyre, 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 registered a 13% increase in revenue of $136.4 million in FY2018, compared to $121.1 million in FY2017. This was primarily due to higher trading volumes and revenue from coal, and the sale of machinery, while trading revenue from rubber, metals and consumer products were lower. Earnings for the financial year improved in view of the higher coal margin.

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

INVESTMENT UNIT

During the financial year, there was an opportunity for the Group to participate in the development of the RMB5 billion ($1 billion) Sanya Integrated Development project in Hainan, which is a mixed-use development comprising commercial, residential, hotel and retail elements situated next to the existing Sanya High Speed Railway Station. The developer of the project is Sanya Summer Real Estate Co. Ltd. ("SSRE"). In this regard, the Group extended a loan of $20 million at an interest rate of 7.5% per annum to an interested person on 24 September 2018. The repayment of the loan and accrued interest would be in cash or in such other repayment method as otherwise agreed between the parties. As part of its diversification strategy, the Group has the option to elect (subject to its shareholders' approval, if required) for the loan to be repaid in new shares to be issued in the capital of SSRE.

The Group's earnings for the financial year were boosted by the interest income from the $20 million loan.

The Group will continue to explore new trading ventures and investment opportunities to reposition, expand and diversify its business and operations in order to achieve a more consistent and sustainable growth, while maintaining focus on disciplined management of costs and capital.

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

25 January 2019

DIRECTORS' PROFILE

Front (From left to right):

Boediman Gozali (alias Tony Wu)
Managing Director ("MD") and
Chief Executive Officer ("CEO")
Non-Independent & Executive Director

Peter Sung
Chairman
Independent & Non-Executive Director

Back (From left to right):

David Lee Kay Tuan
Non-Independent & Non-Executive Director

Tan Lye Huat
Independent & Non-Executive Director

William Nursalim alias William Liem
Non-Independent & Non-Executive Director

Cheng Hong Kok
Independent & Non-Executive Director

DIRECTORS' PROFILE

PETER SUNG

CHAIRMAN
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: 6 April 2017

BOARD COMMITTEE

Remuneration Committee (Chairman)

PRESENT DIRECTORSHIP IN OTHER LISTED COMPANIES

Nil

PRESENT PRINCIPAL COMMITMENTS (OTHER THAN DIRECTORSHIPS IN OTHER LISTED COMPANIES)

Calbert Pte. Ltd. (Chairman)

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.
- Served as Minister of State in Singapore with attachments to the Ministries of Foreign Affairs, Home Affairs and National Development.
- Served as Member of the Singapore Parliament.

RELATIONSHIP WITH OTHER DIRECTORS, THE COMPANY OR ITS SUBSTANTIAL SHAREHOLDERS

Nil

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: 17 April 2018

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)
- Summer Enterprise (Singapore) Pte. Ltd. (Chairman)
- Hainan Summer Property Development Ltd (Chairman)
- Sanya Summer Real Estate Co. 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 SUBSTANTIAL 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. Both Mr William Nursalim alias William Liem and Ms Michelle Liem Mei Fung are deemed substantial shareholders of the Company by virtue of their interests in Nuri Holdings (S) Pte Ltd.

DIRECTORS' PROFILE

CHENG HONG KOK

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 last re-election as Director: 6 April 2017

BOARD COMMITTEES

- Audit and Risk Committee (Chairman)
- Nominating Committee (Chairman)
- Remuneration 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)

Nil

PAST DIRECTORSHIP IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS

Far East Orchard Limited (listed on SGX-ST)

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.
- Board member of the Singapore Economic Development Board.
- Member of the Government Economic Planning Committee.

RELATIONSHIP WITH OTHER DIRECTORS, THE COMPANY OR ITS SUBSTANTIAL SHAREHOLDERS

Nil

DAVID LEE KAY TUAN

NON-INDEPENDENT & NON-EXECUTIVE DIRECTOR

- Bachelor of Laws (Honours) Degree, National University of Singapore
- Masters of Laws (International Business Law) (cum laude), Panthéon-Assas University (Paris II)
- Masters of Science in Applied Economics, Singapore Management University
- Masters of Business Administration, University of Hull

Date of appointment as Director: 1 August 2018
Date of last re-election as Director: Nil
Proposed for re-election at the AGM on 16 April 2019

BOARD COMMITTEE

Audit and Risk 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)

- Singapore University of Social Sciences (Senior Lecturer)
- RHTLaw Taylor Wessing LLP (Consultant)

PAST DIRECTORSHIP IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS

Nil

BACKGROUND AND WORKING EXPERIENCE

- Managing Partner of M/s Ang & Lee from 1994 to 2001.
- Executive Director (Legal and Administration) of Tuan Sing Holdings Limited from 2001 to 2004.
- Chief Executive Officer of Tuan Sing Holdings Limited from 2004 to 2007.
- Chief Executive Officer of the Company from 2006 to 2009.
- Managing Partner of Shenton Law Practice LLP from 2010 to September 2018.
- Consultant of RHTLaw Taylor Wessing LLP.

MEMBERSHIP AND OTHERS

- Fellow of Singapore Institute of Arbitrators and Chartered Institute of Arbitrators
- Associate Mediator of Singapore Mediation Centre
- Member of American Bar Association and International Bar Association
- Member of Law Society of Singapore and Singapore Academy of Law
- Member of Singapore Institute of Directors
- Director of Nuri Holdings (S) Pte Ltd

RELATIONSHIP WITH OTHER DIRECTORS, THE COMPANY OR ITS SUBSTANTIAL SHAREHOLDERS

Mr Lee is the spouse of Ms Michelle Liem Mei Fung, niece of Mr Boediman Gozali (alias Tony Wu), the Managing Director and Chief Executive Officer of the Company. Mr Lee is also the brother-in-law of Mr William Nursalim alias William Liem, a Non-Executive Director of the Company. Both Ms Michelle Liem Mei Fung and Mr William Nursalim alias William Liem are deemed substantial shareholders of the Company by virtue of their interests in Nuri Holdings (S) Pte Ltd.

DIRECTORS' PROFILE

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
Proposed for re-election at the AGM on 16 April 2019

BOARD COMMITTEE

Nominating Committee (Member)

PRESENT DIRECTORSHIP IN OTHER LISTED COMPANIES

Tuan Sing Holdings Limited (listed on SGX-ST) (CEO/Executive Director)

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 Pte Ltd and Habitat Properties Pte Ltd.

RELATIONSHIP WITH OTHER DIRECTORS, THE COMPANY OR ITS SUBSTANTIAL 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. Both he and Ms Michelle Liem Mei Fung are deemed substantial shareholders of the Company by virtue of their interests in Nuri Holdings (S) Pte Ltd. He is also the brother-in-law of Mr David Lee Kay Tuan, a Non-Executive Director of the Company.

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
Proposed for re-election at the AGM on 16 April 2019

BOARD COMMITTEES

- Audit and Risk Committee (Member)
- Nominating Committee (Member)
- Remuneration Committee (Member)

PRESENT DIRECTORSHIP IN OTHER LISTED COMPANIES

- Japan Foods Holding 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 SUBSTANTIAL SHAREHOLDERS

Nil

RISK MANAGEMENT STATEMENT

SP Corporation Limited (the "**Company**" or "**SP Corp**") 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 maintenance of risk registers by all business units. These risk registers are aggregated and reviewed by the Managing Director and Chief Executive Officer (the "**CEO**") and the Senior Finance Manager ("**SFM**"), 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 the solvency or liquidity of the Company and the Group. The ARC oversees the adequacy and effectiveness of the Group's risk management and internal control systems.

The CEO and the SFM are responsible for 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 SFM, 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 2018.

MANAGE RISK IN DELIVERING STRATEGY

We remain focused on optimising our existing business in commodities trading. 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 Conduct have been defined and put into practice. These established procedures and internal guidelines as well as compliance with laws and regulations 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 external parties 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.

On a quarterly basis, the head of each business unit is required to submit management representation letters to the CEO and the SFM to confirm the adequacy and effectiveness of the risk management and internal control systems, so as to provide reasonable assurance on the effectiveness and efficiency of operations, reliability of financial reporting, compliance with applicable laws and regulations and

RISK MANAGEMENT STATEMENT

integrity of information technology systems in their respective units. Such submissions form the basis of the quarterly representation letters presented by the CEO and the SFM to the ARC. Compliance checklist and declaration on conflicts of interest and compliance with the Code of Conduct by all employees have also been obtained at the end of each financial 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.

RISK MANAGEMENT IMPLEMENTED

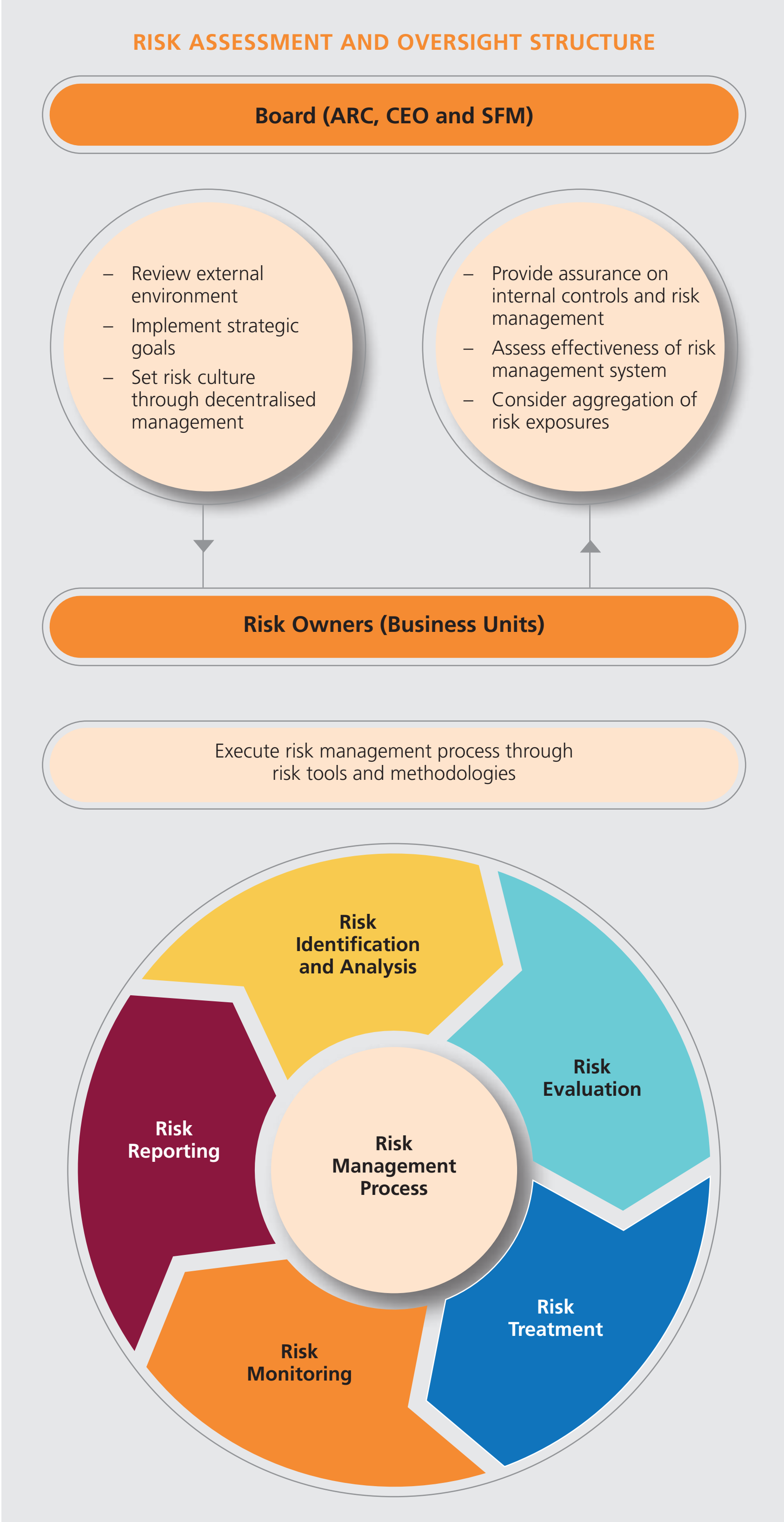
The Personal Data Protection Act 2012 in Singapore regulates the collection, use, disclosure, transfer and security of personal data. The Group is exposed to personal data protection risk as such data in our possession may be subject to unauthorised access, modification, disclosure, use, copying, whether 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 since January 2017.

KEY RISK PROFILE 2018

We list the 21 key risks that have been identified and in the light of 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 2018, there were no risks that could affect the ability of the Group to continue as a going concern in the next twelve months.



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 • People • Sourcing • Credit • Foreign Exchange and Derivative Financial Instruments	• Political, Regulatory and Industry • Reputation • Price	
Low		• Ethics and Integrity • Information Technology and Cyber Security • Insurance • Interest Rate • Financial Management	• 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 the implementation of additional controls only if they are 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 each business unit in the Group in its 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 challenging environments and its expansion/diversification plans. • Expansion/diversification 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. 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 coal trading business 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. • 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 industry.	• The Group monitors changes in political and industry conditions in countries where it operates and keeps itself updated on changes in regulations by the authorities. • The Group maintains close working relationships with advisors and local authorities so as to keep abreast with any changes.
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 maintains strong relationships with customers and ensures reliability of supplies to them in terms of quality and delivery 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 to 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 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 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 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.
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 circulated to the Board 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 of each business unit 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 Conduct which covers conflicts of interest and business ethics, and Whistle-blowing Policy, have been defined and put into practice. Since 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 which requires each employee to disclose any instances of conflicts of interest or raising any issues or concerns of possible irregularities of the Company's or the Group's affairs.
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 to 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 since 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 expands suppliers' base where applicable to reduce over-reliance on any particular supplier.
Work Health and Safety Risk • The Group is exposed to work health and safety risks of employees arising from incidents in the work place, pandemics, etc.	• The Group cultivates a safety-consciousness culture at all levels 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 on time.	• Internal controls, risk management and corporate governance frameworks, and internal 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 conflicts of interest and compliance with the Code of Conduct 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.

SUSTAINABILITY REPORT

MANAGING SUSTAINABILITY

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

SP Corp's sustainability approach focuses on maintaining resilience to adapt to changing business landscape through deployment of sustainable and efficient processes by improving the bottom line, developing our human capital and making positive contributions to the communities and the environment.

SCOPE OF REPORT

We prepare our Sustainability Report for the financial year from 1 January 2018 to 31 December 2018 ("**FY2018**") in reference to the *Global Reporting Initiative* ("***GRI***") – *G4 Sustainability Reporting Guidelines* issued by the Global Sustainability Standards Board. We are also guided by the Practice Note 7.6 of the *Sustainability Reporting Guide* issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), in particular, paragraph 4 therein. Based on GRI's recommended approach to sustainability reporting and the SGX-ST's *Sustainability Reporting Guide*, this report covers key areas of sustainability, namely, Corporate Governance and Risk Management, Stakeholder Engagement (investor relations), Economic, Environmental and Social (labour and society). These key environmental, social and governance ("**ESG**") factors are deemed material to the Group by our Board of Directors (the "**Board**"). This report has not been audited by an external entity.

BOARD STATEMENT

In compliance with SGX-ST Listing Rules 711A and 711B, our Board acknowledges that its members are collectively responsible for the long-term strategic direction of the Company and that it has considered sustainability issues as part of its strategic formulation. The Board is committed to the Group's efforts towards the employment of sustainable practices as it is our strategic approach to integrate sustainability in all aspects of our business and operations. This sustainability report, containing the primary components as set out in Rule 711B, is issued with the approval of the Board.

IDENTIFICATION OF MATERIAL ESG FACTORS

We have identified the following ESG factors that have a material impact on our business and have set our targets for FY2019 using FY2018 as the baseline:

PRIMARY FACTORS	MATERIAL FACTORS	PERFORMANCE MEASURES	TARGETS FOR FY2019
Environment	(1) Electricity consumption (2) Paper consumption	Electricity consumption (kWh) Paper consumption (Tonnes)	Reduce consumption levels
Social	(3) Employee retention (4) Training and education of employees (5) Diversity, i.e., embedded diversity in the Company's culture, creating a more flexible working environment (6) Community services	Staff turnover rate Training hours and training costs Percentage comparison of male to female employees Donations/Volunteer hours	Improve staff training hours Increase volunteer hours
Governance	(7) Corporate governance and risk management	Singapore Governance and Transparency Index	Maintain "zero tolerance" on corruption and fraud Improve SGTI ranking or score To release financial results within 30 days and 50 days from the end of each quarter and year-end respectively

Amongst the key material ESG factors, we have charted the following matrix based on the likelihood of influence on our stakeholders and the impact to our business:

SP Corp's Material Factors Matrix

Impact to our business		Low	Medium	High
	High		(3) Employee retention (4) Training and education of employees	(7) Corporate governance and risk management
	Medium			
	Low	(5) Diversity (6) Community services	(1) Electricity consumption (2) Paper consumption	
		Likelihood of influence on our stakeholders		

SP Corp is committed to sustaining the economic performance of the Group and enhancing long-term shareholder value while balancing the environmental and social impact through robust corporate governance and risk management.

CORPORATE GOVERNANCE

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

The Board monitors the effectiveness of management and regularly reviews the Group's corporate governance practices and maintains continual robustness of governance that is reflective of changes in the existing environment. The Board adheres to the principles and guidelines of the Singapore's *Code of Corporate Governance 2018*. The Group has in place a Code of Conduct that sets out the main principles of the conduct and business ethics covering areas such as conflicts of interest, confidentiality of information and conduct in workplace. Ongoing review of the Code of Conduct ensures new policies are put in place to meet challenges brought about by the changing business environment. Integrity and ethical behaviour remain as the fundamental elements in the context of Code of Conduct and this has been cascaded from top to bottom and across all levels within the Group. In addition, we have a Whistle-blowing Policy in place to enable our employees, and external parties such as suppliers and customers to report any non-compliance or dishonest practices or signal serious matters that they

SUSTAINABILITY REPORT

may be aware of. For detailed discussion on the Group's corporate governance practices, please refer to the "*Corporate Governance Report*" section of the Annual Report.

RISK MANAGEMENT

Risk assessment and management is an integral part of the strategic and operational decision-making process at SP Corp. The Board provides guidance and policy direction on the risk management framework and has overall responsibility in determining the business risk level that is acceptable to the Group in achieving its corporate objectives.

The overall framework established by the Group is to enhance the soundness of its financial reporting, risk management, compliance and internal control systems and to provide a holistic and systematic approach to address risks encountered at various levels of business operations and to ensure compliance with applicable laws and regulations at all times. The Board, together with management, determines the risk management objectives and policies, and promotes a culture of risk awareness and balanced risk-taking.

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

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

Singapore Governance And Transparency Index

The Singapore Governance and Transparency Index ("**SGTI**") is a tripartite collaboration between CPA Australia, NUS Business School's Centre for Governance, Institutions and Organisations, and The Business Times. It assesses companies on their corporate governance disclosures and practices, as well as the timeliness, accessibility and transparency of their financial results announcement. Based on the latest ranking published on the SGX-ST website, SP Corp was ranked 119th position among the listed companies in Singapore.

SGTI YEAR	RANK	SCORE
2018	**119**	**69**
2017	61	73
2016	118	63
2015	226	51
2014	70	61
2013	77	53
2012	46	54
2011	40	52
2010	43	49
2009	53	46

The Company received the Winner of Most Transparent Company Award, Commerce Category at the Securities Investors Association (Singapore) ("**SIAS**") 19th Investors' Choice Awards Dinner Presentation Ceremony held on 25 September 2018.

INVESTOR RELATIONS

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

The Company encourages participation of shareholders at the Company's Annual General Meetings. Such meetings are held at venues in the Central Business District which are convenient and accessible to shareholders. Every shareholder is entitled to appoint up to two proxies to attend and vote on his/her behalf save that no limit shall be imposed on the number of proxies for nominee companies. Our Annual General Meeting this year will be held on 16 April 2019 at the MND Function Room, Annexe A, 9 Maxwell Road, MND Complex, Singapore 069112. Our Board, management and external auditors will be present to address shareholders' queries during the meeting and during informal interaction after the meeting.

SUSTAINABILITY REPORT

ENHANCING LONG-TERM SHAREHOLDER VALUE

SP Corp strives to work towards enhancing long-term value for shareholders. For the past five financial years from 2014 to 2018, we have delivered a cumulative profit attributable to shareholders of $7.7 million. Our earnings per share averaged 4.41 cents per annum during the 5-year period. Shareholders' funds increased at a compounded average growth rate ("**CAGR**") of approximately 2% per annum to $53.4 million as at 31 December 2018, as compared to $47.6 million as at 31 December 2014. Net asset value per share grew at a CAGR of approximately 2% per annum from $1.36 in 2014 to $1.52 in 2018. Please refer to the "*Five-Year Financial Summary*" section of the Annual Report for details.

ENVIRONMENTAL INITIATIVES

We seek harmony with the environment and strive to play a part in contributing back to the community in which we live and work. We have embarked on green initiatives in the workplace by reducing energy consumption, implementing energy-efficient measures, using sustainable supplies, and increasing waste recycling to reduce resource depletion. We encourage our employees to be environmentally responsible.

Below are our key environmental performance indicators:

ENVIRONMENT	2018	2017	2016	2015
Electricity consumption (kWh)	**73,847**	204,182	237,907	159,282
Paper consumption (Tonnes)	**0.32**	0.36	0.63	0.76

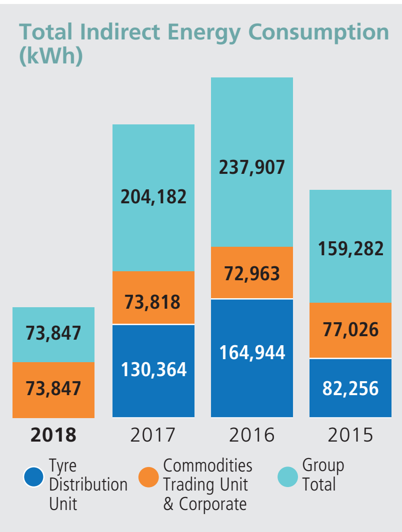
As part of SP Corp's environmental conservation initiatives and efforts since 2018, we have discontinued our practice of mailing our Annual Report with effect from FY2017. Electronic edition of this Annual Report is available at www.spcorp.com.sg.

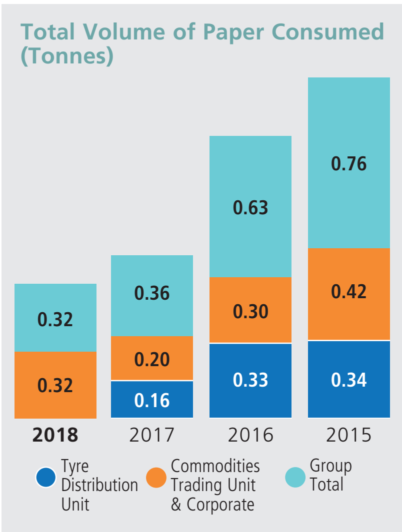
Indirect Energy Consumption Trend

SP Corp remains committed to reducing our energy consumption across our business operations. The Tyre Distribution Unit's increase in electricity consumption in 2016 was mainly due to the resumption of production activities at our retread plant in Malaysia from December 2015. The lower electricity consumption in 2017 reflected the lower production activities at our retread plant in Malaysia. There was a significant decrease in our energy consumption in 2018 following the discontinuation of the tyre distribution business in 2017.

Paper Consumption Trend

The lower paper consumption in 2016 was mainly due to the lower sales activities in the Tyre Distribution Unit and the absence of corporate exercise in the Group. The lower paper consumption in 2017 reflected the lower sales and production activities. Paper consumption reduced further in 2018 as a result of the discontinuation of the tyre distribution business in 2017, and the accounts of the entities under the Tyre Distribution Unit were maintained at the Corporate Office.





PEOPLE RELATIONS AND DEVELOPMENT

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

We offer competitive pay packages that are linked to market practices and reward employees based on merit. The Company's remuneration package comprises a fixed component and a variable component which is linked to the Company's performance, the business unit's performance as well as the individual's performance. Key performance indicators are agreed with the employees at the beginning of each year to ensure employee motivation and alignment of their interests with that of the Company.

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

We believe in integrity and professionalism in the conduct of our business activities and expect our employees to embrace, practise and adopt these values. To ensure our employees understand the Group's philosophy in this aspect, the Group's Code of Conduct is made available to all staff on the day they join the Group. All employees are required to make an annual declaration on involvement in any conflict of interest situation and compliance with the Code of Conduct.

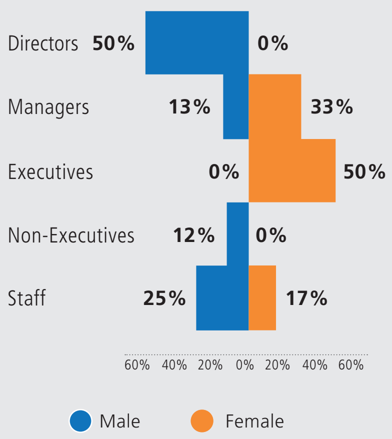
Our people are encouraged to participate in training and development programmes such as professional training, executive and leadership development as well as technical seminars, for career growth and personal development.

Our employees and their family members have access to annual complimentary basic health screenings. They are also offered fairly comprehensive health screening packages at preferential corporate rates. We assist our employees to achieve a work-life balance by observing a five-day work-week, having regard to the requirements of the Company and the exigencies of the business.

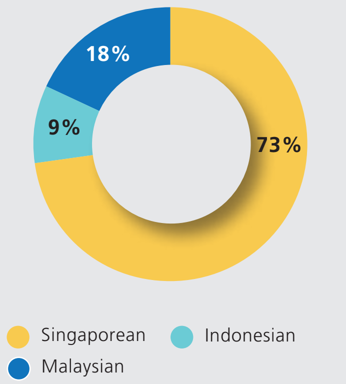
SUSTAINABILITY REPORT

Employee Profile as at 31 December 2018

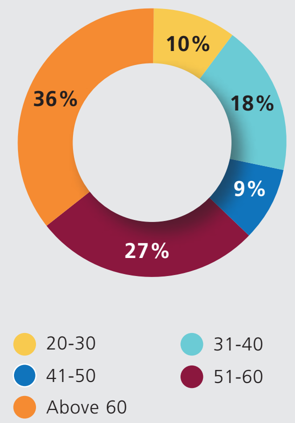
Employees by Category



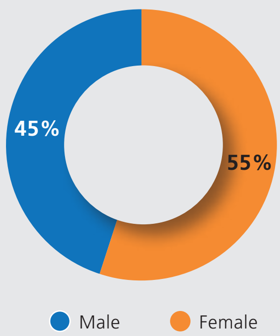
Employees by Nationality



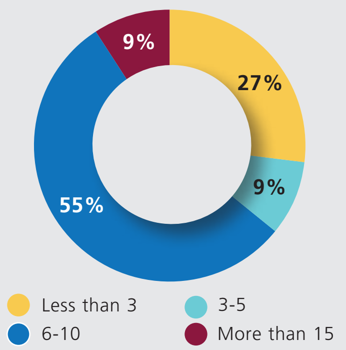
Employees by Age Band



Employees by Gender



Employees by Years of Service



Below are our key labour performance indicators:

LABOUR	2018	2017	2016	2015
Monthly employee turnover	**2.5%**	7.4%	0.9%	1.3%
Training hours per employee	**2.8**	5.0	3.5	5.7
Percentage of male to female employees	**45:55**	76:24	62:38	58:42

The higher employee turnover in 2017 arose mainly from the Tyre Distribution Unit due to the asset sales and discontinuation of the tyre distribution business.

Workplace Safety and Health

We place great emphasis within our organisation to promote workplace safety and healthy work environment for our staff, customers, contractors and visitors. We have in place a pandemic preparedness plan that can be activated within a short notice.

Our workplace safety and health policy is:

- To place safety and health of all employees as part of the Company's objective and interest;
- To provide resources to maintain plant and equipment and systems of work that are safe and without risks to health;
- To provide adequate training, information and instruction with regards to workplace safety and health;
- To ensure safety and health of persons in connection with the use, handling, storage and transport of articles and substances;
- To provide adequate and proper facilities, equipment and safety apparel and ensure their correct applications;
- To monitor the effectiveness of safety and health provisions within the workplace;
- To conduct regular review of the policy and to continually improve the risk assessment and management process;
- To ensure that the requirements of occupational safety and health legislation are complied with; and
- To review as and when required.

SUSTAINABILITY REPORT

COMMUNITY SERVICES

For the years from 2012 to 2014 and 2016 to 2018, SP Corp had participated in the annual sponsored events jointly organised by our immediate holding company and certain non-profit organisations to reach out to the less privileged community.

Below are our key social performance indicators:

COMMUNITY	2018	2017	2016	2015
Donations ($)	**8,000**	6,000	2,500	–
Volunteer hours	**9**	20	64	–

On 26 July 2018, our employees, together with our immediate holding company, participated in an outing to Snow City with a group of beneficiaries from the Bethesda Care Centre under RSVP Singapore's Mentally Disadvantaged Outreach Programme. The beneficiaries enjoyed a short entertaining performance with dry ice and balloons and thereafter had hands-on experience on DIY ice cream making. Our employees helped to serve lunch to the beneficiaries after the ice cream making session. The snow play started shortly after lunch and the beneficiaries were slowly led to the indoor snow centre where they took turns to sit on the rubber bumper and slide down from the top of the snow slide. Many of them were first-timers to Snow City and enjoyed the rides very much. They were also excited to receive gift packs at the end of the outing.

FIVE-YEAR FINANCIAL SUMMARY

FOR THE FINANCIAL YEAR ($'000)	2018	2017	2016	2015	2014
Revenue	**136,379**	127,726	125,640	119,675	131,913
Profit before tax	**2,310**	418	2,252	1,614	2,303
Income tax expense	**(412)**	29	(450)	(148)	(172)
Profit after tax	**1,898**	447	1,802	1,466	2,131

AS AT FINANCIAL YEAR END ($'000)	2018	2017	2016	2015	2014
Plant and equipment	**208**	172	375	530	305
Other assets	**67,520**	66,841	77,596	76,193	68,446
Total assets	**67,728**	67,013	77,971	76,723	68,751
Shareholders' funds	**53,443**	50,806	52,984	50,364	47,598
Other liabilities	**14,285**	16,207	24,987	26,359	21,153
Total liabilities and equity	**67,728**	67,013	77,971	76,723	68,751

SHARE PRICES ($)	2018	2017	2016	2015	2014
Last transacted*	**0.45**	0.85	0.48	1.10	1.00
High*	**0.89**	0.95	1.20	1.10	1.20
Low*	**0.44**	0.48	0.36	0.80	0.80
Average (arithmetic)*	**0.67**	0.72	0.78	0.95	1.00
Turnover (million shares)	**0.39**	1.05	1.84	0.64	0.27

SHAREHOLDERS' RETURNS AND FINANCIAL RATIOS	2018	2017	2016	2015	2014
Earnings per share (cents) *	**5.41**	1.27	5.13	4.18	6.07
Net assets per share (dollar) *	**1.52**	1.45	1.51	1.43	1.36
Return on shareholders' funds (%)	**3.6%**	0.9%	3.5%	3.0%	4.6%
Return on total assets (%)	**2.8%**	0.6%	2.3%	2.0%	3.0%

* *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 2018	
17 April 2018	Announcement of first quarter financial results for the period ended 31 March 2018
24 July 2018	Announcement of half-year financial results for the period ended 30 June 2018
23 October 2018	Announcement of third quarter financial results for the period ended 30 September 2018
26 January 2019	Announcement of full-year financial results for the year ended 31 December 2018
18 March 2019	Dispatch of 2018 Annual Report
16 April 2019	66th Annual General Meeting

FINANCIAL YEAR ENDING 31 DECEMBER 2019	
22 April 2019	Proposed announcement of first quarter financial results for the period ending 31 March 2019
22 July 2019	Proposed announcement of half-year financial results for the period ending 30 June 2019
25 October 2019	Proposed announcement of third quarter financial results for the period ending 30 September 2019
February 2020	Proposed announcement of full-year financial results for the year ending 31 December 2019

Note: The dates for the proposed results announcements in 2019 and 2020 are indicative only and are subject to change.

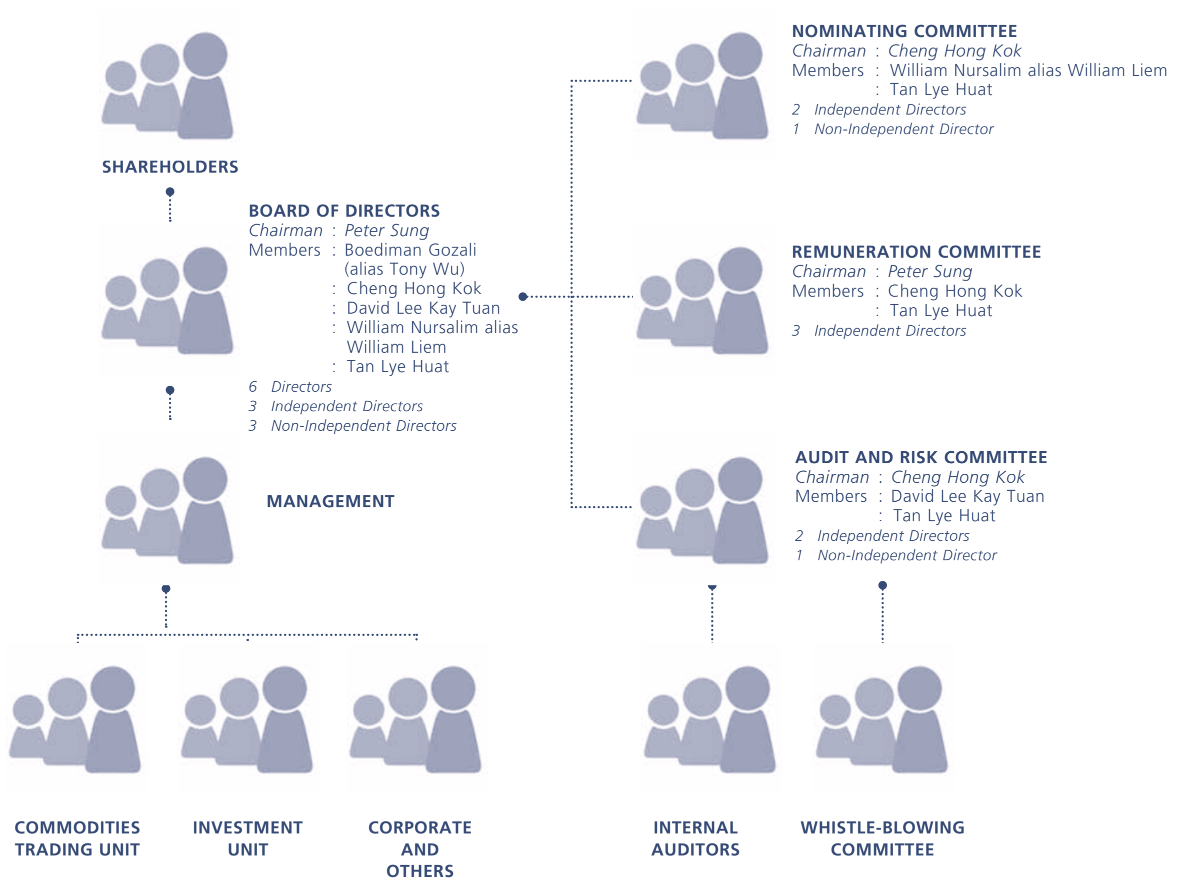
CORPORATE GOVERNANCE REPORT

SP Corporation Limited (the "**Company**") and its subsidiaries (the "**Group**") continue to be committed to high standards of corporate conduct. The Board of Directors (the "**Board**") and 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 2018 ("**FY2018**") with specific reference to each guideline of the Code of Corporate Governance 2012 ("**CG 2012**"). In addition, reference has been made to the Code of Corporate Governance issued in August 2018 ("**CG 2018**") where appropriate and relevant (collectively the CG 2012 and CG 2018 will be known as 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



CORPORATE GOVERNANCE REPORT

I. BOARD MATTERS

The Board oversees the overall strategy and business direction of the Group and is collectively responsible for its long-term success. 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 FY2018 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 Management on the strategic options and planning process;

iii. reviewing the adequacy and effectiveness of the Company's risk management and ensuring that Management maintains a sound system of internal controls (including financial, operational, compliance and information technology) so as 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 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 Management to make objective decisions in the interest of the Group.

The Company has in place a financial authority matrix and approval guidelines for the operations of the Group. Matters requiring specific written approval of the Board are set out under Guideline 1.5 of this Report.

Guideline 1.3
Delegation by the Board
The Board is supported by three Board 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. Any change to the Terms of Reference for any Board Committees requires Board approval.

The Board approves transactions exceeding certain thresholds, while delegating authority for transactions below those limits to its Committees and Management via a structured Delegation of Authority matrix. This matrix is reviewed on a regular basis and accordingly revised when necessary (last reviewed on 25 June 2018). More details on the Board's delegation of authority and duties are presented below. The Board Committees and Management remain accountable to the Board.

Guideline 1.4
Board and Board Committees Meetings and Attendance Records of the Board Members
The Board and its Committees meet 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 are 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 are circulated at least one week before the meetings.

CORPORATE GOVERNANCE REPORT

The attendance of the Directors at the meetings during FY2018 is set out below:

2018 Meeting Attendance	Board[1]	ARC	NC	RC[2]	General Meeting
Total Number of Meetings	**6**	**4**	**1**	**2**	**1**
Peter Sung	6	–	–	2	1
Boediman Gozali (alias Tony Wu)	5	–	–	–	1
Cheng Hong Kok	6	4	1	2	1
Chong Chou Yuen (resigned on 1 August 2018)	3	3	–	–	1
David Lee Kay Tuan (appointed on 1 August 2018)	3	1	–	–	–
William Nursalim alias William Liem	3	–	1	–	1
Tan Lye Huat	6	4	1	2	1

Annotations:

(1) : The Board met six times in FY2018, of which five were scheduled meetings and one was an ad hoc meeting.

(2) : The RC met two times in FY2018, of which one was a scheduled meeting and one was an ad hoc meeting.

During FY2018, Non-Executive Directors (including Independent Directors) also communicated or met amongst themselves and/or with the Managing Director and Chief Executive Officer (the "**CEO**") and his management team on an ad hoc basis to approve and/or discuss specific issues or matters relating to the Group. Such informal discussions and meetings are not included in the above table.

Guideline 1.5
Internal Guidelines on Matters Requiring Board Approval
The Company has established guidelines governing matters that require the Board's approval. The Delegation of Authority matrix provides clear directions to Management on matters requiring the Board's specific approval which include (but are not limited to) the following:

i. material acquisition and disposal of assets/investments

ii. corporate/financial restructuring and corporate exercises

iii. budgets/forecasts

iv. material financial/funding arrangements and capital expenditures

v. delegation of authority matrix and policies and procedures

The Board reviews and approves the Group's annual budget and business plans and on a monthly basis, monitors the financial performance of the Group. The Board also deliberates on other key business activities and material transactions that exceeded the limits of authority delegated to Management or Board Committees. In addition, the Board considers 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 the Company's 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. Mr David Lee Kay Tuan received such induction when he joined the Board as a Non-Independent and Non-Executive Director in August 2018.

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.

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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 FY2018 includes (1) Corporate Governance Code Briefing: Understanding the Revised Code organised by the Singapore Institute of Directors ("**SID**"), (2) SID Directors' Conference – Rebooting Globalisation and Governance in an Era of Disruption organised by SID, (3) Issues of trust, culture, diversity and board composition, and (4) Build your Director Career organised by Australian Institute of Company Directors.

The Company will fund Directors' participation at industry conferences, seminars or any training programme in connection with their duties as Directors. During FY2018, 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 together with a thumb drive containing relevant information which includes Directors' duties and responsibilities, Board and Board Committees' meetings schedule of the Company, the Company's last Annual Report, Constitution, respective Board Committees' Terms of Reference which also set out the remuneration framework for Directors and the Group's "Guidelines for dealing in securities by Directors and Employees of SP Corporation Group". Directors are given appropriate briefings by 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.

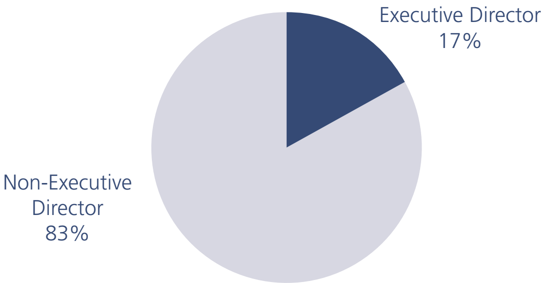
The Company observed the aforesaid practices when Mr David Lee Kay Tuan became a Non-Independent and Non-Executive Director of the Company in August 2018.

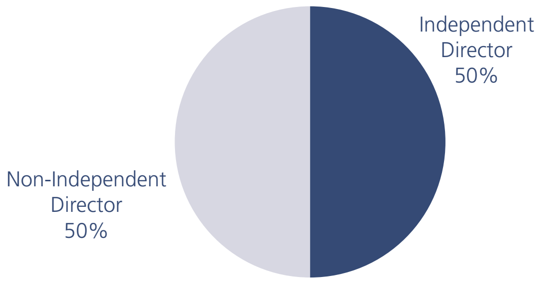
Principle 2: Board Composition and Guidance

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 substantial 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.

The Board comprises six Directors, three of whom (including the Chairman) are independent and three are non-independent. Other than the CEO, all Directors are non-executive.

For FY2018, the NC conducted its annual review of the Directors' independence and is satisfied that the Company complies with the guideline of the Code which provides that at least one-third of the Board is made up of Independent Directors.





Guideline 2.2
Composition of Independent Directors on the Board
Guideline 2.2 of the CG 2012 requires Independent Directors to make up at least half of the Board where the Chairman of the Board is non-independent. With the re-designation of Mr Peter Sung, Chairman of the Board, as an Independent Director on 4 December 2017, the Company no longer needs to comply with Guideline 2.2.

Currently, half of the Board members are made up of Independent Directors with the majority being Non-Executive Directors. Therefore, the NC is of the view that the Board has a strong independent element and its composition is appropriate in facilitating effective decision-making.

Note 1 A "substantial shareholder" is a shareholder 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 5% 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 2018.

CORPORATE GOVERNANCE REPORT

Guideline 2.3
Independence of Directors
The NC, in its deliberation as to the independence of a Director, takes into account examples of relationships as set out in the Code, considers whether a Director has business relationships with the Group, and if so, whether such relationships can 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 its annual review. The results of the self-assessment are then collated, communicated and reported to the Board.

For FY2018, the NC had assessed the independence of Messrs Cheng Hong Kok, Peter Sung 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, that could impair or compromise the independent judgement or which could deem them to be not independent.

The NC noted Mr Cheng Hong Kok's directorship in the Company's immediate holding company, Tuan Sing Holdings Limited ("**Tuan Sing**"). The NC is of the view that Mr Cheng is not a nominee Director of Tuan Sing and he has not and will not interfere, or be reasonably perceived to interfere with his ability to exercise independent judgement and act in the best interests of the Group.

The Company's transactions with Tuan Sing are covered by the Shareholders' Mandate for Interested Person Transactions. During FY2018, Tuan Sing provided management support services to the Company. The aggregate value of the transaction was not significant compared to the revenues of the Company and Tuan Sing. Moreover, Mr Cheng was not involved in the decision making of the transactions between the Company and Tuan Sing.

The NC also noted that Mr Peter Sung is currently an adviser of Nuri Holdings (S) Pte Ltd ("**Nuri**"), the deemed substantial shareholder of the Company and he is paid advisory fees, the amount of which is not significant (i.e. not exceeding $200,000 per annum). Therefore, the NC believes that there is no relationship between him and Nuri that could interfere with the exercise of his independent business judgement and his ability to act in the best interests of the Company.

Guideline 2.4
Independence of Directors who have served on the Board beyond nine years
During FY2018, Messrs Cheng Hong Kok, Peter Sung and Tan Lye Huat had served on the Board as Independent Directors for more than nine years. They 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 assessment included the following:

i. Contribution: whether he offered objective and constructive opinions concerning Interested Person Transactions ("**IPT**"); whether he made independent judgement or decisions or adopted an autonomous stand at meetings;

ii. Knowledge and abilities: whether he used his knowledge and abilities to challenge Management's assertions/responses particularly on IPTs;

iii. Integrity: whether he demonstrated objective, fair and ethical behaviour in decision making and whether he acted as minority shareholders' "gatekeeper"; and

iv. Teaming: whether he respected the Board's governance role versus Management's role and contributed as a team member without compromising his responsibilities as an Independent Director.

Having considered the assessment made by the other Directors on the independence status of Messrs Cheng Hong Kok, Peter Sung and Tan Lye Huat and other relevant factors as further elaborated below, the Board is of the view that Mr Cheng, Mr Sung and Mr Tan continue to be regarded as independent. In the discharge of their duties, Mr Cheng, Mr Sung 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 interests of the Company without undue reliance, influence or consideration of the Group/Company's interested parties such as the CEO, other Non-Independent Directors, controlling shareholders and/or their associates and the Group/Company's Management.

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

CORPORATE GOVERNANCE REPORT

Guideline 2.5
Board Composition and Size
For FY2018, 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.

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

No.	Name	Status	Board	ARC	NC	RC
1.	Peter Sung	NED, ID	C	–	–	C[(1)]
2.	Boediman Gozali (alias Tony Wu)	ED, NID	M	–	–	–
3.	Cheng Hong Kok	NED, ID	M	C	C	M
4.	Chong Chou Yuen (resigned on 1 August 2018)	NED, NID	M	M	–	–
5.	David Lee Kay Tuan (appointed on 1 August 2018)	NED, NID	M	M	–	–
6.	William Nursalim alias William Liem	NED, NID	M	–	M	–
7.	Tan Lye Huat	NED, ID	M	M	M	M

Legend:
C: Chairman ED: Executive Director ID: Independent Director
M: Member NED: Non-Executive Director NID: Non-Independent Director

Annotation:
(1) : Mr Peter Sung took over Chairmanship from Mr Tan Lye Huat on 15 May 2018.

Guideline 2.6
Board Diversity and Competency of the Board
The Company recognises and embraces the benefits of diversity on the Board and views diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The current composition of the Board provides diversity in terms of skills, experience and knowledge of the Company.

In identifying suitable candidates for new appointment to the Board, the NC ensures that female candidates are included for consideration. Having said that, gender is but one aspect of diversity and new directors will continue to be selected based on merit, taking into account the contributions the candidates can bring to the Board, as part of the process for new Board appointment and Board succession planning.

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

The NC, having reviewed the Board of Directors 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.

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Guideline 2.7
Role of Non-Executive Directors
The Non-Executive Directors constructively challenge and help develop both the Group's short-term and long-term business strategies. Management's progress in implementing such agreed business strategies are 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 FY2018, Non-Executive Directors (including Independent Directors) met amongst themselves quarterly 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 benefits from Management's ready access to its Directors for guidance and exchange of views both within and outside of the formal environment of the Board and Board Committees meetings.

At least once a year, Non-Executive Directors meet to discuss, inter alia, Management's performance without the presence of Management. The Board is hence of the view that it is not necessary to pre-arrange formal sessions.

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, in consultation with Management and the Group Company Secretary, 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 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 shareholders' meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management.

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 and responsibilities. The NC shall:

i. nominate new Directors to the Board and review the 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;

CORPORATE GOVERNANCE REPORT

iv. review the appointment and termination/dismissal of the following persons in the Company:

(a) the CEO and Group Company Secretary for recommendation to the Board for approval; and

(b) the personnel occupying key positions such as Chief Financial Officer and any position that carries the rank of senior department head, senior vice president, general manager or its equivalent or in each case, would be classified as one of the top 5 executives of the Company;

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 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
In discharging its key responsibilities, the NC reviewed the following in FY2018:

i. the independence of Directors, particularly those who have served more than nine years;

ii. the size of the Board and its composition;

iii. the commitment of Directors serving on multiple boards;

iv. the performance of the Board as a whole;

v. contribution by each individual director to the effectiveness of the Board;

vi. the Directors' continued training and professional development;

vii. the disclosure of Board matters in the Annual Report; and

viii. Board succession and renewal plans.

The NC 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 who has agreed for the following Directors to retire by rotation and to seek re-election at the Company's forthcoming AGM:

i. Mr Tan Lye Huat [Article 105]

ii. Mr William Nursalim alias William Liem [Article 105]

In addition, the Constitution of the Company stipulates that Directors appointed by the Board during the financial year without shareholders' approval at the AGM, shall only hold office until the next AGM, and thereafter be eligible for re-election at the AGM. This stipulation is in addition to the number of Directors to retire by rotation at the AGM. In this aspect, Mr David Lee Kay Tuan, who was appointed as Non-Executive Director of the Company on 1 August 2018, will be eligible and has offered himself for re-election at the forthcoming AGM.

Subject to their re-election, Mr Tan Lye Huat shall continue to serve as an Independent Director and a member of the ARC, NC and RC, Mr William Nursalim alias William Liem shall continue to serve as a Non-Independent and Non-Executive Director and a member of the NC whilst Mr David Lee Kay Tuan shall continue to serve as a Non-Independent and Non-Executive Director and a member of the ARC.

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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. During FY2018, 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.

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 FY2018, no Director has exceeded this stipulation.

For the year under review, the NC had 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 FY2018.

Guideline 4.5
Appointment of Alternate Directors
During FY2018, the Company had 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 on the Board as identified by the NC. The potential candidate may be proposed by existing Directors, substantial shareholders, 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 of the proposed candidate to the Board for approval. The Board ensures that the selected candidate is aware of the expectations and the level of commitment required.

The NC confirmed that during the year it had observed the due processes enumerated above which led to the appointment of Mr David Lee Kay Tuan as a Non-Independent and Non-Executive Director.

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 first 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.

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Principle 5: Board Performance

Guideline 5.1

Board Evaluation Process

The Company has implemented a formal process to evaluate (i) the performance of the Board and its Board Committees, (ii) the contribution by each individual Director to the effectiveness of the Board, and (iii) the ability of the Board to discharge its responsibilities in providing stewardship, corporate governance and oversight of Management's performance.

The evaluation of individual Directors is differentiated between the Executive Director and the Non-Executive Director. The Executive Director is evaluated by the Non-Executive Directors, inter alia, through assessment of his performance against certain key performance indicators ("**KPIs**") set by the relevant Board Committees in the early part of the year. Should there be issues with any Director, the NC Chairman and the Chairman of the Board will conduct a peer review pro-actively in a timely manner and will not wait until the results of such assessment exercise at year end.

In FY2018, the Board did not engage an independent external consultant to facilitate the annual review of the performance of the Board and the Board Committees.

For FY2018, 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 Management and adequacy of the Board and Committees' meetings held to enable proper consideration of issues. In the self-assessment of individual Directors, a Board of Directors Competency Matrix has been used to assess Directors' respective areas of specialisation and expertise, and other factors as provided under the guidelines of the Code. The Board would act on the results where appropriate.

During the evaluation process, the NC assesses each Director's contribution, his ability to devote sufficient time and attention to the Company's affairs as well as his participation in discussions at meetings.

To ensure confidentiality, the evaluation returns completed by all Directors are submitted to the Group Company Secretary for collation. The results of the performance evaluation are presented first to the NC for review and discussion and then to the Board. The Board, through the recommendation of the NC, is satisfied with the results of the assessment for FY2018.

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 FY2018, the NC duly observed the aforesaid process and criteria and is satisfied with the results of the review. The NC noted that while the performance of the Board is satisfactory, the NC recognised that more work has to be done to enlarge the business.

Guideline 5.3

Individual Director Evaluation

The evaluation of individual Director's performance is conducted 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 FY2018, 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.

The results of the performance evaluation exercise are used as a reference by the Chairman to review, where appropriate, the composition of the Board and its Board Committees, and in consultation with the NC, to support its proposals for Board renewal so as to improve the effectiveness of the Board's oversight of the Company. Comments received from the NC are compiled and presented to the Board in due course.

CORPORATE GOVERNANCE REPORT

Principle 6: Access to Information

Guideline 6.1
Complete, Adequate and Timely Information
To enable the Board to make informed decisions and to fulfill its responsibilities, Management provides adequate, accurate and complete information, in a timely manner. A system of communication between Management and the Board and Board Committees has been established and improved over time. All scheduled Board and Board Committees' meetings are 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 Management and are free to request for additional information as needed to make informed decisions.

Guideline 6.2
Provision of Information to the Board
In addition to the annual budget and business plans submitted to the Board for approval, the Board is provided with monthly management/operations reports, management accounts, Board papers and related materials informing the Directors of the Group's performance, position and prospects. Management keeps the Board apprised of material variances between the actual results, corresponding period of last year and the budget, with appropriate explanation on such variances. Further, additional information is circulated to the Board on a regular basis as and when there is material development in the Group's business operations.

Guideline 6.3
Group Company Secretary
The role of the Group Company Secretary has been 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 Group Company Secretary ensures good information flow to and within the Board and its Committees and between Management and Non-Executive Directors.

Directors have separate and independent access to the Group Company Secretary through electronic mail, telephone and face-to-face meetings. During FY2018, the Group Company Secretary attended all meetings of the Board and its Committees and the minutes of such meetings were promptly circulated to all members of the Board and Board Committees.

Guideline 6.4
Appointment and Removal of Company Secretary
The appointment and removal of the Company Secretary are subject to the approval of the Board as stipulated in the Company's Terms of Reference of the Board. The former Company Secretary who was appointed in November 2016 resigned on 7 November 2018. The incumbent appointment as Group Company Secretary was with a unanimous consent from members of the Board.

Guideline 6.5
Independent Professional Advice
The Company allows for Directors, individually or as a group, to seek independent professional advice at the expense of the Company, in the furtherance of their duties and after consultation with the Chairman of the Board.

II. REMUNERATION MATTERS

Matters concerning remuneration of the Board, senior executives and other employees who are related to the substantial 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.

CORPORATE GOVERNANCE REPORT

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 independent:

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

The RC is guided by its written Terms of Reference, which stipulates its principal roles and responsibilities. The RC shall:

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 of 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 of the Board and any of the Board Committees.

The current 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 CEO, being an Executive Director, does not receive Director's fee.

Determining the remuneration of the Directors is the purview of the Board as a whole; individual Directors do not participate in discussion regarding their own remuneration.

CORPORATE GOVERNANCE REPORT

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 FY2018, 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 enumerated in their respective employment letters. The RC reviewed and is satisfied that the termination clauses therein are fair and reasonable 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 ("KMP")
The Company's remuneration structure for its Executive Director and KMP comprises both fixed and variable components with an aim to attract, retain and motivate talent on a sustainable basis. The fixed compensation comprises base salary and fixed allowances. The variable component, on the other hand, is a cash-based short-term incentive that 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 KMP, specific KPIs, with both financial and non-financial targets, are clearly set out for each financial year and such KPIs comprise both quantitative and qualitative factors. The RC believes that the KPIs enable the Company to monitor its success in achieving its strategy and the progress of the Group in delivering high-quality growth.

Throughout FY2018, the Board had only one Executive Director, namely, the CEO. As stipulated in the Company's remuneration framework, the Executive Director and KMP 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.

For FY2018, the RC is satisfied that the adjustments made to the salaries as well as the performance-related bonuses granted to the Executive Director and KMP were reflective of the performance and the contribution made by such staff taking into account the extent to which their KPIs were met.

Guideline 8.2
Long-term Incentive Scheme
Considering the size of the current business operations of the Group as well as its existing workforce, the Company does not have any long-term incentive plan for the Executive Director and KMP.

Guideline 8.3
Remuneration of Non-Executive Directors
Non-Executive Directors are paid a basic retainer fee for serving as Director, an additional fee for serving on Board Committees and an attendance fee for participation in meetings of the Board and any of the Board Committees. In order not to compensate the Non-Executive Directors excessively, the RC takes into consideration the factors such as frequency of the meetings, time spent, responsibilities of Non-Executive Directors and the need to stay competitive with industry practices. The fee structure for Non-Executive Directors is presented under Guideline 7.2 of this Report.

Guideline 8.4
Contractual provisions to reclaim incentive components of remuneration
Having reviewed and considered the variable components of the Executive Director and KMP, 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.

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Principle 9: Disclosure of Remuneration

Guideline 9.1
Remuneration Report
Details on the remuneration of Directors and KMP for FY2018 are presented below. During FY2018, there was no termination, retirement and post-employment benefits granted to any of them.

Guideline 9.2
Remuneration of Directors
The remuneration of each Director paid or payable by the Company for FY2018 is set out below:

Name of Directors	Directors' Fees	Salary[5]	Benefits[6]	Variable Bonus	Total
Executive Director					
Boediman Gozali (alias Tony Wu)[1]	–	$532,200	$16,697	$177,850	$726,747
Non-Executive Directors					
Peter Sung[2]	$71,580	–	–	–	$71,580
Cheng Hong Kok	$57,342	–	–	–	$57,342
Chong Chou Yuen[3]	–	–	–	–	–
David Lee Kay Tuan[4]	$15,318	–	–	–	$15,318
William Nursalim alias William Liem[3]	–	–	–	–	–
Tan Lye Huat	$49,479	–	–	–	$49,479
Total Directors' Remuneration	**$193,719 21%**	**$532,200 58%**	**$16,697 2%**	**$177,850 19%**	**$920,466 100%**

Annotations:

(1) : 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 $54,521 and benefits of $17,059 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, Messrs Chong Chou Yuen and William Nursalim alias William Liem do not receive Directors' fees. Mr Chong Chou Yuen resigned on 1 August 2018.

(4) : Pro-rated fees as Mr David Lee Kay Tuan was appointed as Director and a member of the ARC effective 1 August 2018.

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

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

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Guideline 9.3
Remuneration of Top 3 KMP
The table below sets out the ranges of gross remuneration of the top 3 executives (excluding the Executive Director) of the Group during FY2018:

Name of Top 3 Executives	Designation	Salary[1]	Benefits[2]	Variable Bonus[3]	Remuneration Bands of $250,000
Lee Hui Gek[4]	Chief Financial Officer	100%	–	–	< $250,000
Phey Mui Noi	Senior Finance Manager	92%	–	8%	< $250,000
Lee Kay Chen	Business Development Manager	93%	1%	6%	< $250,000
Total Remuneration of Top 3 Executives		**96% $451,609**	**0% $700**	**4% $18,679**	**100% $470,988**

Annotations:
(1) : Salary comprises basic salary, allowance and employer's CPF contributions.
(2) : Benefits relate to long-term service award.
(3) : Variable bonus includes employer's CPF contributions.
(4) : Ms Lee Hui Gek resigned and left the Company on 31 May 2018.

The aggregate remuneration paid to the above executive personnel in FY2018 was $470,988.

Guideline 9.4
Employee related to Directors or CEO
Mr Lee Kay Chen, as disclosed above, whose remuneration exceeds $100,000 for FY2018, is the brother of Mr David Lee Kay Tuan, a Non-Executive Director of the Company.

Guideline 9.5
Employee Share Scheme
In view of the size of the existing business operations of the Group and its current workforce, 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 KMP, 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 FY2018, 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
The Company ensures that the Board receives accurate and timely information. Hence, the Board receives monthly financial and business reports from Management.

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. Announcements of quarterly and full-year financial results are released to the SGX-ST via SGXNet on the same evening of the ARC and Board meetings held to approve such announcements.

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In addition, the Company has established a practice whereby business and finance heads of individual subsidiaries and strategic business units are required to provide quarterly written representation, in specific template, to the CEO and the Senior Finance Manager ("**SFM**") 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.

Based on the CEO and the SFM's representation, enquiries made thereof and in accordance with the requirements of the SGX-ST Listing Manual, the Board issues a negative assurance statement 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.

The Annual Report which comprises the relevant business and operations, financial and governance information of the Company is approved by the Board.

Guideline 10.2
Compliance with Legislative and Regulatory Requirements
During FY2018, the Board reviewed quarterly representation letters from Management to ensure compliance with all the Group's policies, operational practices and procedures, and relevant legislative and regulatory requirements.

The Company 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.

Guideline 10.3
Management Accounts
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. During FY2018, the ARC assisted the Board in the oversight of the Group's risk profile and policies, the adequacy and effectiveness of the Group's risk management and internal control systems and the ARC also reported to the Board on critical risk issues facing the Group, material matters, findings and suggested level of risk tolerance, risk policies and risk management.

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. For FY2018, the key risks were identified and classified under four categories, namely, Business and Strategic Risks, Financial Risks, Operational Risks and Compliance Risk including information technology controls and risk management systems. Action plans are 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, Management and the Board, working as a team. A self-assessment process, conducted regularly by 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.

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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, Management submitted to the ARC and the Board the "Risk Management Report" detailing 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 reviews 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.

Since January 2017, the Company had implemented the following policies:

i. Information Security Policy

   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.

For FY2018, in accordance with SGX-ST Listing Rules 711A and 711B, the Board reviewed and approved the Sustainability Report of the Company to be included in the Annual Report.

As part of the Group's continuous efforts to ensure that its risk management and internal control systems are adequate and effective, the Company is not only working towards strengthening the existing policies by conducting regular reviews to ensure that they remain relevant but is also implementing new ones where necessary so as to meet challenges brought on by a changing business environment.

Guideline 11.3
Board's Comment on Adequacy and Effectiveness of Internal Controls
For the year under review, the CEO and the SFM have provided an assurance to the Board that (i) the financial records have been properly maintained and that the financial statements give a true and fair view of the Company and the Group's operations and finances for FY2018 and the financial position as of 31 December 2018; and that (ii) the system of risk management and internal controls within the Company and the Group is adequate and effective as of the same date.

Based on internal controls established and maintained by the Group, work performed by internal and external auditors and reviews performed by Management, written representation by the CEO and the SFM and the various Board Committees, the Board, with the concurrence of the ARC, is of the opinion that the system of risk management and internal controls within the Company and the Group is adequate and effective as at 31 December 2018 to address the financial, operational and compliance risk including information technology controls and risk management systems, which the Group considers relevant and material to its operations.

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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 controls 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, are independent:

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

Guideline 12.2
Expertise of ARC Members
The ARC members bring with them invaluable professional expertise in the accounting and financial management domains. The Board, after considering the advice from the NC, believes that the ARC members are appropriately qualified to discharge the ARC's responsibilities as defined under its written Terms of Reference which have been approved by the Board.

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 and responsibilities. The ARC shall:

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 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 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 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 Management reviews 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 Management to ensure controls are put in place to address these risks. 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

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viii. review and recommend for Board approval IPTs, 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 FY2018, 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 reviews the financial results announcements of the Company and the Group before their submission to the Board for approval.

The ARC had reviewed the external auditors' audit plan for FY2018 and had agreed with the auditors' proposed significant areas of focus and assumptions that impact the financial statements. In the ARC's review of the financial statements of the Group for FY2018, it had discussed with Management the accounting principles that were applied and their judgement of items that could affect the integrity of the financial statements and also considered the clarity of key disclosures in the financial statements. The ARC also reviewed and addressed, amongst other matters, the following key audit matters as reported by the external auditors for FY2018.

Key audit matters	How these issues were addressed by the ARC
Recoverability of refundable trade deposit Management assesses at the end of the reporting period whether there is any evidence that the refundable trade deposit provided to a related party to secure coal allocations is impaired.	The ARC challenged Management's assessment of the recoverability of the amount, taking into account the coal allocation contractual arrangements and delivery status, and the financial performance of the related party. The ARC was satisfied with the accounting of the refundable trade deposit and its disclosures as at the reporting date.
The Group's aged trade receivables There is a risk that the Group's aged trade receivables which are past due but not impaired may not be recoverable and allowance for doubtful receivables may not be adequate or reasonable.	The ARC reviewed Management's recoverability assessment 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 trade debts. The ARC also reviewed Management's credit evaluation process taking into account the credit and payment profiles of trade debtors. After taking into consideration the findings of the external auditors, the ARC was satisfied with the accounting and disclosures in the financial statements of the Group's aged trade receivables.
Identification of related party transactions The Group has significant transactions with its related parties and there is a risk that the related parties may inadvertently be omitted, and as such, the Group's identification of the related party and disclosure of its transactions may be incomplete.	The ARC considered and evaluated the Group's process in the identification, approval and recording of related parties and related party transactions, including that of interested persons and interested person transactions. Based on the independent annual reporting by the internal auditors and the results of findings from the external auditors, the ARC was satisfied that related party transactions and balances have been appropriately accounted for and disclosed in the financial statements by Management.

Management reports and discusses with the ARC on changes to the accounting standards and accounting issues which have a direct impact on the financial statements. Directors are invited to attend relevant seminars on changes to accounting standards and issues by leading accounting firms.

Following the review, the ARC is satisfied that all the aforesaid matters have been properly dealt with and recommended the Board to approve the financial statements. The Board has on 25 January 2019 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 are 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.

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The ARC has full access to, and has had the full co-operation of Management and staff. It also has full discretion to invite any Director or any member of Management to attend its meetings.

Guideline 12.5
External and Internal Auditors
During FY2018 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 Management.

Guideline 12.6
Independence of External Auditors
During FY2018 and as in the past years, the ARC reviewed the "Professional Services Planning Memorandum" prepared by Deloitte & Touche LLP ("**Deloitte**"), the external auditors, discussed their terms of engagement, materiality level of their work, significant risks assessment, areas of audit focus, internal control plan and the internal auditors' report and audit quality indicators, before the commencement of their audit work.

In respect of the audit quality indicators, the ARC had reviewed, in particular, the following areas: audit hours planned, experience of the team, adequacy of training received by the team, results of internal and third party's inspection of their work, compliance with independence requirement, quality control, staff oversight, and staff attrition rate.

The ARC undertook a review of the independence and objectivity of the external auditors, their approach of the audit work and their proposed audit fees as well as reviewing the non-audit fees awarded to them.

For FY2018, the ARC had reviewed and concurred with the nature of non-audit work performed and fees charged by Deloitte and its member firms. A breakdown of the fees paid or payable to Deloitte and its member firms are analysed in the table below:

	FY2018		FY2017	
Fees paid to External Auditors	**$'000**	**% of Total Fees**	**$'000**	**% of Total Fees**
Total Audit Fees	96	79	105	68
Total Non-Audit Fees	25	21	50	32
Total Fees Paid	**121**	**100**	**155**	**100**

The ARC is satisfied that the nature and extent of the non-audit services performed by the external auditors has not prejudiced their independence and objectivity.

On the recommendation of the ARC, the Board approved the re-appointment of Deloitte as the external auditors of the Group at the forthcoming Annual General Meeting for shareholders' approval. The Company confirms that it complies with SGX-ST Listing Rules 712 and 715.

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.

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.

The WBC consists of:

- CEO;
- Director; and
- the Group Company Secretary

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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.

All newly recruited employees are briefed of the existence of the Policy and a reminder is sent to all employees annually in the form of an Annual Declaration by the employees requiring them to disclose any instances of conflicts of interest or raising any issues or concerns of possible irregularities of the Company or the Group's affairs. A "nil" return is also required for the purpose.

It has also been a standard item in the agenda of the quarterly meeting of the ARC to review any entries in the register of whistle-blowing incidents, and progress of investigation, if it remains outstanding.

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 Whistle-blowing Policy was reviewed by the ARC and approved by the Board in January 2019.

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 FY2018. The CEO, CFO, SFM, Group Company Secretary, external and internal auditors were invited to attend those meetings.

In addition to the activities undertaken to fulfil its responsibilities, the ARC is kept abreast by Management, external and internal auditors on the 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
During FY2018, no former partner or director of the Company's existing auditing firm or its member firms was 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**").

For FY2018, the Company had outsourced its internal audit function to PricewaterhouseCoopers Risk Services Pte. Ltd. ("**PwC**"). Upon the recommendation by the ARC, the Board 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. The Company's 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.

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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. The audit plan has been devised in such a way that all the major functions or business units would be internal-audited within an internal-audit cycle. 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
For FY2018, the ARC had reviewed the adequacy and effectiveness of the internal audit function to ensure that internal audits were conducted effectively and that Management provided the necessary co-operation to enable the IA to perform its function. After having reviewed the IA's reports and remedial actions implemented by Management, the ARC is satisfied that the internal audit functions are adequate and effective.

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 raise questions and to participate in discussions 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 and the Company's website.

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, the Company's announcements via SGXNet and the Company's website. General meetings are held at venues within the central business district which are easily accessible by the shareholders. Resolutions tabled at general meetings are passed through a process of voting by poll whereby the procedures are clearly explained by the scrutineers at the beginning of the voting in such general meetings.

Guideline 14.3
Proxies for Nominee Companies
Pursuant to the provisions in the Company's Constitution, shareholders who are not "relevant intermediaries" may appoint up to two proxies during his/her absence, to attend, speak, vote on his/her behalf at general meetings. Shareholders who are "relevant intermediaries" such as banks, capital market services licence holders which provide custodial services for securities and the Central Provident Fund Board ("**CPF**"), are allowed to appoint more than two proxies. This is to facilitate indirect shareholders including CPF investors to participate in general meetings. Such indirect shareholders where so appointed as proxy, will have the same rights as direct shareholders to attend, speak and vote at general meetings.

In order to have a valid registration of proxy, an instrument appointing a proxy must be deposited at such place or places specified in the notice convening the general meetings at least 72 hours before the time appointed for the general meetings.

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 the 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. Although the Company does not have the investor relations policy, shareholders can still provide their enquiries, concerns or feedbacks on the Company's website. Material information on the Group is released to the public on a timely and non-selective basis through the Company's announcements via SGXNet as well as through its corporate website at www.spcorp.com.sg.

CORPORATE GOVERNANCE REPORT

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 and the Company's corporate website. Should an inadvertent disclosure be made to a selected group, the Company will make the same disclosure publicly as soon as is practicable. The Company's website also allows the public to have access to its past years' announcements.

The planned date of release of quarterly financial results is disclosed twelve months ahead in the Annual Report of the preceding year. Such information is set out under "*Financial Calendar*" which can be found on page 20 of this Annual Report.

For FY2018, quarterly results were announced within 28 days of the succeeding month; and full-year audited results (full set; inclusive of notes to financial statements) were released on 26 January 2019. The Annual Report for FY2018 will be distributed to shareholders 28 days before the AGM scheduled to be held on 16 April 2019.

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 given the opportunity to engage the Board and 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
In order to have a better understanding of shareholders' views, the Board actively encourages shareholders to participate during the Company's general meetings. The Board, CFO, SFM, Company Secretary, external auditors together with the Company's legal advisers are present during the Company's general meetings to attend to shareholders' queries. Further, Management would meet analysts and fund managers as appropriate.

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. The Company's website also has an "Investor Relations" link which gives contact details for shareholders to communicate with the Company. The Company also attends to shareholders' queries made via telephone.

Guideline 15.5
Dividend Policy
As the Company still has accumulated losses as at 31 December 2018 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 28 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.

Provision has been made under Article 76 of the Constitution, allowing for shareholders to vote in absentia. Examples of absentia voting are voting via mail, electronic mail or facsimile at the general meetings. However, such methods may only be possible following careful study to ensure that the integrity of information and authentication of the identity of shareholders through the web is not compromised. Therefore, at this point in time, the Company does not allow a shareholder to vote in absentia at general meetings, except through the appointment of a proxy, attorney or in the case of a corporation, a corporate representative, to cast their vote in their stead.

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. There is no bundling of the resolutions as they are not interdependent and linked to each other. Detailed explanatory notes on each item of the agenda is also provided to the Notice of AGM in this Annual Report.

CORPORATE GOVERNANCE REPORT

Guideline 16.3
Attendees at General Meetings
The Chairman of the Board and the Chairman of each of the Board Committees, the CEO, the CFO, the SFM, and the Company Secretary attend all general meetings to address issues raised by shareholders. The Company's external auditors and legal advisers are also present to address any relevant queries from shareholders.

Guideline 16.4
Minutes of General Meetings
The minutes of general meetings, which include the proceedings at the general meetings, questions raised by shareholders and answers given by the Board and Management and the voting result of each resolution 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 17 April 2018.

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.

V. OTHER CORPORATE GOVERNANCE MATTERS

The Company has in place internal code 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 and recommendation to the Board for approval. Under the requirements of the SGX-ST Listing Manual, 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.

Shareholders have adopted an interested person transaction mandate in respect of IPTs of the Company. The interested person transaction mandate defines the levels and procedures to obtain approval for such transactions. The Group maintains a register of the Company's IPTs in accordance with the reporting requirements stipulated by Chapter 9 of the SGX-ST Listing Manual. 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 has a formal insider trading policy whereby all the Directors and employees of the Group are prohibited from dealing in the securities of the Company and its listed 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. This policy discourages all the Directors and employees of the Group from dealing in the listed entities' securities for short-term considerations and reminds them of their obligations under insider trading laws.

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 code of conduct has been strengthened since FY2017 with the implementation of the Information Security Policy, Personal Data Protection Policy as well as Anti-bribery and Anti-corruption Policy.

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 interests 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 2018

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

In the opinion of the Directors:

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 52 to 106 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2018, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and

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

1 DIRECTORS

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

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

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

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

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Name of Directors and companies in which interests are held:

Name of Directors and companies in which interests are held	Shareholdings registered in name of Director		Shareholdings in which Director is deemed to have an interest	
	At beginning of year or date of appointment, if later	At end of year	At beginning of year or date of appointment, if later	At end of year
Holding Company				
Tuan Sing Holdings Limited (Ordinary shares)				
Mr David Lee Kay Tuan	250,000	**250,000**	–	**–**
Mr Tan Lye Huat	–	**–**	500,000	**500,000**
Mr William Nursalim alias William Liem	–	**–**	546,383,829	**628,814,529**

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (Continued)

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

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

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

4 SHARE OPTIONS

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

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

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

5 AUDIT AND RISK COMMITTEE

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

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

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

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5 AUDIT AND RISK COMMITTEE (Continued)

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

(a) the audit plans of the internal and external auditors, the scope of the internal audit procedures and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

(b) the Group's financial and operating results and accounting policies;

(c) the consolidated financial statements of the Group, the statement of financial position and statement of changes in equity of the Company before their submission to the Directors of the Company and the external auditors' report on those financial statements;

(d) the quarterly, half-yearly and annual announcements on the results and financial position of the Company and the Group;

(e) the interested person transactions as specified under Chapter 9 of the SGX-ST Listing Manual Rules;

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

(g) the re-appointment of the external and internal auditors of the Group.

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

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

6 EXTERNAL AUDITORS

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

ON BEHALF OF THE DIRECTORS

Peter Sung
Chairman

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

25 January 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SP CORPORATION LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of SP Corporation Limited (the "**Company**") and its subsidiaries (the "**Group**"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 52 to 106.

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

Basis for Opinion

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

Key Audit Matters

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

Key audit matters	How the audit matter was addressed in the audit
Recoverability of refundable trade deposit	
Management assesses at the end of the reporting period whether there is any evidence that the refundable trade deposit of US$6,000,000 (equivalent to $8,215,000) provided to a related party to secure coal allocations is impaired. Management monitors and takes into consideration the following in their assessment on recoverability of the refundable trade 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 discussions with management of the related party who owns the coal mine on their coal mine's operations; and • terms as agreed in the latest coal allocation agreement with the related party. The Group's disclosure of the above significant estimates is provided in Note 3 to the financial statements, and further information related to the refundable trade deposit is provided in Note 8.	Our audit procedures focused on evaluating and challenging the key estimates used by management in assessing the recoverability of the refundable trade deposit. These procedures include: • obtaining an understanding of the key controls and processes that management and the directors have in place to assess the recoverability of the refundable trade deposit; • reviewing the agreements for the arrangement on the refundable trade deposit; and • challenging management's assessment of the recoverability of the amount as at the reporting date, including the assessment by management on the related party's financial position and performance, and its historical payment cycles. 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 (Continued)

Key audit matters	How the audit matter was addressed in the audit
The Group's aged trade receivables There is a risk that the Group's aged trade receivables which are past due but not impaired may not be recoverable and allowance for doubtful receivables may not be adequate or reasonable. Management monitors and assesses the Group's credit risk, and where required, adjust the level of impairment allowance, which requires management to make significant judgements regarding the expected future financial condition and the ability of future receipts from the debtors, especially where the debts are aged or overdue for more than 3 months. Inappropriate judgement and estimates made in the impairment assessment would result in a significant impact on the carrying amount of the trade receivables. Disclosure on the above key estimates has been made in Note 3 to the financial statements, and further information related to the aged trade receivables is provided in Note 9.	Our audit procedures were: • We have obtained an understanding of the key controls and processes that management and the directors have in place to assess the recoverability of the aged trade receivables; • We have evaluated and challenged management's assessment of the recoverability of the Group's aged trade receivables which are past due but not impaired as at the reporting date, including the assessment of any allowance to be made by the Group in respect of overdue debts; and • We enquired with management on the reasons for the delay in payments on certain aged trade receivables and the appropriateness of any allowance for doubtful debts to be made, by considering amongst others, factors such as subsequent cash receipts, past payment practices, the ongoing business relationship with the debtors involved or where relevant, repayment schedule as agreed with the debtors. We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements.
Identification of related party transactions The Group is a component of another listed group, and accordingly, there are various related parties that need to be identified and transactions with these related parties to be monitored. The Group has significant transactions with its related parties and there is a risk that the related parties may inadvertently be omitted, and as such, the Group's identification of the related party and disclosure of its transactions may be incomplete. The related party transactions have been disclosed in Note 26 to the financial statements.	Our audit procedures were: • We have assessed and evaluated the design and implementation of the Group's policies and procedures in respect of the identification of related parties and recording of related party transactions. • We performed background checks on certain customers and suppliers to evaluate the completeness of the related parties identified by management. • We obtained a list of related parties from management and ensured all transactions and balances with those entities have been appropriately disclosed in the financial statements. We have independently requested and obtained confirmation replies from these related parties to confirm the balances at 31 December 2018, and transactions for the year then ended. • We also considered the completeness of the disclosure of related party transactions through review of statutory information, books and records and minutes, and assessed the disclosures for accuracy against information obtained in our audit.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SP CORPORATION LIMITED

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

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

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

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SP CORPORATION LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Deloitte & Touche LLP

Public Accountants and
Chartered Accountants
Singapore

25 January 2019

STATEMENTS OF FINANCIAL POSITION

31 DECEMBER 2018

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

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

1 General

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

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

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

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

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

2 Summary of Significant Accounting Policies

(a) Basis of accounting

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 Summary of Significant Accounting Policies (Continued)

(b) Standards issued but not effective

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

SFRS(I) 16 *Leases*

Effective for annual periods beginning on or after 1 January 2019

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

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

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

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

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

(c) Basis of consolidation

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 Summary of Significant Accounting Policies (Continued)

(c) Basis of consolidation (Continued)

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 Summary of Significant Accounting Policies (Continued)

(d) Business combination

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

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

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

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

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;

- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 *Share-based Payment* at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 Summary of Significant Accounting Policies (Continued)

(e) Financial instruments

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

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

Financial assets

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

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

Classification of financial assets

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 **Summary of Significant Accounting Policies** (Continued)

(e) **Financial instruments** (Continued)

Amortised cost and effective interest method

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

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

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

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

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

Interest income is recognised in profit or loss.

Foreign exchange gains and losses

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 Summary of Significant Accounting Policies (Continued)

(e) Financial instruments (Continued)

Impairment of financial assets

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

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

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

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

Significant increase in credit risk

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

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

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 Summary of Significant Accounting Policies (Continued)

(e) Financial instruments (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

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

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

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

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

Definition of default

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

- when there is a breach of financial covenants by the counterparty; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

2 Summary of Significant Accounting Policies (Continued)

(e) Financial instruments (Continued)

Impairment of financial assets (Continued)

Credit-impaired financial assets

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

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

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

Measurement and recognition of expected credit losses

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

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

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

2 Summary of Significant Accounting Policies (Continued)

(e) Financial instruments (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of expected credit losses (Continued)

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

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

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

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

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

Derecognition of financial assets

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

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 Summary of Significant Accounting Policies (Continued)

(e) Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 **Summary of Significant Accounting Policies** (Continued)

(e) **Financial instruments** (Continued)

Financial liabilities (Continued)

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

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

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

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

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

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

Financial liabilities subsequently measured at amortised cost

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

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 Summary of Significant Accounting Policies (Continued)

(e) Financial instruments (Continued)

Financial liabilities (Continued)

Financial guarantee contracts

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

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

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

Foreign exchange gains and losses

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

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

Derecognition of financial liabilities

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

Derivative financial instruments

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

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 Summary of Significant Accounting Policies (Continued)

(e) Financial instruments (Continued)

Derecognition of financial liabilities (Continued)

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.

(g) Non-current assets held for sale and discontinued operations

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

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

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

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

(a) represents a separate major line of business or geographical area of operations,

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or

(c) is a subsidiary acquired exclusively with a view to resale.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

2 Summary of Significant Accounting Policies (Continued)

(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 5
Motor vehicles	5 to 10

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

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

(i) Impairment of tangible assets

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

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

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

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

(j) Provisions

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

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

2 Summary of Significant Accounting Policies (Continued)

(j) Provisions (Continued)

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

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

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

Sale of commodity trading products

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

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

Interest income

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

Financial guarantee income

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

(l) Borrowing costs

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

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

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

2 Summary of Significant Accounting Policies (Continued)

(m) Retirement benefit costs

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

(n) Employee leave entitlement

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

(o) Income tax

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

2 Summary of Significant Accounting Policies (Continued)

(p) Foreign currency transactions and translation

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 Summary of Significant Accounting Policies (Continued)

(q) Cash and cash equivalents in the consolidated statement of cash flows

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

(r) Segment reporting

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

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

3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

Critical judgements in applying the entity's accounting policies

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

Key sources of estimation uncertainty

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

Recoverability of refundable trade deposit

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Allowance for impairment loss on aged trade receivables

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

4 Segment Information

Products and services from which reportable segments derive their revenues

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

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

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

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.
Investment	Investment holding.
Corporate and Others	General corporate activities and others.

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

4 Segment Information (Continued)

Segment revenue and results

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

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

4 **Segment Information** (Continued)

Segment revenue and results (Continued)

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

4 **Segment Information** (Continued)

Segment revenue and results (Continued)

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

Geographical Information

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

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

Information about major customers

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

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

5 Plant and Equipment

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

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

6 Investments in Subsidiaries

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

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

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

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

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

7 Inventories

Group	At cost $'000	At net realisable value $'000	Total $'000
31 December 2018 and 31 December 2017			
Raw materials	–	–	–
Finished goods	–	–	–
	–	–	–
1 January 2017			
Raw materials	77	–	77
Finished goods	640	42	682
	717	42	759

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

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8 Trade and Other Receivables

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

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

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

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

9 Trade Receivables

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

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

Trade receivables

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

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9 Trade Receivables (Continued)

Trade receivables (Continued)

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

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

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

Amounts due from related parties – trade

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

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

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

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

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

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

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9 Trade Receivables (Continued)

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

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

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

10 Other Receivables

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

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

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

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

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

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10 Other Receivables (Continued)

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

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

11 Loan to a Related Party

	Group			Company		
	31.12.18 $'000	31.12.17 $'000	1.1.17 $'000	31.12.18 $'000	31.12.17 $'000	1.1.17 $'000
Loan to a related party [Note 26(a)(ii)]	**20,000**	–	–	**–**	–	–
	20,000	–	–	**–**	–	–

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

12 Tax Recoverable

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

13 Cash and Bank Balances

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

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

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

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14 Share Capital

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

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

15 Deferred Tax

	Group			Company		
	31.12.18 $'000	31.12.17 $'000	1.1.17 $'000	31.12.18 $'000	31.12.17 $'000	1.1.17 $'000
At beginning of financial year	**38**	54	24	**1**	1	4
Charge (Write-back) during the financial year	**10**	(14)	28	**–**	–	(3)
Translation difference	**1**	(2)	2	**–**	–	–
At end of financial year	**49**	38	54	**1**	1	1
Deferred tax at 31 December related to the following:						
Deferred tax liabilities						
Depreciation	**49**	38	54	**1**	1	1

16 Trade and Other Payables

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

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16 Trade and Other Payables (Continued)

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

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

17 Revenue

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

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

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

18 Other Operating Income

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

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19 Other Operating Expenses

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

20 Interest Income

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

21 Interest Expense

	Group	
	2018	2017
	$'000	$'000
Continuing operations		
Interest expense on bills payable	**40**	1

NOTES TO FINANCIAL STATEMENTS

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22 Income Tax Expense

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

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

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

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

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

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

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23 Profit for the Financial Year

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

	Continuing operations		Discontinued operation		Total	
	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Salaries and wages	**1,513**	1,708	**–**	1,094	**1,513**	2,802
Employer's contribution to defined contribution plans including Central Provident Fund	**84**	110	**–**	103	**84**	213
Employees benefit expenses (including directors' remuneration)	**1,597**	1,818	**–**	1,197	**1,597**	3,015
Remuneration paid or payable to:						
– Directors of the Company	**920**	723	**–**	–	**920**	723
– Key management personnel	**471**	531	**–**	226	**471**	757
Cost of inventories included in cost of sales	**–**	–	**–**	5,706	**–**	5,706
Fees for audit services to:						
– Auditors of the Company	**94**	87	**–**	16	**94**	103
– Other auditors	**9**	7	**–**	2	**9**	9
Fees for non-audit services to:						
– Auditors of the Company	**15**	32	**–**	8	**15**	40
– Other auditors	**22**	17	**–**	1	**22**	18

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

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

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

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24 Earnings Per Share (cents)

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

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

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

25 Discontinued Operation

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

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

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

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

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

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25 Discontinued Operation (Continued)

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

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

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

	Group 2017 $'000
Net assets disposed of	
Carrying amounts of net assets (at net book value) over which control was lost:	
Plant and equipment	167
Inventories	745
Other receivables	2
	914

	Group 2017 $'000
Related expenses	
Salaries and wages – staff termination costs	51
Inventories written off	31
Upkeep of office equipment	20
Allowance for doubtful trade receivables	5
Allowance for inventory obsolescence	1
Others	55
	163

26 Related Party and Related Company Transactions

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

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

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26 Related Party and Related Company Transactions (Continued)

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

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

(a) Transactions with related companies and related parties

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

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

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

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

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26 Related Party and Related Company Transactions (Continued)

(b) Compensation of Directors and key management personnel

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

	Group	
	2018	2017
	$'000	$'000
Short-term benefits	**1,346**	1,412
Post-employment benefits	**45**	68
	1,391	1,480

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

27 Commitments

(a) Operating lease arrangements

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

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

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Within one year	**195**	177	**131**	100
After one year but not more than five years	**160**	272	**–**	–
	355	449	**131**	100

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

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27 Commitments (Continued)

(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		
	31.12.18 $'000	31.12.17 $'000	1.1.17 $'000
Foreign currency forward contracts	**–**	8,400	15,000

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

28 Contingent Liabilities

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

29 Financial Instruments, Financial Risks and Capital Management

(a) Categories of financial instruments

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

	Group			Company		
	31.12.18 $'000	31.12.17 $'000	1.1.17 $'000	31.12.18 $'000	31.12.17 $'000	1.1.17 $'000
Financial Assets						
Loan and receivables at amortised cost						
Trade and other receivables	**37,036**	44,039	51,901	**20,831**	6,701	19,262
Less: Prepayments	**(61)**	(48)	(115)	**(38)**	(38)	(41)
Foreign currency forward contracts	**–**	(19)	–	**–**	–	–
Advance to a supplier	**–**	(521)	(103)	**–**	–	–
Advance to a related party	**–**	–	(3,476)	**–**	–	–
Loan to a related party	**20,000**	–	–	**–**	–	–
	56,975	43,451	48,207	**20,793**	6,663	19,221
Cash and bank balances	**10,460**	22,684	24,826	**903**	1,739	2,449
	67,435	66,135	73,033	**21,696**	8,402	21,670
Derivative instruments not designated in hedge accounting relationships						
Foreign currency forward contracts	**–**	19	–	**–**	–	–

NOTES TO FINANCIAL STATEMENTS

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29 Financial Instruments, Financial Risks and Capital Management (Continued)

(a) Categories of financial instruments (Continued)

	Group 31.12.18 $'000	Group 31.12.17 $'000	Group 1.1.17 $'000	Company 31.12.18 $'000	Company 31.12.17 $'000	Company 1.1.17 $'000
Financial Liabilities						
Amortised cost						
Trade and other payables	**13,952**	16,150	24,567	**14,079**	1,113	1,092
Less: Foreign currency forward contracts	**–**	–	(327)	**–**	–	–
Progress billing to a related party	**–**	(552)	(108)	**–**	–	–
	13,952	15,598	24,132	**14,079**	1,113	1,092
Derivative instruments not designated in hedge accounting relationships						
Foreign currency forward contracts	**–**	–	327	**–**	–	–

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

Financial assets

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

Financial liabilities

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

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29 Financial Instruments, Financial Risks and Capital Management (Continued)

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

Financial assets

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

Financial liabilities

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

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

(c) Financial risk management policies and objectives

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.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

29 Financial Instruments, Financial Risks and Capital Management (Continued)

(c) Financial risk management policies and objectives (Continued)

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, and Indonesia. Entities in the Group regularly transact in currencies other than their respective functional currencies ("**foreign currencies**") such as the Singapore dollar ("**SGD**"), Malaysian ringgit ("**MYR**") and United States dollar ("**USD**"). Currency risk arises when transactions are denominated in foreign currencies.

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

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

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

Currency risk exposure

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

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

29 Financial Instruments, Financial Risks and Capital Management (Continued)

(c) Financial risk management policies and objectives (Continued)

(i) Currency risk management (Continued)

Currency risk exposure (Continued)

SGD equivalent	USD $'000	SGD $'000	Others $'000	Total $'000
Group				
At 31 December 2017				
Financial assets				
Cash and bank balances	620	350	30	1,000
Trade and other receivables	–	63	77	140
Financial liabilities				
Trade and other payables	(42)	(8,596)	–	(8,638)
Net financial liabilities	578	(8,183)	107	(7,498)
Less: Foreign currency forward contracts	–	8,400	–	8,400
Currency exposure	578	217	107	902

SGD equivalent	USD $'000	SGD $'000	Others $'000	Total $'000
Group				
At 1 January 2017				
Financial assets				
Cash and bank balances	2,105	230	18	2,353
Trade and other receivables	1,495	39	96	1,630
Financial liabilities				
Trade and other payables	(828)	(20,495)	(121)	(21,444)
Net financial liabilities	2,772	(20,226)	(7)	(17,461)
Less: Foreign currency forward contracts	–	15,000	–	15,000
Currency exposure	2,772	(5,226)	(7)	(2,461)

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

Currency sensitivity analysis

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

29 Financial Instruments, Financial Risks and Capital Management (Continued)

(c) Financial risk management policies and objectives (Continued)

(i) Currency risk management (Continued)

Currency sensitivity analysis (Continued)

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

	USD impact			SGD impact			Other currency impact		
	31.12.18	31.12.17	1.1.17	31.12.18	31.12.17	1.1.17	31.12.18	31.12.17	1.1.17
SGD equivalent	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group									
Profit or loss	**30**	58	277	**(1,058)**	22	(523)	**11**	11	(1)
Company									
Profit or loss	**7**	7	152	**–**	–	–	**–**	–	–

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

	USD impact			SGD impact			Other currency impact		
	31.12.18	31.12.17	1.1.17	31.12.18	31.12.17	1.1.17	31.12.18	31.12.17	1.1.17
SGD equivalent	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group									
Profit or loss	**(30)**	(58)	(277)	**1,058**	(22)	523	**(11)**	(11)	1
Company									
Profit or loss	**(7)**	(7)	(152)	**–**	–	–	**–**	–	–

NOTES TO FINANCIAL STATEMENTS

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29 Financial Instruments, Financial Risks and Capital Management (Continued)

(c) Financial risk management policies and objectives (Continued)

(ii) Price risk management

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

Pricing sensitivity analysis

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

(iii) Cash flow and fair value interest rate risk

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

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

Interest rate sensitivity analysis

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

(iv) Credit risk management

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

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

29 Financial Instruments, Financial Risks and Capital Management (Continued)

(c) Financial risk management policies and objectives (Continued)

(iv) Credit risk management (Continued)

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

29 Financial Instruments, Financial Risks and Capital Management (Continued)

(c) Financial risk management policies and objectives (Continued)

(iv) Credit risk management (Continued)

Group	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
31 December 2017						
Trade receivables	9	(i)	Lifetime ECL (simplified approach)	34,117	–	34,117
Other receivables	10	(i)	Lifetime ECL (simplified approach)	1,261	–	1,261
Refundable trade deposit with related party	8	Performing	12-month ECL	8,073	–	8,073
					–	

Group	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
1 January 2017						
Trade receivables	9	(i)	Lifetime ECL (simplified approach)	39,026	–	39,026
Other receivables	10	(i)	Lifetime ECL (simplified approach)	492	–	492
Refundable trade deposit with related party	8	Performing	12-month ECL	8,689	–	8,689
					–	

Company	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
31 December 2018						
Other receivables	10	Performing	12-month ECL	**20,793**	**–**	**20,793**
31 December 2017						
Other receivables	10	Performing	12-month ECL	6,663	–	6,663
1 January 2017						
Trade receivables	9	(i)	Lifetime ECL (simplified approach)	457	–	457
Other receivables	10	Performing	12-month ECL	18,764	–	18,764
					–	

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

29 Financial Instruments, Financial Risks and Capital Management (Continued)

(c) Financial risk management policies and objectives (Continued)

(iv) Credit risk management (Continued)

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

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

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

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

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

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

(v) Liquidity risk management

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

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

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

NOTES TO FINANCIAL STATEMENTS

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29 Financial Instruments, Financial Risks and Capital Management (Continued)

(c) Financial risk management policies and objectives (Continued)

(v) Liquidity risk management (Continued)

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				
Gross settled:				
Foreign currency forward contracts				
Gross inflow (outflow)				
31 December 2018	–	–	–	–
31 December 2017	19	–	–	19
1 January 2017	(327)	–	–	(327)

(vi) Fair value of financial assets and financial liabilities

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

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

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

(d) Capital management policies and objectives

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

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

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

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30 List of Subsidiaries

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

(a) Audited by Deloitte & Touche LLP, Singapore.
(b) Audited by overseas practices of Deloitte Touche Tohmatsu Limited in Malaysia.
(c) Audited by member firm of BDO International Limited in Indonesia.
(d) Not material to the results of the Group.

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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

31 Adoption of a New Financial Reporting Framework

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

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

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

SGX-ST LISTING MANUAL REQUIREMENTS

31 DECEMBER 2018

Interested Person Transactions
– Listing Manual Rule 907

Interested person transactions (excluding transactions less than $100,000) during the financial year ended 31 December 2018 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	2018 $'000	2017 $'000	2018 $'000	2017 $'000
William Nursalim alias William Liem & associates				
Sales	–	–	11,749	17,210
Consideration pursuant to Asset Sale and Purchase Agreements	–	1,750	–	–
Purchases	–	–	94,246	65,313
Placement of refundable trade deposit	–	–	8,215	8,073
Interest income from placement of refundable trade deposit	–	–	519	473
Progress billing for order placement*	–	–	–	552
Aggregate value of transactions entered into with the same interested person	–	*1,750*	*114,729*	*91,621*
Nuri Holdings (S) Pte Ltd & associates				
Interest income from overdue trade receivables	–	–	–	196
Loan	–	–	20,000	–
Interest income from loan	–	–	407	–
Aggregate value of transactions entered into with the same interested person	–	–	*20,407*	*196*
Tuan Sing Holdings Limited & associates				
Management fee expense	–	–	150	150
Total interested person transactions	**–**	**1,750**	**135,286**	**91,967**

* The item represented the amount 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, Directors or controlling shareholders, 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 23 to financial statements for the financial year ended 31 December 2018. 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 30 to financial statements for the financial year ended 31 December 2018.

SHAREHOLDING STATISTICS

AS AT 4 MARCH 2019

SHARE CAPITAL AND VOTING RIGHTS

Issued and fully paid up share capital	:	$58,365,721.95
No. of shares issued	:	35,099,132
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share
No. of treasury shares and subsidiary holdings held	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	120	3.68	5,280	0.02
100 – 1,000	2,502	76.70	1,078,974	3.07
1,001 – 10,000	593	18.18	1,698,776	4.84
10,001 – 1,000,000	45	1.38	2,435,383	6.94
1,000,001 & above	2	0.06	29,880,719	85.13
Total	3,262	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.	1,734,400	4.94
3	Citibank Nominees Singapore Pte Ltd	789,150	2.25
4	DBS Nominees Pte Ltd	216,250	0.62
5	United Overseas Bank Nominees Pte Ltd	111,923	0.32
6	Low Cheng Lum	110,000	0.31
7	Morgan Stanley Asia (S) Securities Pte Ltd	100,000	0.28
8	Raffles Nominees (Pte) Ltd	89,570	0.26
9	Chen Biqing	85,900	0.24
10	Choy Loke Wai	65,800	0.19
11	OCBC Nominees Singapore Pte Ltd	63,900	0.18
12	Liow Keng Teck	60,000	0.17
13	UOB Kay Hian Pte Ltd	55,300	0.16
14	Maybank Kim Eng Securities Pte. Ltd.	54,400	0.15
15	Lim Hock Huat Paul	46,700	0.13
16	Kuek Nga Hong	46,400	0.13
17	OCBC Securities Private Limited	31,932	0.09
18	Chua Swee Kuan	30,000	0.09
19	Chong Teo Siong	27,500	0.08
20	Phillip Securities Pte Ltd	26,350	0.08
Total		31,891,794	90.86

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
William Nursalim alias William Liem**	–	–	28,146,319	80.19
Dr Tan Enk Ee**	–	–	28,146,319	80.19
David Lee Kay Tuan***	–	–	28,146,319	80.19

Notes:

* By virtue of its interest in Tuan Sing Holdings Limited

** By virtue of her/his interest in Nuri Holdings (S) Pte Ltd

*** David Lee Kay Tuan is the spouse of Michelle Liem Mei Fung and his deemed interest is by virtue of her interest in Nuri Holdings (S) Pte Ltd

SHAREHOLDINGS HELD IN THE HANDS OF THE PUBLIC

Based on information available to the Company as at 4 March 2019, 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.

SP CORPORATION LIMITED
(Company Registration No.: 195200115K)

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

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

Dear Sir/Madam

Renewal of the Shareholders' Mandate for Interested Person Transactions

We refer to item 7 of the Notice of the 66th Annual General Meeting (the "**66th AGM**") of the Company, which is an Ordinary Resolution ("**Resolution 8**") to be proposed at the 66th AGM for the renewal of the Company's shareholders' mandate for interested person transactions. The purpose of this letter is to provide Shareholders with information relating to Resolution 8.

1. Background

At the 65th Annual General Meeting of the Company held on 17 April 2018 (the "**65th AGM**"), Shareholders had approved the renewal of a shareholders' mandate for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**Listing Manual**") to enable the Company, its subsidiaries and associated companies that are considered to be "entities at risk" within the meaning of Chapter 9 of the Listing Manual, or any of them, to enter into certain types of transactions with specified classes of the Company's interested persons, provided that such transactions entered into in the ordinary course of business, are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders (the "**Shareholders' Mandate**").

2. Renewal of the Shareholders' Mandate

Under Chapter 9 of the Listing Manual, a general mandate for transactions with interested persons is subject to annual renewal. The Shareholders' Mandate approved at the 65th AGM was expressed to continue in force until the next annual general meeting of the Company, being the 66th AGM, which is to be held on 16 April 2019. Accordingly, it is proposed that the Shareholders' Mandate be renewed at the 66th AGM, to take effect until the conclusion of the next annual general meeting of the Company.

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

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

3. Audit and Risk Committee's Statement

The Audit and Risk Committee of the Company confirms that:

(a) the methods or procedures for determining the transaction prices under the Shareholders' Mandate have not changed since the 65th AGM; and

(b) the methods or procedures referred to in (a) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

4. Directors' and Substantial Shareholders' Interests

The interests of the Directors and substantial shareholders in the issued shares of the Company can respectively be found in the "Directors' Statement" and "Shareholding Statistics" of the Company's 2018 Annual Report.

5. Recommendation

The Directors who are considered independent for the purposes of the proposed renewal of the Shareholders' Mandate are Messrs Peter Sung, Cheng Hong Kok and Tan Lye Huat. They are of the opinion that the entry into of the Interested Person Transactions (as described in paragraph 2 of Appendix A) between the SP Group (as described in paragraph 1 of Appendix A) and the Interested Persons (as described in paragraph 3 of Appendix A) in the ordinary course of business will enhance the efficiency of the SP Group and is in the best interests of the Company. For the reasons set out in paragraphs 1 and 2 of Appendix A, they recommend that Shareholders vote in favour of Resolution 8 for the renewal of the Shareholders' Mandate at the forthcoming 66th AGM.

Tuan Sing Holdings Limited, Nuri Holdings (S) Pte Ltd, and their respective associates, being within the classes of interested persons in relation to the proposed renewal of the Shareholders' Mandate, will abstain from voting their respective shareholdings (if any) on Resolution 8 relating to the renewal of the Shareholders' Mandate at the forthcoming 66th AGM.

6. Responsibility Statement

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

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

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

Yours faithfully
SP CORPORATION LIMITED

Peter Sung
Chairman

18 March 2019
Singapore

APPENDIX A

SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

1. Rationale for the Shareholders' Mandate

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

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

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

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

2. Nature and Scope of Interested Person Transactions

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

(a) *Construction and Engineering Services Transactions*

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

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

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

(ii) the provision by companies in the SP Group to, or receipt from Interested Persons of, project management, consultancy, engineering services, geotechnical soil investigation and/or instrumentation services for residential, industrial, commercial, infrastructural or other building, construction, engineering works and/or development projects undertaken by the Interested Persons or (as the case may be) companies in the SP Group; and

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

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

APPENDIX A (Continued)

(b) Construction and Engineering Materials and Equipment Transactions

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

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

(i) the design, installation, supply and provision of equipment and machinery and/or building, construction and engineering materials including but not limited to paint, electric motors and generators by companies in the SP Group to Interested Persons or vice versa; and

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

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

(c) Trading and Marketing Transactions

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

Transactions coming within this category consist of the following:

(i) the marketing, sale by or purchase of, fish meal, shrimp feed and their related feedstock materials, shrimps and other products in the aquaculture industry;

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

(iii) the marketing, sale by or purchase of, palm oil and related products, fertilizers and other natural produce items in the agriculture industry;

(iv) the marketing, sale by or purchase of, natural resources including but not limited to coal, metals like iron, aluminium, zinc, gold and copper and their alloys for various industries such as the power and cement industries, automotive manufacturing industries, chemicals, tyre and rubber industries;

(v) the marketing, sale by or purchase of, printed circuit boards, electrical and electronics parts and electrical cables and motors and other products related to the electronics and electrical industries;

(vi) the marketing, sale by or purchase of, paint, basic and intermediate petrochemicals including but not limited to ethylene, monoethylene glycol, polyester, synthetic rubber, nylon fibres and others related to the petrochemical industries;

(vii) the distribution, marketing, sale and purchase of rubber and tyre related stocks and related products (including raw materials and auxiliary products);

(viii) the sale, purchase, rental and/or leasing of rubber, tyre and tyre related retreading machinery and equipment or components and parts in respect thereof; and

(ix) the provision and/or receipt of commissions, rebates and other trade-related or marketing incentives to or by counter-parties including but not limited to dealers, distributors and principals.

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

APPENDIX A (Continued)

(d) Distribution Transactions

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

Transactions coming within this category consist of the following:

(i) distribution of consumer products including but not limited to hygiene, paper and food products; and

(ii) distribution of tyres and automotive related products including but not limited to alloy wheels, rubber belts, batteries, electrical and pneumatic sensors.

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

(e) Manufacturing Transactions

Transactions coming within this category consist of the following:

(i) the provision by the companies in the SP Group to, or the receipt from, Interested Persons of, tyre retreading services and logistic services related to the rubber, tyre and automotive industries; and

(ii) the provision by the companies in the SP Group to, or the receipt from, Interested Persons of, design, technical expertise, operation, maintenance, manufacturing and purchase or sales of tyre machinery and equipment and related parts and products.

(f) Business, Management and Technical Services Transactions

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

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

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

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

Transactions covered by this category consist of the following:

(i) the provision by the companies in the SP Group to, or the receipt from, Interested Persons of, corporate, administrative and support services including but not limited to the areas of internal audit, corporate planning and development, treasury and fund management services and staff secondments;

(ii) the borrowing of funds from Interested Persons or vice versa on a short-term and medium-term basis; the placement of funds with the TSH Group on a short-term and medium-term basis; and the entry into with Interested Persons of foreign exchange, swap, and option transactions for hedging purposes (collectively, "**Treasury Transactions**");

(iii) the leasing or letting of office, warehouse and other business premises to or from the TSH Group and/or other Interested Persons; and

(iv) the provision by the companies in the SP Group to, or the receipt from, Interested Persons of, subcontracting and outsourcing services, supply chain management services (including but not limited to packaging, transport and logistic services), sharing of logistic facility management including but not limited to rental and subletting of premises.

APPENDIX A (Continued)

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

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

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

(a) TSH;

(b) Nuri Holdings (S) Pte Ltd;

(c) Mr William Nursalim alias William Liem; and

(d) any company which, at the time at which the transaction is entered into, is an associate of the Interested Persons named in (a) to (c) above.

4. Review Procedures for Interested Person Transactions

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

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

(a) A transaction equal to or exceeding $100,000 in value but below $3 million (the "**Financial Threshold**"), will be reviewed and approved by any two members of the Review Committee, who shall ensure that the Interested Person Transactions are made on arm's length basis and on terms and conditions no more favourable than those which would be granted to an unrelated third party in similar circumstances, and which are on the SP Group's normal commercial terms or otherwise in accordance (where applicable) with industry norms and that they are not prejudicial to the interests of the Company and its minority Shareholders.

(b) A transaction equal to or exceeding the Financial Threshold will be reviewed and approved by any two members of the Audit and Risk Committee, who shall ensure that the Interested Person Transactions are made on arm's length basis and on terms and conditions no more favourable than those which would be granted to an unrelated third party in similar circumstances, and which are on the SP Group's normal commercial terms or otherwise in accordance (where applicable) with industry norms and that they are not prejudicial to the interests of the Company and its minority Shareholders.

(c) Any member of the Review Committee and the members of the Audit and Risk Committee may, as he/they deem fit, request for additional information pertaining to the transaction under review from independent sources or advisers, including the obtaining of valuations from independent professional valuers.

(d) If a member of the Review Committee or the Audit and Risk Committee has an interest in a transaction, he shall abstain from participating in the review and approval process in relation to that transaction. If more than three members of the Review Committee are interested in the transaction, the review and approval process shall be undertaken by the Chairman of the Audit and Risk Committee or another member of the Audit and Risk Committee (who has no interest in the transaction) designated by the Chairman of the Audit and Risk Committee for such purpose.

The Audit and Risk Committee will also:

(i) carry out periodic reviews (on a quarterly basis) to ascertain that the established guidelines and procedures for Interested Person Transactions have been complied with; and

(ii) consider from time to time whether the established guidelines and procedures for transactions with Interested Persons have become inappropriate or are unable to ensure that the transactions will be carried out on normal commercial terms, and are not prejudicial to the interests of the Company and its minority Shareholders.

APPENDIX A (Continued)

(e) For the purpose of the above review procedures, where goods and/or services (other than Treasury Transactions) are to be purchased or obtained by the SP Group from Interested Persons, quotations will be obtained (wherever possible or available) from at least two other unrelated third party suppliers for similar quantities and/or quality of the materials, equipment, machinery or services concerned as a basis for comparison to determine whether the price and terms offered by the Interested Person are fair and reasonable. Where it is impractical or not possible for such quotes to be obtained, the Review Committee or the Audit and Risk Committee will ensure that the terms of supply are fair and reasonable, in accordance with industry norms and in line with business practices of the relevant industry taking into consideration, factors such as but not limited to pricing, payment terms, credit worthiness, the strategic purpose for the transaction and market conditions.

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

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

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

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

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

(i) Where the aggregate value of funds placed with the TSH Group shall at any time exceed the consolidated shareholders' funds of the Company (based on its latest audited accounts), each subsequent placement of funds with the TSH Group shall require the prior approval of the Audit and Risk Committee.

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

5. Interested Person Transactions Register

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

6. Excluded Transactions

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

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

7. Validity Period of the Shareholders' Mandate

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

8. Disclosure in Annual Report

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

APPENDIX B

GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE LISTING MANUAL

1. Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") deals with transactions in which a listed company or any of its subsidiaries or associated companies (that are not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s) (as defined in Chapter 9), has control over the associated company) proposes to enter with a party who is an interested person of the listed company.

2. Transactions with interested persons which do not come within the ambit of a general mandate for interested person transactions approved by shareholders of the listed company pursuant to Chapter 9 of the Listing Manual (including any renewal thereof) will be subject to applicable provisions of Chapter 9 and/or other applicable provisions of the Listing Manual. As such, an immediate announcement and/or shareholders' approval would be required in respect of transactions with interested persons if certain financial thresholds as set out in Chapter 9 of the Listing Manual are reached or exceeded. In particular, an immediate announcement is required where:

   2.1 the value of a proposed transaction is equal to or exceeds 3% of the group's latest audited net tangible assets ("**NTA**"); or

   2.2 the aggregate value of all transactions entered into with the same interested person during the same financial year, is equal to or more than 3% of the group's latest audited NTA. An announcement will have to be made immediately of the latest transaction and all future transactions entered into with that same interested person during the same financial year,

   and shareholders' approval (in addition to an immediate announcement) is required where:

   2.3 the value of a proposed transaction is equal to or exceeds 5% of the group's latest audited NTA; or

   2.4 the aggregate value of all transactions entered into with the same interested person during the same financial year, is equal to or more than 5% of the group's latest audited NTA. The aggregation will exclude any transaction that has been approved by shareholders previously, or is the subject of aggregation with another transaction that has been approved by shareholders.

3. For the purposes of aggregation, interested person transactions below $100,000 each are excluded.

4. For illustration purposes, based on the audited accounts of the Company and its subsidiaries (the "**Group**") for the financial year ended 31 December 2018, the latest audited NTA of the Group is $53.4 million. Accordingly, in relation to the Company, for the purposes of Chapter 9 in the current financial year, shareholders' approval would be required where:

   (a) the transaction is of a value equal to, or more than, $2.7 million, being 5% of the Group's latest audited NTA; or

   (b) the transaction, when aggregated with other transactions entered into with the same interested person during the same financial year, is of a value equal to, or more than, $2.7 million. The aggregation will exclude any transaction that has been approved by shareholders previously, or is the subject of aggregation with another transaction that has been approved by shareholders.

5. Chapter 9 of the Listing Manual allows for a listed company to seek a mandate from its shareholders for recurrent transactions with interested persons of a revenue or trading nature necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses.

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

   6.1 an "interested person" means a director, chief executive officer or controlling shareholder of the issuer, or an associate of any such director, chief executive officer or controlling shareholder;

   6.2 a "controlling shareholder" is a person who holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in the company (unless otherwise excepted by SGX-ST) or in fact exercises control over a company; and

   6.3 an "associate" in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means his immediate family (i.e. spouse, children, adopted children, step-children, siblings and parents), the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more. An "associate" in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 66th Annual General Meeting of SP Corporation Limited (the "**Company**") will be held at MND Function Room, Annexe A, 9 Maxwell Road, MND Complex, Singapore 069112 on Tuesday, 16 April 2019 at 11.30 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 ("**FY**") 2018 and the Independent Auditor's Report thereon. **Ordinary Resolution 1**

2. To approve the payment of $193,719 as Directors' fees for FY2018 (FY2017: $173,804). **Ordinary Resolution 2**

3. To re-elect the following Directors, each of whom retires by rotation pursuant to Article 105 of the Constitution of the Company and who, being eligible, offer themselves for re-election:

   (a) Mr Tan Lye Huat **Ordinary Resolution 3**
   (b) Mr William Nursalim alias William Liem **Ordinary Resolution 4**

4. To re-elect Mr David Lee Kay Tuan, who will retire pursuant to Article 106 of the Constitution of the Company and whom being eligible, offers himself for re-election. **Ordinary Resolution 5**

5. 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 6**

SPECIAL BUSINESS:

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

6. **Authority to allot and issue shares up to ten per centum (10%) of the issued shares** **Ordinary Resolution 7**

   "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."

NOTICE OF ANNUAL GENERAL MEETING

7. **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 18 March 2019 (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

Julie Koh Ngin Joo
Group Company Secretary

18 March 2019
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 72 hours before the time appointed 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 FY2018 and the Independent Auditor's Report thereon which can be found in the Company's 2018 Annual Report.

Ordinary Resolution 2 – is to approve the payment of Directors' fees of $193,719 for FY2018, for services rendered by the Directors on the Board as well as on various Board Committees.

Ordinary Resolution 3 – Mr Tan Lye Huat will, upon re-election, continue to serve as a member of the Audit and Risk Committee, the Nominating Committee and the Remuneration Committee. He is considered a Non-Executive and Independent Director.

Ordinary Resolution 4 – Mr William Nursalim alias William Liem will, upon re-election, continue to serve as a member of the Nominating Committee. He is considered a Non-Executive and Non-Independent Director.

Ordinary Resolution 5 – Mr David Lee Kay Tuan will, upon re-election, continue to serve as a member of the Audit and Risk Committee. He is considered a Non-Executive and Non-Independent Director.

In relation to Ordinary Resolutions 3, 4 and 5, please refer to the "Directors' Profile" section in the Company's 2018 Annual Report for more information on the Directors seeking re-election at the Annual General Meeting.

Ordinary Resolution 6 – 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 Loi Chee Keong was appointed in April 2018.

Ordinary Resolution 7 – 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.

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 65th Annual General Meeting of the Company on 17 April 2018, will be expiring at the forthcoming 66th 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 the Letter. Please refer to the "Renewal of the Shareholders' Mandate for Interested Person Transactions" section in the Company's 2018 Annual Report.

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.

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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 18 March 2019.

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 66th 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 Tuesday, 16 April 2019 at 11.30 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting 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		**For***	**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 Tan Lye Huat as Director		
Ordinary Resolution 4	Re-election of Mr William Nursalim alias William Liem as Director		
Ordinary Resolution 5	Re-election of Mr David Lee Kay Tuan as Director		
Ordinary Resolution 6	Re-appointment of Deloitte & Touche LLP as Auditors and authorisation for Directors to fix their remuneration		
Special Business			
Ordinary Resolution 7	Authority to issue shares		
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 ________________ 2019.

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 you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of shares. If you have shares registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you 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 you.
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 72 hours before the time appointed 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 Group 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
David Lee Kay Tuan
William Nursalim alias William Liem
Tan Lye Huat

AUDIT AND RISK COMMITTEE
Cheng Hong Kok *(Chairman)*
David Lee Kay Tuan
Tan Lye Huat

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

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

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

David Lee Kay Tuan
Director

Julie Koh Ngin Joo
Group Company Secretary

Email: whistle-blowing@spcorp.com.sg

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Website: www.spcorp.com.sg
Email: enquiry@spcorp.com.sg

SHARE REGISTRAR
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Fax: (65) 6593 4847

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Partner-in-charge: Loi Chee Keong
(Appointed since financial year
31 December 2018)
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Services Pte. Ltd.
Partner-in-charge: Ng Siew Quan
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Tel: (65) 6236 3388

COMMODITIES TRADING UNIT
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SP Global International Pte. Ltd.
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Fax: (65) 6645 3261

INVESTMENT UNIT
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Fax: (852) 2915 8960

OTHERS
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SP Mining & Engineering Pte. Ltd.
Globaltraco International Pte Ltd
SP Performance Pte. Ltd.
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Malaysia
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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.

Readers may download the full PDF version of this Annual Report and other information about SP Corporation Limited at our website, www.spcorp.com.sg.

SP CORPORATION LIMITED
(Company Registration No. 195200115K)

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