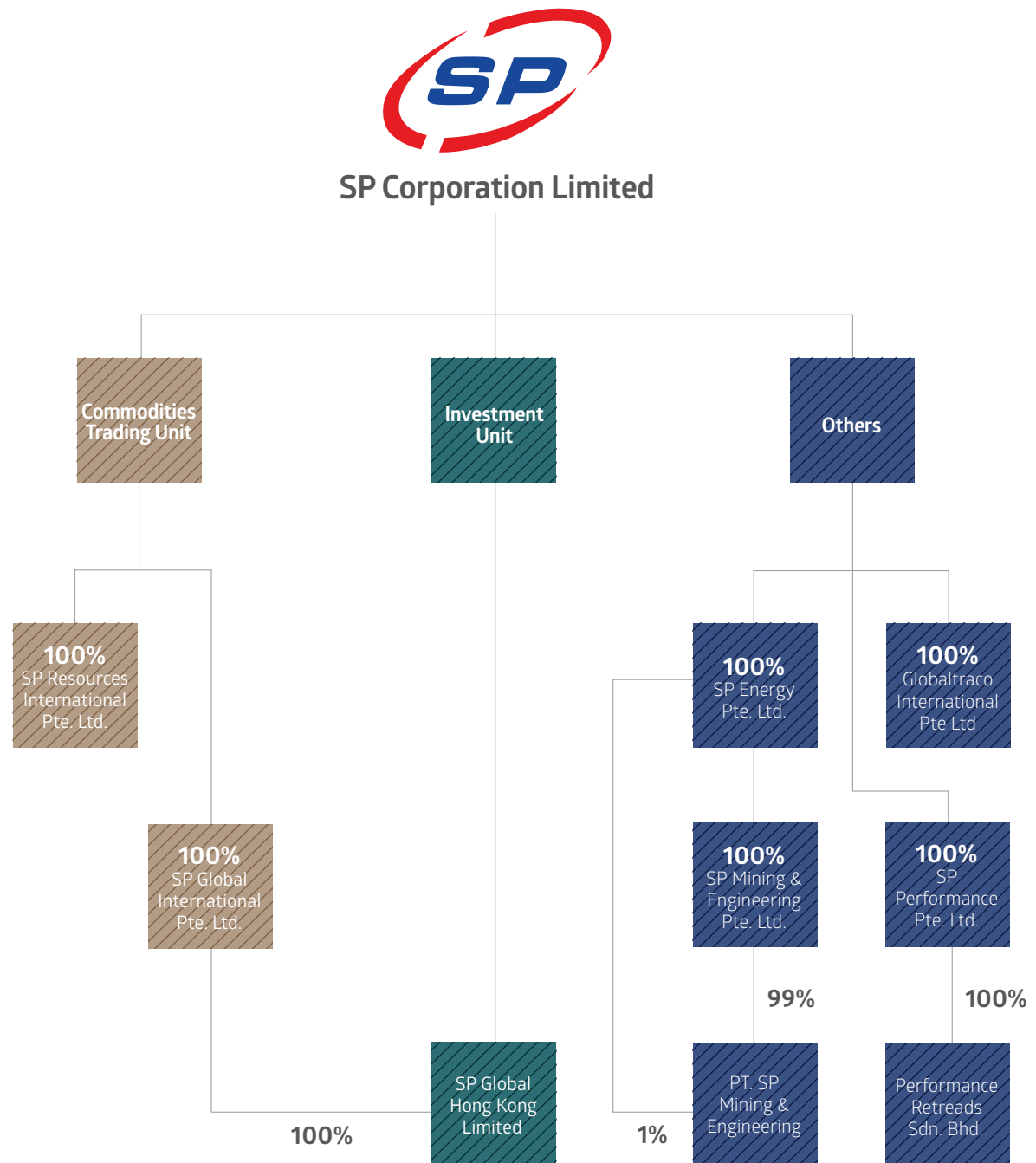




**SP CORPORATION LIMITED**  
ANNUAL REPORT **2019**

# GROUP STRUCTURE

AS AT 28 FEBRUARY 2020



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



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(Back inner cover)

## CHAIRMAN'S STATEMENT



### DEAR SHAREHOLDERS,

For and on behalf of the Board of Directors ("**Board**"), we present to you the Annual Report and Financial Statements for the financial year ended 31 December 2019 ("**FY2019**").

The Group achieved profit after tax of \$2.5 million in FY2019, which was 32% higher than \$1.9 million in FY2018 notwithstanding a 32% decline in revenue of \$93.1 million from the \$136.4 million reported last year. Higher interest income from both the loan granted to a related party in FY2018 and trade receivables with related parties have resulted in stronger earnings, which made up for the lower contribution from the reduced commodities trading activities.

Global growth is uncertain this year, with trade and political tensions as well as the unknown effects of the current spread of a coronavirus.

The Group's core commodities trading business, particularly coal trading, will remain the focus for FY2020, 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.

On 10 February 2020, the Board announced with great regret that Mr Boediman Gozali (alias Tony Wu), Managing Director and Chief Executive Officer of SP Corporation Limited ("**Company**"), passed away peacefully on 8 February 2020. On behalf of the management and all staff of the Group, the Board expressed its greatest sorrow over the demise of Mr Gozali and conveyed its condolences to his family. The Board also conveyed its deepest gratitude for the contribution by Mr Gozali to the

Group during his tenure as Managing Director and Chief Executive Officer. Appointed to the Board as Executive Director and as Managing Director and Chief Executive Officer in 2010, Mr Gozali was instrumental in steering the Group's growth over the past decade, seeking new and sustainable business opportunities while rebalancing its business portfolio to sustain its performance. The Board has appointed Mr William Nursalim alias William Liem, Non-Independent and Non-Executive Director of the Company and Chief Executive Officer of Tuan Sing Holdings Limited which owns an 80.2% stake in the Company, as the Interim Executive Director, assuming oversight of all business and operational matters of the Company and the Group. Meanwhile, the Company is working on the necessary transition arrangement and succession plan.

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, 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

28 February 2020



## CEO'S OPERATIONS REVIEW



Revenue for the Group was \$93.1 million for the financial year ended 31 December 2019 ("**FY2019**"), as compared to \$136.4 million in FY2018, a decrease of \$43.3 million. The decrease was mainly due to the lower revenue for rubber and coal trading.

The Group's profit after tax and profit attributable to the owners of the Company in FY2019 increased to \$2.5 million from \$1.9 million in FY2018. The stronger performance reflected the actions taken by the Group to explore other investment opportunities to generate a higher return for the Group.

### COMMODITIES TRADING UNIT

The Commodities Trading Unit carries out trading of coal, rubber, metals as well as other commodities and products used by manufacturers in the energy, metal and automotive industries in Asia.

Coal trading, which is the core business, contributed about 88% to the Group's revenue in FY2019, higher than 72% in FY2018. Coal deliveries for FY2019 have exceeded the quantity secured by the Group under its coal allocation agreement. The decrease in coal revenue was mainly due to the drop in average selling price, with a marginal decline in trading volume. Our profit from coal trading is based on the trading volume; hence we maintained profit from coal trading. Rubber trading revenue declined mainly due to the drop in sales volume.

Gross profit was \$2.4 million as compared to \$3.2 million, a decrease of \$0.8 million. Despite the revenue decline of 32%, the decrease in gross profit was lower at 25% as the margin for coal trading was based on the quantity delivered.

Profit before tax was \$1.4 million in FY2019 as compared to \$1.9 million in FY2018.

The Commodities Trading Unit has strong ties with its principals and customers, and will continue to strengthen relationships and seek opportunities to grow its commodities trading activities.

### INVESTMENT UNIT

In FY2018, there was an opportunity for the Group to participate in the development of the RMB5 billion (\$1 billion) Sanya Integrated Development project in Sanya, Hainan, China, which is a mixed-use development comprising commercial, residential, hotel and retail elements situated next to the existing Sanya High Speed Railway Station. In this regard, the Group extended a loan of \$20 million at an interest rate of 7.5% per annum to a related party on 24 September 2018, which was repayable within one year. This loan was rolled over for another year to 23 September 2019 on the same terms and conditions as set out in the original loan agreement.

Profit before tax rose to \$1.5 million in FY2019, as the full year's interest income was recognised in FY2019, as compared to \$0.3 million in FY2018 where three months' interest income was recognised.

We are glad to record better profit for FY2019 as compared to the previous financial year. The Group will continue to leverage its strong working relationships with existing clients and explore new trading ventures to expand its Commodities Trading Unit. The Group will also continue to seek investment opportunities to reposition, expand and diversify its business and operations to achieve a more consistent and sustainable growth, while maintaining focus on disciplined management of costs and capital.

### WILLIAM NURSALIM ALIAS WILLIAM LIEM

Interim Executive Director

28 February 2020



## DIRECTORS' PROFILE



### PETER SUNG

#### CHAIRMAN INDEPENDENT & NON-EXECUTIVE DIRECTOR

Date of appointment as Director: 28 January 2002  
Date of last re-election as Director: 6 April 2017  
Proposed for re-election at the AGM on 16 April 2020

#### 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)

#### 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.

#### ACADEMIC AND PROFESSIONAL QUALIFICATIONS

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



### WILLIAM NURSALIM ALIAS WILLIAM LIEM

#### INTERIM EXECUTIVE DIRECTOR

Date of appointment as Director: 7 March 2003  
Date of last re-election as Director: 16 April 2019

#### BOARD COMMITTEE

Nominating Committee (Member)

#### PRESENT DIRECTORSHIP IN OTHER LISTED COMPANIES

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

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

- Gul Technologies Singapore Pte. Ltd. (Director)
- Nuri Holdings (S) Pte Ltd (Director)

#### BACKGROUND AND WORKING EXPERIENCE

- Corporate analyst of Lehman Brothers.
- Management roles in GT Asia Pacific Holdings Pte Ltd and Habitat Properties Pte Ltd.

#### ACADEMIC AND PROFESSIONAL QUALIFICATIONS

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



### CHENG HONG KOK

#### INDEPENDENT & NON-EXECUTIVE DIRECTOR

Date of appointment as Director: 24 May 2001  
Date of last re-election as Director: 6 April 2017  
Proposed for re-election at the AGM on 16 April 2020

#### BOARD COMMITTEE

- 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

#### BACKGROUND AND WORKING EXPERIENCE

- Various senior positions in Singapore Petroleum Company Limited ("SPC") as head of corporate planning, finance and accounting, supply and trading, and

marketing and distribution. President and CEO of SPC from 1981 to 1996 and Board and Executive Committee member of SPC from 1999 to 2009 and was actively involved in the Asean Council on Petroleum during his tenure with SPC.

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

#### ACADEMIC AND PROFESSIONAL QUALIFICATIONS

- 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

## DIRECTORS' PROFILE



### DAVID LEE KAY TUAN

#### NON-INDEPENDENT & NON-EXECUTIVE DIRECTOR

Date of appointment as Director: 1 August 2018  
Date of last re-election as Director: 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)

#### 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 2003 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 for RHTLaw Taylor Wessing LLP from September 2018 to March 2019

#### ACADEMIC AND PROFESSIONAL QUALIFICATIONS

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



### TAN LYE HUAT

#### INDEPENDENT & NON-EXECUTIVE DIRECTOR

Date of appointment as Director: 1 January 1999  
Date of last re-election as Director: 16 April 2019

#### BOARD COMMITTEE

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

#### PRESENT DIRECTORSHIP IN OTHER LISTED COMPANIES

- Japan Foods Holdings Ltd. (listed on SGX-ST)
- Dynamic Colours Limited (listed on SGX-ST)
- Neo Group Limited (listed on SGX-ST)
- Nera Telecommunications Ltd (listed on SGX-ST)

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

Nil

#### 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.

#### ACADEMIC AND PROFESSIONAL QUALIFICATIONS

- Life 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 FloD) of the Institute of Directors (IOD, UK)



## 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 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 achieved through the 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 consideration by the Board and the ARC 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 2019.

### 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, any such steps should be undertaken only if they are deemed to fall within our risk appetite after careful assessment of the macro-environment that we operate 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. Together with compliance with laws and regulations, these established procedures and internal guidelines form the control environment of SP Corp for which employees are accountable for their compliance.

In addition, the Group has established a Whistle-blowing Policy since November 2006, under which employees and 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



## RISK MANAGEMENT STATEMENT

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 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.

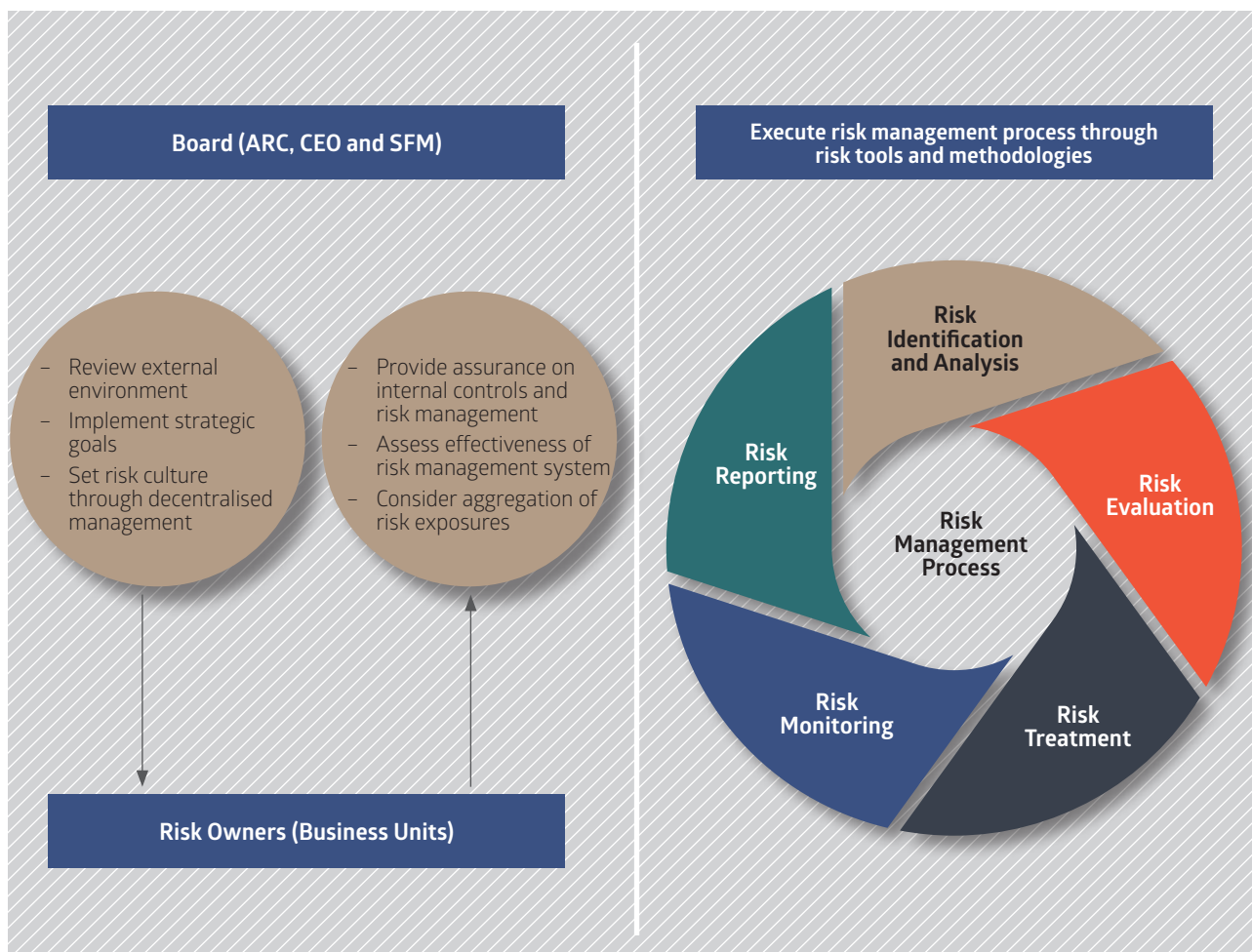
### KEY RISK PROFILE 2019

We list the 21 key risks that have been identified and summarise the appropriate mitigating measures below. In light of the changing business environment, we are closely monitoring the impact on our risk landscape.

### NO THREAT TO GOING CONCERN



After making due inquiry, we are satisfied that as on 31 December 2019, there were no risks that could affect the ability of the Group to continue as a going concern in the next twelve months.

### RISK ASSESSMENT AND OVERSIGHT STRUCTURE



## RISK MANAGEMENT STATEMENT

RISK MATRIX TABLE

 CONSEQUENCE	Extreme					
	High					
	Major					
	Moderate		<ul style="list-style-type: none"> <li>• Customer</li> <li>• Liquidity</li> <li>• Tax</li> </ul>	<ul style="list-style-type: none"> <li>• Macroeconomic and Competition</li> <li>• Process, Sourcing and Execution</li> <li>• Credit</li> <li>• Foreign Exchange and Derivative Financial Instrument</li> </ul>	<ul style="list-style-type: none"> <li>• Strategy</li> <li>• Political, Regulatory and Industry</li> <li>• Reputation</li> <li>• Business Continuity</li> <li>• Terrorism</li> <li>• Price</li> </ul>	
	Low		<ul style="list-style-type: none"> <li>• Ethics and Integrity</li> <li>• Information Technology</li> <li>• Cyber Security</li> <li>• People</li> <li>• Interest Rate</li> <li>• Financial Management</li> <li>• Compliance</li> </ul>			
	Negligible		<ul style="list-style-type: none"> <li>• Insurance</li> </ul>	<ul style="list-style-type: none"> <li>• Work Health and Safety</li> </ul>		
		Rare	Unlikely	Possible	Likely	Almost Certain
		 LIKELIHOOD				

RISK EXPOSURE AND APPETITE TABLE

Risk Level	Action Requirements
Extreme	<b>Not acceptable:</b> <ul style="list-style-type: none"> <li>* Immediate action required</li> <li>* Must be managed by senior management with a detailed treatment plan</li> </ul>
High	<b>Senior management attention:</b> <ul style="list-style-type: none"> <li>* Senior management attention needed and management responsibility specified</li> <li>* Treatment plans to be developed</li> <li>* Must be monitored on regular frequency</li> </ul>
Medium	<b>Tolerable:</b> <ul style="list-style-type: none"> <li>* Management responsibility must be specified</li> <li>* Treatment plans to be developed</li> <li>* Ongoing monitoring and review</li> </ul>
Low	<b>Acceptable:</b> <ul style="list-style-type: none"> <li>* Manage through routine process/procedures</li> <li>* Consider additional controls only if they are clearly quantifiable cost benefit</li> <li>* Ongoing monitoring and review</li> </ul>
Negligible	<b>Acceptable:</b> <ul style="list-style-type: none"> <li>* Manage through routine process/procedures</li> <li>* Unlikely to require specific application of resources</li> </ul>

## 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
<b>Strategy Risk</b> <ul style="list-style-type: none"> <li>The Group is exposed to risks associated with optimisation of existing businesses within the current challenging environments and its expansion/diversification plans.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>New investment proposal is evaluated carefully to ensure that it is in line with the Group's strategic focus, meets the relevant hurdle rate of financial return and passes other risk assessments.</li> </ul>
<b>Macroeconomic and Competition Risks</b> <ul style="list-style-type: none"> <li>Changing macroeconomic conditions in the countries where the Group operates may adversely affect the Group's performance.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>The Group monitors key economic indicators and keeps itself updated on potential changes in the countries where it operates.</li> <li>The Group strives to maintain competitiveness through differentiation in its service delivery to key customers and forging collaborative relationships with its principal suppliers.</li> <li>The Group maintains a nimble organisation structure which is responsive and easily adaptable to changing environments.</li> </ul>
<b>Business Continuity Risk</b> <ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>The Group engages in regular communications with its principal suppliers to ensure continuous flows of quality supplies.</li> <li>The Group maintains good relationships with all suppliers to reduce its vulnerability to significant concentration of supply risk.</li> </ul>
<b>Political, Regulatory and Industry Risks</b> <ul style="list-style-type: none"> <li>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.</li> <li>The Group is exposed to the supply and demand cycles of the commodities industry.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>The Group maintains close working relationships with advisors and local authorities so as to keep abreast with any changes.</li> </ul>
<b>Customer Risk</b> <ul style="list-style-type: none"> <li>Risks associated with loss of customers through uncompetitive pricing, inadequate service delivery, unsatisfactory product quality, extended delivery lead times or distant relationships.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>



## RISK MANAGEMENT STATEMENT

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
<b>Reputation Risk</b> <ul style="list-style-type: none"> <li>The Group may face negative publicity if there is mishandling of transactions or events.</li> </ul>	<ul style="list-style-type: none"> <li>The Group values its reputation and has put in place an open communication programme to ensure timely and effective communication with its key stakeholders.</li> </ul>
<b>Terrorism Risk</b> <ul style="list-style-type: none"> <li>The Group may be adversely affected by unpredictable terrorist attacks.</li> <li>This will potentially result in damage to assets and disruption in operations and may cause irreversible impact on the safety and lives of personnel.</li> </ul>	<ul style="list-style-type: none"> <li>This is an inherent risk and uncontrollable event that the Group cannot avoid.</li> <li>The Group has a disaster recovery plan in place.</li> <li>All leased premises of the Group are managed by established property owners with security measures in place.</li> </ul>

### 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
<b>Liquidity Risk</b> <ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>The Group monitors and maintains a level of cash and cash equivalents deemed adequate to finance its operations.</li> <li>The Group manages trade financing proactively to ensure financing requirements are met as and when required with strict compliance on banking covenants.</li> <li>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.</li> </ul>
<b>Foreign Exchange and Derivative Financial Instrument Risks</b> <ul style="list-style-type: none"> <li>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.</li> <li>Market conditions may move against the assumptions that the Group adopts at the time of hedging transactions, an inherent risk.</li> </ul>	<ul style="list-style-type: none"> <li>Natural hedging is used extensively including matching sale and purchase or matching asset and liability of the same currency and amount whenever practicable.</li> <li>Currency translation risk is inherent for operations outside Singapore, non-cash in nature and is therefore not hedged.</li> <li>Derivative financial instruments are only used to manage foreign currency exposure.</li> <li>Hedging is undertaken to meet actual operational requirements, not for speculative purposes.</li> </ul>
<b>Price Risk</b> <ul style="list-style-type: none"> <li>Risk of variability and volatility in pricing trends of commodities may have an adverse impact on the Group's performance.</li> </ul>	<ul style="list-style-type: none"> <li>This is an inherent risk that the Group cannot avoid.</li> <li>The Group keeps abreast of developments in global markets and key price indicators.</li> </ul>
<b>Credit Risk</b> <ul style="list-style-type: none"> <li>Credit risk arises when counterparties default on their contractual obligations resulting in financial loss to the Group.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>Major collectability issues are highlighted to all concerned.</li> </ul>

## RISK MANAGEMENT STATEMENT

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
<b>Interest Rate Risk</b> <ul style="list-style-type: none"> <li>The Group is exposed to interest rate fluctuations from trade financing or bank borrowings.</li> </ul>	<ul style="list-style-type: none"> <li>The Group keeps abreast of trends in interest rate movements.</li> <li>The Group optimises net interest cost and reduces volatility in finance cost.</li> </ul>
<b>Tax Risk</b> <ul style="list-style-type: none"> <li>The Group is exposed to vagaries of tax interpretations or changes at short notice in foreign jurisdictions.</li> </ul>	<ul style="list-style-type: none"> <li>The Group monitors changes in tax rules in different countries on a periodic basis.</li> <li>Tax provisions are made in strict compliance with the rules to minimise under-accrual in the book of accounts.</li> </ul>
<b>Financial Management Risk</b> <ul style="list-style-type: none"> <li>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.</li> <li>This system may not prevent or detect all frauds or misstatements in a timely manner.</li> <li>Changes in conditions or operations may cause the system's effectiveness to vary from time to time.</li> </ul>	<ul style="list-style-type: none"> <li>Internal controls over financial reporting are reviewed regularly and embedded within our corporate governance structure.</li> <li>On a quarterly basis, the operating and finance heads of business units report the results of their self-review in their management representation letter.</li> <li>The quarterly management representation letter also serves as a platform for all business units to highlight any transactions and/or events which may have a material or potential financial impact on the Group.</li> </ul>

### 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
<b>Ethics and Integrity Risk</b> <ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>
<b>Information Technology and Cyber Security Risks</b> <ul style="list-style-type: none"> <li>The Group is susceptible to information technology and cyber security risks which are a constantly evolving threat to an entity's ability to achieve its objectives and deliver its core functions. Security failings or network disruptions in today's information-driven economy can result in significant long-term expense to affected entities and substantially damage consumer trust and brand reputation. Sensitive customer information, intellectual property and even control of key equipment are increasingly at risk from cyber attack.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>

## RISK MANAGEMENT STATEMENT

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
<b>People Risk</b> <ul style="list-style-type: none"> <li>The Group depends on steadfast service of good personnel for business continuity.</li> <li>Succession plan execution is a challenge given the size of the Group.</li> </ul>	<ul style="list-style-type: none"> <li>The Group provides a safe working environment in which employees can develop their careers with a work-life balance and appropriate training and development opportunities to nurture and retain human capital.</li> <li>Competitive salary packages are offered based on performance that is mapped against key performance indicators agreed at the beginning of the financial year.</li> </ul>
<b>Sourcing Risk</b> <ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Operating manuals, standard operating procedures, Delegation of Authority matrix are in place on sourcing process.</li> <li>The Group expands suppliers' base where applicable to reduce over-reliance on any suppliers.</li> </ul>
<b>Work Health and Safety Risk</b> <ul style="list-style-type: none"> <li>The Group is exposed to work health and safety risks for employees arising from events such as incidents in the work place or pandemics.</li> </ul>	<ul style="list-style-type: none"> <li>The Group cultivates a safety-consciousness culture at all levels and has implemented a Workplace Safety and Health Policy.</li> <li>Refresher drills on fire safety, emergency evacuation and first-aid response are conducted regularly.</li> <li>A disease pandemic preparedness plan is in place to safeguard the health and welfare of employees and to ensure quick resumption of critical business functions.</li> </ul>
<b>Insurance Risk</b> <ul style="list-style-type: none"> <li>The Group is exposed to the risks (such as war, terrorism, outbreak of contagious diseases, environmental breaches) that may not be insurable, or the premium can be prohibitive or the damage suffered may not be fully compensated by insurance proceeds.</li> </ul>	<ul style="list-style-type: none"> <li>The Group conducts annual insurance review with its insurance broker to ensure adequate and comprehensive insurance coverage.</li> </ul>

### 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
<b>Compliance Risk</b> <ul style="list-style-type: none"> <li>There have been rapid changes in laws, regulations and practices, making compliance more complicated.</li> <li>The Group's internal control systems and related framework may not be kept up-to-date in time.</li> </ul>	<ul style="list-style-type: none"> <li>Internal controls, risk management and corporate governance frameworks, and internal control self-assessment processes are all in place and are reviewed on an annual basis.</li> <li>A Whistle-blowing Policy and annual declarations by staff on conflicts of interest and compliance with the Code of Conduct have been in place.</li> <li>External auditors are engaged for statutory audit, while internal auditors are engaged to conduct operations review; both report directly to the ARC.</li> </ul>



# SUSTAINABILITY REPORT

## MANAGING SUSTAINABILITY

SP Corporation Limited (“**Company**” or “**SP Corp**”) and its subsidiaries (“**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 2019 to 31 December 2019 (“**FY2019**”) in reference to the *Global Reporting Initiative (“GRI”) standards (core option)* issued by the Global Sustainability Standards Board and in reference to Singapore Exchange Securities Trading Limited (“**SGX-ST**”) *Listing Rules (711A and 711B) – Sustainability Reporting Guide*. We are also guided by the Practice Note 7.6 of the *Sustainability Reporting Guide* issued by SGX-ST, in particular,

paragraph 4 therein. Based on GRI’s recommended approach to sustainability reporting and 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

The 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:

PRIMARY FACTORS	MATERIAL FACTORS	PERFORMANCE MEASURES
Shareholders	<ul style="list-style-type: none"> <li>Maximising shareholder value</li> <li>Economic and business outlook</li> <li>Business investment strategies</li> <li>Timeliness of disclosure</li> <li>Financial return</li> </ul>	<ul style="list-style-type: none"> <li>Annual General Meeting</li> <li>Extraordinary General Meeting</li> <li>Quarterly Meeting</li> <li>SGXNet Announcements</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Quality management</li> </ul>	<ul style="list-style-type: none"> <li>Informal dialogues</li> <li>Email correspondence</li> <li>Meetings with key customers</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Workplace safety and health</li> <li>Workplace compliance</li> <li>Training and education</li> <li>Employee retention</li> <li>Diversity</li> </ul>	<ul style="list-style-type: none"> <li>Employee feedback</li> <li>Annual appraisals</li> <li>Gender equality at work</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Material quality</li> </ul>	<ul style="list-style-type: none"> <li>Price quotations and email correspondences</li> </ul>
Environmental	<ul style="list-style-type: none"> <li>Electricity consumption</li> <li>Paper consumption</li> </ul>	<ul style="list-style-type: none"> <li>Electricity consumption (kWh)</li> <li>Paper consumption (Tonnes)</li> </ul>
Government	<ul style="list-style-type: none"> <li>Rules and regulation compliance</li> <li>Corporate governance and risk management</li> </ul>	<ul style="list-style-type: none"> <li>Annual compliance audit</li> <li>Statutory disclosures</li> <li>Singapore Governance and Transparency Index</li> </ul>
Community	<ul style="list-style-type: none"> <li>Community service</li> </ul>	<ul style="list-style-type: none"> <li>Donations/Volunteer hours</li> </ul>

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	High	(2) Workplace safety and health (3) Good employment practices	(1) Shareholders (4) Corporate governance and risk management
	Medium		
Low	(6) Diversity (7) Community service	(5) Electricity and paper consumption	
	Low	Medium	High
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.

## 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 SGX-ST via SGXNET and our corporate website. Our corporate website ([www.spcorp.com.sg](http://www.spcorp.com.sg)) also provides information on the Group’s business operations, past financial results announcements, and annual reports. In line with our commitment for timely disclosure, we have over the years brought forward the dates on which we announce our results, where our quarterly results are made within one month of the end of each quarter. From FY2012 to FY2018, 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.

## SUSTAINABILITY REPORT

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 2020 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.

### ENHANCING LONG-TERM SHAREHOLDER VALUE

SP Corp strives to work towards enhancing long-term value for shareholders. For the past five financial years from 2015 to 2019, we have delivered a cumulative profit attributable to shareholders of \$8.1 million. Our earnings per share averaged 4.62 cents per annum during the 5-year period. Shareholders' funds increased at a compounded average growth rate ("CAGR") of approximately 2% per annum to \$55.7 million as at 31 December 2019, compared to \$50.4 million as at 31 December 2015. Net asset value per share grew at a CAGR of approximately 2% per annum from \$1.43 in 2015 to \$1.59 in 2019. Please refer to the "Five-Year Financial Summary" section of the Annual Report for details.

### 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 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.

We have received zero report through our whistle-blowing channel in 2019. No breach of corporate governance was reported.

### 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 93<sup>rd</sup> position amongst the listed companies in Singapore.

SGTI YEAR	RANK	SCORE
2019	93	75
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

### GOOD EMPLOYMENT PRACTICES

The Group is committed to good employment practices to foster a conducive environment for sustainable growth. 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.

## SUSTAINABILITY REPORT

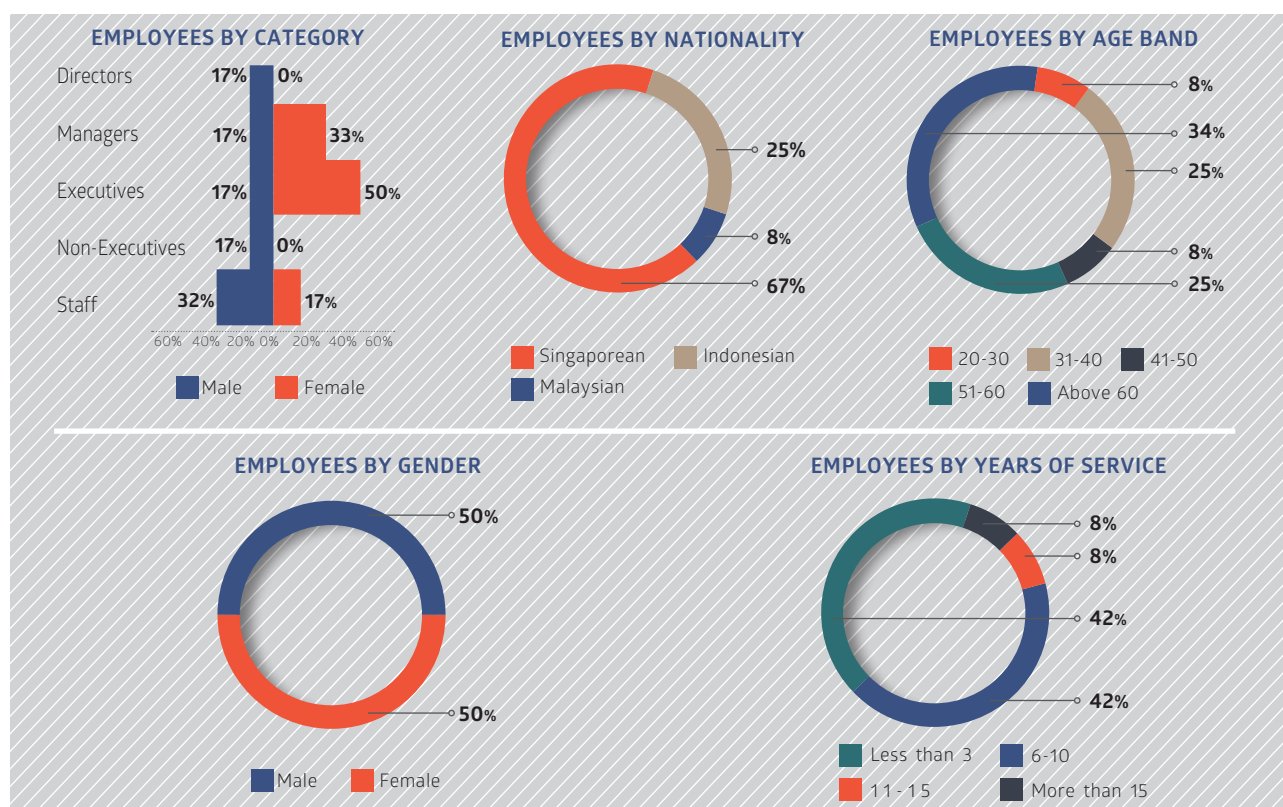
Our people are treated fairly regardless of their background. We adopt an open door policy to facilitate and encourage formal and informal interaction and discussion amongst employees at all levels. A Whistle-blowing Committee was also set up to look into any feedback received from our employees on unfair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

### EMPLOYEE PROFILE AS AT 31 DECEMBER 2019



Below are our key labour performance indicators:

LABOUR	2019	2018	2017	2016	2015
Monthly employee turnover	2.1%	2.5%	7.4%	0.9%	1.3%
Training hours per employee	0.3	2.8	5.0	3.5	5.7
Percentage of male to female employees	50:50	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 at 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;



## SUSTAINABILITY REPORT

- 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.

### 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	2019	2018	2017	2016	2015
Electricity consumption (kWh)	<b>72,974</b>	73,847	204,182	237,907	159,282
Paper consumption (Tonnes)	<b>0.12</b>	0.32	0.36	0.63	0.76

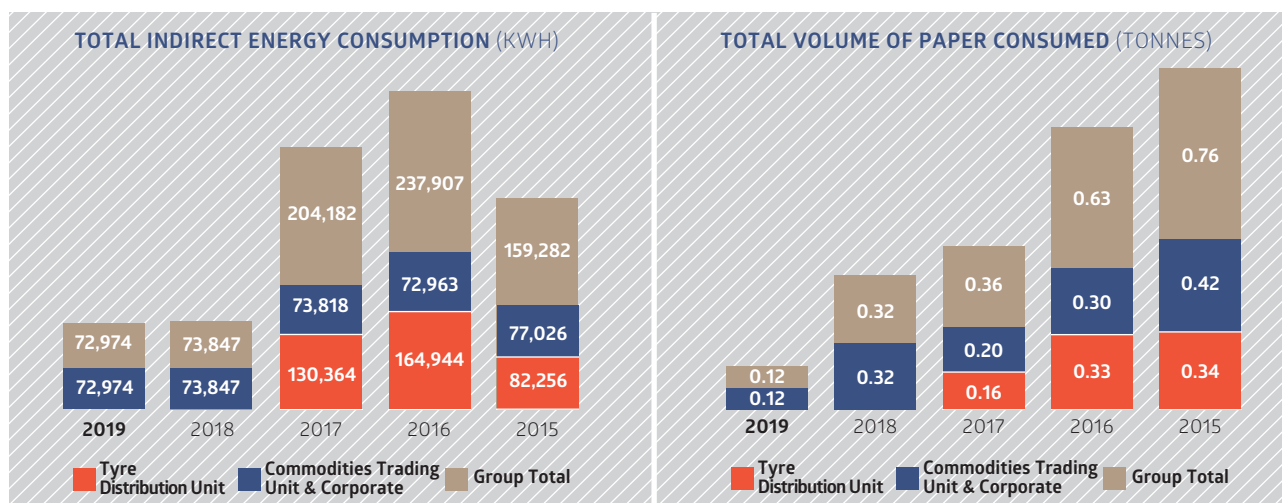
As part of SP Corp's environmental conservation initiatives and efforts since 2018, we have discontinued our practice of mailing our Annual Report with effect from FY2017. Electronic edition of this Annual Report is available at [www.spcorp.com.sg](http://www.spcorp.com.sg).

### 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. Paper consumption in 2019 was lower as a result of good employee practices in paper utilisation.



### 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. SP Corp is looking forward to participate in similar activities going forward.

Below are our key social performance indicators:

COMMUNITY	2019	2018	2017	2016	2015
Donations (\$)	–	8,000	6,000	2,500	–
Volunteer hours	–	9	20	64	–

## FIVE-YEAR FINANCIAL SUMMARY

FOR THE FINANCIAL YEAR (\$'000)	2019	2018	2017	2016	2015
<b>Revenue</b>	<b>93,076</b>	136,379	127,726	125,640	119,675
<b>Profit before tax</b>	<b>2,969</b>	2,310	418	2,252	1,614
Income tax expense	(466)	(412)	29	(450)	(148)
<b>Profit after tax</b>	<b>2,503</b>	1,898	447	1,802	1,466
AS AT FINANCIAL YEAR END (\$'000)	2019	2018	2017	2016	2015
Plant and equipment	121	208	172	375	530
Non-current trade receivables	9,346	–	–	–	–
Other assets	54,711	67,520	66,841	77,596	76,193
<b>Total assets</b>	<b>64,178</b>	67,728	67,013	77,971	76,723
Shareholders' funds	55,746	53,443	50,806	52,984	50,364
Other liabilities	8,432	14,285	16,207	24,987	26,359
<b>Total liabilities and equity</b>	<b>64,178</b>	67,728	67,013	77,971	76,723
SHARE PRICES (\$)	2019	2018	2017	2016	2015
Last transacted*	0.51	0.45	0.85	0.48	1.10
High*	0.66	0.89	0.95	1.20	1.10
Low*	0.45	0.44	0.48	0.36	0.80
Average (arithmetic)*	0.56	0.67	0.72	0.78	0.95
Turnover (million shares)	0.67	0.39	1.05	1.84	0.64
SHAREHOLDERS' RETURNS AND FINANCIAL RATIOS	2019	2018	2017	2016	2015
Earnings per share (cents)*	7.13	5.41	1.27	5.13	4.18
Net assets per share (dollar)*	1.59	1.52	1.45	1.51	1.43
Return on shareholders' funds (%)	4.6%	3.6%	0.9%	3.5%	3.0%
Return on total assets (%)	3.8%	2.8%	0.6%	2.3%	2.0%

\* On 14 May 2015, the Company completed its share consolidation exercise.

## FINANCIAL CALENDAR

FINANCIAL YEAR ENDED 31 DECEMBER 2019		FINANCIAL YEAR ENDING 31 DECEMBER 2020	
22 April 2019	Announcement of first quarter financial results for the period ended 31 March 2019	22 July 2020	Proposed announcement of half-year financial results for the period ending 30 June 2020
22 July 2019	Announcement of half-year financial results for the period ended 30 June 2019	February 2021	Proposed announcement of full-year financial results for the year ending 31 December 2020
25 October 2019	Announcement of third quarter financial results for the period ended 30 September 2019		
21 January 2020	Announcement of full-year financial results for the year ended 31 December 2019		
18 March 2020	Despatch of 2019 Annual Report		
16 April 2020	67 <sup>th</sup> Annual General Meeting		

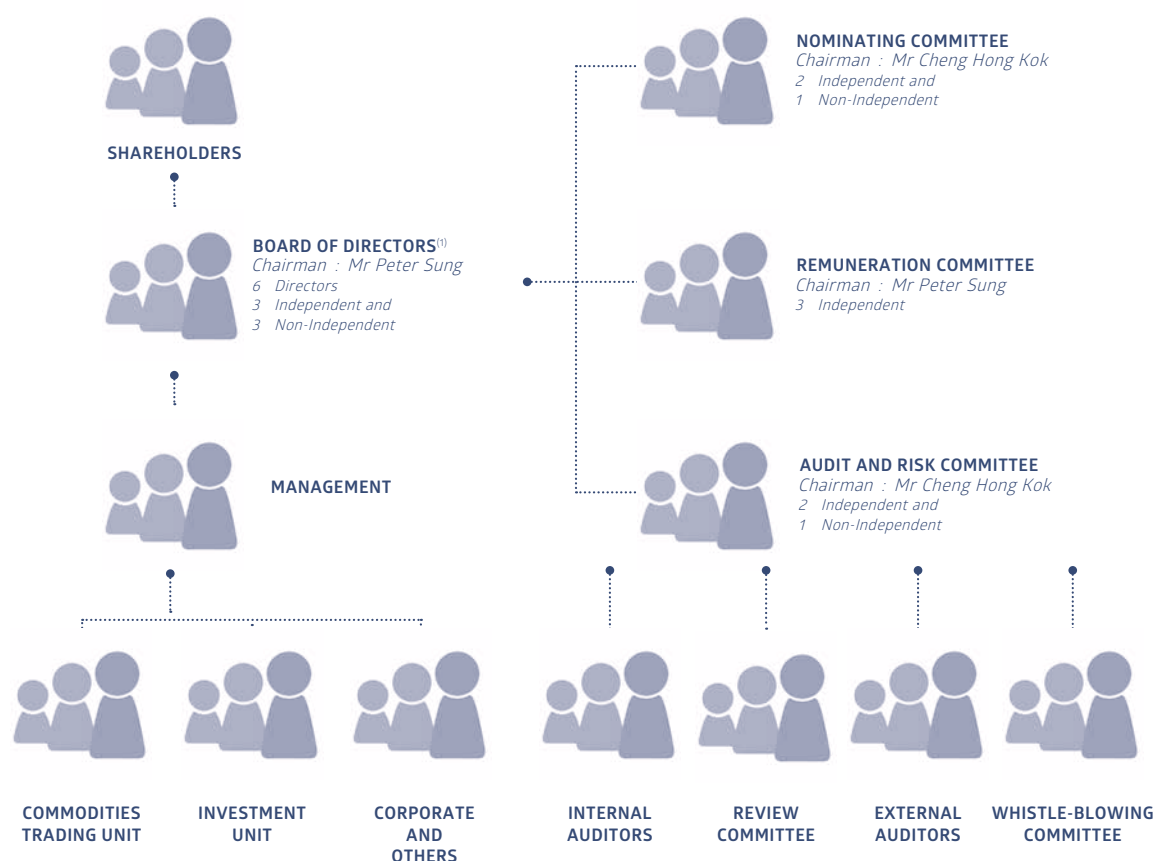
Note: The dates for the proposed results announcements in 2020 and 2021 are indicative only and are subject to change.

# CORPORATE GOVERNANCE REPORT

SP Corporation Limited ("**Company**") and its subsidiaries ("**Group**") continue to be committed to high standards of corporate conduct. The board of directors ("**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 2019 ("**FY2019**") with specific reference to each guideline of the Code of Corporate Governance 2018 ("**Code**"). Unless otherwise explained, the Board is pleased to report that the Company has complied, in all material aspects, with the principles and provisions set out in the Code.

## CORPORATE GOVERNANCE FRAMEWORK (as at 31 December 2019)



<sup>(1)</sup> FY2019: 6 directors, of which 3 were independent and 3 were non-independent.  
Current: 5 directors, of which 3 were independent and 2 were non-independent.



# CORPORATE GOVERNANCE REPORT

## I. BOARD MATTERS

### BOARD'S CONDUCT OF ITS AFFAIRS

#### Principle 1: Effective Board leadership and organisation, working with management for the long-term success of the Company

##### Provisions 1.1 and 1.2

##### Board roles and director duties

##### *Board's role*

The Board oversees the overall strategy, performance 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.

##### *Scope of directors' duties*

Apart from its statutory duties, during FY2019 the Board performed the following:

- i. reviewing the adequacy and effectiveness of the Group's risk management and ensuring that management maintains a sound system of internal controls framework (including financial, operational and management systems) to safeguard the shareholders' investments and the Company's assets;
- ii. effectively monitoring and managing risks, achieving appropriate balance between risks and company performance;
- iii. ensuring that standards of the code of conduct applied to management are observed;
- iv. ensuring that policies are in place to ensure compliance with legislative and regulatory requirements;
- v. monitoring the Group's performance, position and prospects; reviewing the performance of management against agreed goals and objectives; and satisfying themselves that the Group's businesses are properly managed;
- vi. reviewing and approving the release of the Group's quarterly and year-end financial results, and a variety of other strategic initiatives tabled by management; and
- vii. ensuring transparency and accountability to key stakeholders group.

The aforesaid duties are generic expectations of a board.

The Board exercises due diligence and independent judgement in dealing with the business affairs of the Group. It works with management, its external advisors and auditors to make objective decisions in the interest of the Group. In addition, the Board sets the tone for the entire organisation where ethics and values are concerned. The Board is also supported by three Board committees to facilitate the discharge of its functions to which it has delegated specific areas of responsibilities.

##### *Conflicts of interest*

Internal guidelines have been established which require all Board members who have a potential conflict of interest in a particular agenda item to abstain from participating in the relevant Board discussion. This policy also applies to all the Board committees.

##### *Director competencies*

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. The Chief Executive Officer ("CEO") and the company secretary make the necessary arrangement to facilitate this induction process.

## CORPORATE GOVERNANCE REPORT

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 to enable them to effectively discharge their duties. Training programmes attended by some of the directors in FY2019 include (1) SID Directors' Conference organised by the Singapore Institute of Directors, (2) Mitigating real-world bribery risks with good corporate governance, (3) Cyber Security Threats and Data Breaches, and (4) Effective International Boards.

The Company will fund directors' participation at industry conferences, seminars or any training programme in connection with their duties as directors.

Upon appointment to the Board, a new director will receive a formal letter of appointment together with relevant information which includes directors' duties and responsibilities, Board and Board committees' meeting schedule, the Company's latest annual report, constitution, respective Board committees' terms of reference, remuneration framework for directors and guidelines for dealing in securities by directors and employees of the 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.

### Provision 1.3

#### Internal guidelines on matters requiring Board's approval

The Company has established guidelines governing matters that require the Board's approval. A delegation of authority matrix provides clear directions to the management on matters requiring the Board's specific approval. These 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. financial results announcements and press releases;
- v. material financial/funding arrangements and capital expenditures; and
- vi. delegation of authority matrix, policies and procedures.

The Board reviews and approves the Group's annual budget and business plans. Through the Operational Report, it monitors the financial performance of the Group. The Board also deliberates on other key business activities and material transactions that are above the authority limits delegated to management or the Board committees. In addition, the Board considers issues relating to the Group's current and future business developments; strategic direction; and material developments relating to accounting, legal, regulatory and corporate governance issues.

The Board is also responsible for the succession planning, appointment and replacement of directors, as well as the appointment of key management personnel ("**KMP**") and the determination of their remuneration.

### **Board organisation and support**

#### Provision 1.4

#### Delegation to Board committees

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 Audit and Risk Committee ("**ARC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**") (each, a "**Board Committee**" and collectively, "**Board Committees**"). Each Board Committee has its own specific terms of reference setting out the scope of its duties and responsibilities, rules and regulations, authorities delegated by the Board, 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 Committee requires the Board's approval. More information on the Board Committees can be found in the respective sections of the Board Committees in this report.

# CORPORATE GOVERNANCE REPORT

## Provision 1.5

### Board and Board Committee meetings and attendance records

The Board and the Board Committees meet regularly based on meeting schedule planned in advance of each financial year so as to ensure maximum attendance by all participants. Ad hoc meetings are arranged as and when warranted by particular circumstances. On occasions, when directors are unable to attend meetings in person, telephonic or video conference participation at meetings is allowed under the constitution of the Company. To enable members of the Board and the Board Committees to prepare for the meetings, agendas and materials are circulated at least one week before each meeting.

The attendance of the directors at the meetings during FY2019 is set out below:

2019 Meeting Attendance	Board	ARC	NC	RC	General Meeting
<b>Total Number of Meetings</b>	<b>5</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>1</b>
Peter Sung	5	–	–	1	1
Boediman Gozali (alias Tony Wu) <sup>(1)</sup>	5	–	–	–	1
Cheng Hong Kok	5	4	1	1	1
David Lee Kay Tuan	1	1	–	–	0
William Nursalim alias William Liem <sup>(2)</sup>	4	–	1	–	1
Tan Lye Huat	5	4	1	1	1

#### Annotations:

- <sup>(1)</sup> Mr Boediman Gozali (alias Tony Wu) ceased as Managing Director and Chief Executive Officer of the Company following his passing on 8 February 2020.
- <sup>(2)</sup> Mr William Nursalim alias William Liem was appointed as Interim Executive Director on 10 February 2020. Prior to that, he was Non-Independent Director and Non-Executive Director.

During FY2019, non-executive directors (including independent directors) also met amongst themselves and/or with the Company's Managing Director and 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.

## Provision 1.6

### Access to information

To enable the Board to fulfil its responsibilities, the management provides adequate and timely information to the Board to make informed decisions. A system of communication between the management and the Board, and between the Board and Board Committees has been established and improved over time. All scheduled Board's and Board Committees' meetings are planned in advance of each financial year and meeting papers are distributed to the directors at least one week before the meetings.

The Board, the Board Committees and every director have separate and independent access to the management and are free to request for additional information when necessary to make informed decisions.

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 also keeps the Board apprised of material variances between the actual results with the previous corresponding period and against the budget. Appropriate explanations on such variances are provided. Additional information is circulated to the Board on a regular basis as and when there is material development in the Group's business operations.



# CORPORATE GOVERNANCE REPORT

## Provision 1.7

### Independent professional advice/company secretary

The Company provides for directors, individually or as a group, to have separate and independent access to the management, the company secretary and to seek external professional advice where necessary at the expense of the Company, in the furtherance of their duties and after consultation with the Chairman of the Board.

The role of the company secretary has been clearly defined which includes, inter alia, advising the Board on all matters regarding the proper functioning of the Board, compliance with the Company's constitution, the Companies Act, Cap. 50 ("**Companies Act**"), relevant provisions of the Securities and Futures Act and the listing manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). She assists the Board in implementing and strengthening corporate governance policies and procedures.

Under the direction of the Chairman, the company secretary ensures good information flow to and within the Board and the Board Committees and between management and the non-executive directors.

During FY2019, the company secretary attended meetings of the Board and its committees and the minutes of such meetings were circulated to all members of the Board and Board Committees.

The appointment and removal of the company secretary are subject to the approval of the Board.

## BOARD COMPOSITION AND GUIDANCE

### Principle 2: Appropriate level of independence and diversity of the Board, enabling it to make decisions in the best interests of the Company

#### Board Composition at one glance

The Board consists of members who have the appropriate level of independence and diversity of thought and background, with established track record in commodities trading, business, finance, accounting, legal, government, strategic planning and management which enabled it to make decisions in the best interests of the Company.

#### Independent and Non-Executive Director

1. Peter Sung
2. Cheng Hong Kok
3. Tan Lye Huat

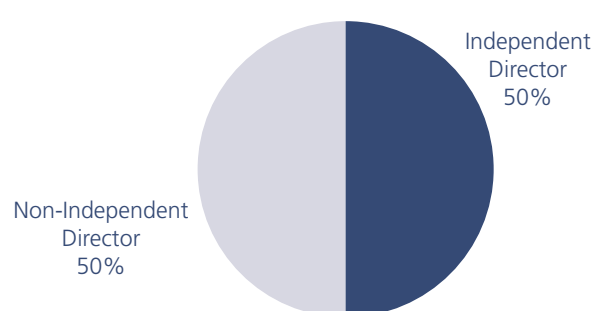
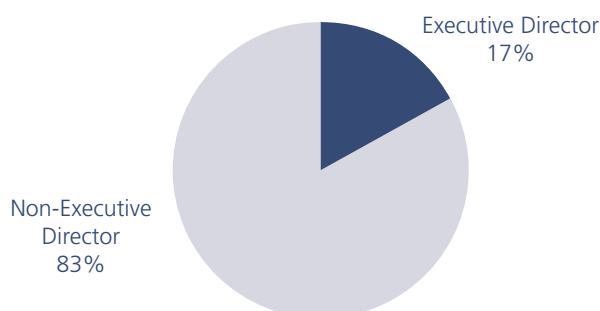
#### Non-Independent and Non-Executive Director

1. William Nursalim alias William Liem<sup>(1)</sup>
2. David Lee Kay Tuan

#### Board composition as at 31 December 2019

##### Executive Director/Managing Director and CEO

Boediman Gozali (alias Tony Wu)<sup>(2)</sup>



#### Annotations:

<sup>(1)</sup> Appointed as Interim Executive Director on 10 February 2020

<sup>(2)</sup> Ceased as Executive Director/Managing Director and CEO on 8 February 2020

# CORPORATE GOVERNANCE REPORT

## Provision 2.1

### Director independence

There were six Board members in FY2019 – three were independent and three were non-independent. Other than the CEO, all directors were non-executive in FY2019.

The NC determines the independence of each director annually. An independent director is one who is independent in conduct, character and judgement and has no relationship with the Company, its related corporations, its substantial shareholders 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 NC conducted its annual review of the directors' independence and was satisfied that the Company had complied with the guidelines of the Code which provide that at least one-third of the Board is made up of non-executive directors. The Company also complies with SGX-ST's listing rule 210(5)(c) (which will take effect from 1 January 2022) which requires independent directors to comprise at least one-third of the Board.

The NC and the Board take into account the existence of relationships or circumstances, including those identified by the SGX-ST's Listing Rule 210(5)(d) and the Code's Practice Guidance 2018 ("**Practice Guidance**"), that are relevant in determining a director's independence.

The Company's process of determining whether a director is independent 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 by the company secretary and reported to the Board.

For FY2019, the NC had assessed the independence of Messrs Peter Sung, Cheng Hong Kok and Tan Lye Huat, and was satisfied that there was 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, which would impair or compromise their independent judgement or which would deem them to be not independent.

The NC noted that Mr Peter Sung was an adviser of Nuri Holdings (S) Pte Ltd ("**Nuri**"), the deemed substantial shareholder of the Company in FY2019 but the amount of advisory fees paid by Nuri to Mr Sung was not significant. Therefore, the NC was satisfied that there was no relationship between Mr Sung 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.

The NC noted Mr Cheng Hong Kok's directorship in the Company's holding company, Tuan Sing Holdings Limited ("**Tuan Sing**"). The NC was of the view that Mr Cheng was not a nominee director of Tuan Sing and he neither interfere nor reasonably perceived to interfere with his ability to exercise independent judgement to act in the best interests of the Company. Mr Cheng's appointment was solely for board service and he was neither employed by the Company nor Tuan Sing.

For FY2019, Messrs Peter Sung, Cheng Hong Kok and Tan Lye Huat, having served on the Board as independent directors for more than nine years, had voluntarily submitted themselves for assessment on their independence status by the other directors. In the process, all other directors were requested to complete a questionnaire to review more rigorously the independence of these independent directors who had served on the Board beyond nine years. The rigorous review included assessing the independent directors on the following criteria:

- i. Contribution: whether he offered objective and constructive opinions concerning interested person transactions ("**IPTs**"); 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 Peter Sung, Cheng Hong Kok and Tan Lye Huat and other relevant factors as further elaborated below, the Board was of the view that Mr Sung, Mr Cheng and Mr Tan had continued to be regarded as independent. In the discharge of their duties, Mr Sung, Mr Cheng and Mr Tan had demonstrated integrity, professionalism and had exercised independent judgement and/or decisions on matters with the interests of the Company and its stakeholders at heart without undue reliance on and 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 NC further noted that there were no relationships or circumstances which affected or would likely to affect their independence or the discharge of their responsibilities as independent directors.

Each independent director had recused himself in the determination of his own independence.

# CORPORATE GOVERNANCE REPORT

The Board was of further view that an individual's independence ought not to be determined solely on the basis of a set period of time.

In line with the SGX-ST Listing Rule 210(5)(d)(iii) which will take effect from 1 January 2022, all independent directors who have served the Board for an aggregate period of more than nine years will undergo the mandatory two-tier voting process at the 2021 annual general meeting ("**AGM**"). Meanwhile, the NC has been tasked to look into the succession plan and the Board renewal process in the financial year ending 31 December 2020.

## Provision 2.2

### Composition of independent directors on the Board

Provision 2.2 of the Code requires independent directors to make up a majority of the Board where the Chairman of the Board is not independent. Currently, the Chairman, Mr Peter Sung, is considered an independent director.

For FY2019, half of the Board members were made up of independent directors with the majority being non-executive directors. Therefore, the NC was of the view that the Board had sufficient independent element and its composition was appropriate to facilitate effective decision-making.

## Provision 2.3

### Proportion of non-executive directors

In FY2019, non-executive directors constitute a majority of the Board. The non-executive directors had constructively challenged and contributed to the development of both the Group's short-term and long-term business strategies. The management's progress in implementing such agreed business strategies was being monitored by the non-executive directors who ensured objectivity in such deliberations.

## Provision 2.4

### Board composition and size

The NC conducts 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.

In FY2019, taking into account the scope and nature of the Group's operations, the NC considered the Board composition and size to be appropriate. The Board collectively provided relevant competencies to facilitate effective decision making for the existing needs and demands of the Group's businesses. The Board's decision-making process was not dominated by any individual or group of individuals.

### Board diversity policy

The Company recognises and embraces the benefits of diversity of experience, age, skill sets, gender and ethnics on the Board ("**Board Diversity**") and views Board Diversity as an essential element to support the attainment of its strategic objectives and sustainable development.

Although the Company does not have a written policy on Board Diversity, it has maintained a culture of diversity to benefit from a wide talent pool. The current Board composition provides diversity in terms of skills, experience and knowledge.

The NC will be tasked to develop a Board Diversity policy setting out the qualitative and quantitative objectives at an appropriate time.

In identifying suitable candidates for new appointment to the Board, the NC will ensure that female candidates are included for consideration. Nevertheless, gender is but one aspect of diversity and new directors will continue to be selected based on their merits and the potential contributions which they can bring to the Board.

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 a Board of Directors Competency Matrix. Such matrix provides information on the directors' respective areas of specialisation and expertise. Through this process, the NC was satisfied that members of the Board possess the relevant core competencies in areas such as accounting, finance, strategic planning, business and management experience. The Board members are mostly professionals and experts in their own fields. They are able to take a broader view of the Group's activities, contribute their valuable experiences, and leverage on each other's expertise to provide independent judgement during Board discussions.

Details of the directors' qualifications, background and working experience are set out under the "*Directors' Profile*" section of this annual report.



# CORPORATE GOVERNANCE REPORT

A summary of the composition of the Board and its Board Committees for FY2019 is set out below:

No.	Name	Status	Board	Audit and Risk Committee	Nominating Committee	Remuneration Committee
1.	Peter Sung	NED, ID	C	–	–	C
2.	Boediman Gozali (alias Tony Wu) <sup>(1)</sup>	ED, NID	M	–	–	–
3.	Cheng Hong Kok	NED, ID	M	C	C	M
4.	David Lee Kay Tuan	NED, NID	M	M	–	–
5.	William Nursalim alias William Liem <sup>(2)</sup>	NED, NID	M	–	M	–
6.	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

**Annotations:**

<sup>(1)</sup> Ceased as Managing Director and CEO on 8 February 2020.

<sup>(2)</sup> Appointed as Interim Executive Director on 10 February 2020.

## Provision 2.5

### Regular meetings of non-executive directors

In FY2019, non-executive directors (including independent directors) met amongst themselves quarterly and on an ad hoc basis. Following those meetings, they provided feedback to the management team to approve and/or review specific issues or matters relating to the Group. The Company also benefited from the management's ready access to the non-executive directors for guidance and exchange of views both within and outside the formal meetings of the Board and the Board Committees.

Non-executive directors meet without the presence of management to discuss, inter alia, management's performance. The Board is of the view that such informal sessions of the non-executive directors are effective.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

### Principle 3: Division of responsibilities between Board and management, and avoidance of single individual influence on decision-making

## Provisions 3.1 and 3.2

### Separation of the role of Chairman and CEO

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

The division of responsibilities between the Chairman and the CEO is clearly established in the written terms of reference of the Board. The Chairman manages the business of the Board whilst the CEO and his management team execute the Board's decisions. The CEO has executive responsibilities for the Group's businesses and is accountable to the Board.

In FY2019, there was no familial relationship between the Chairman and the CEO.

The Chairman, Mr Peter Sung, brings with him a wealth of experience and leads the Board to ensure its effectiveness in all aspects of its role. Mr Sung is a proponent of good corporate governance and constantly encourages an open culture of debate within the Board to draw effective contributions from the directors.

Prior to each Board meeting, the Chairman, in consultation with the management and the 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 directors to be adequately prepared for the meetings. The Chairman leads the meetings and ensures full discussion of each agenda. 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 with proposals or who can provide insights into the discussion matters are invited to participate in the meetings.

At each general meeting of shareholders, the Chairman plays a pivotal role in fostering constructive dialogue between the shareholders, the Board and the management.

# CORPORATE GOVERNANCE REPORT

## Provision 3.3

### Lead independent director

The Code encourages the appointment of a lead independent director to lead and coordinate the activities of non-executive directors in circumstances where it will be inappropriate for the Chairman to serve in such capacity. As the Chairman of the Company, Mr Peter Sung, is independent, the Board is of the view that the appointment of a lead independent director is not necessary.

The directors and management are accessible to the Company's shareholders, and the Company has always responded to queries raised by its shareholders. The absence of a lead independent director has not impacted and is unlikely to impact the efficient communication between the Board and the shareholders or other stakeholders of the Company.

As part of the Group's continuous efforts to upkeep its corporate governance practices, the Company's independent directors have continued to set aside time to meet without the presence of other directors. In addition, the independent directors will also meet regularly and on ad hoc basis with the executive director and his management team as well as other non-executive directors to discuss the Group's challenges.

## BOARD MEMBERSHIP

### Principle 4: Formal and transparent process for appointment/re-appointment and progressive renewal of the Board

## Provisions 4.1 and 4.2

### NC membership and key terms of reference

In FY2019, 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 <sup>(1)</sup> | (Non-Independent and Non-Executive) |

#### Annotations:

<sup>(1)</sup> Appointed as Interim Executive Director on 10 February 2020

The NC is guided by its written terms of reference which stipulates its principal roles as follows:

- i. review the nomination, appointment and re-appointment of directors to the Board;
- ii. review annually whether or not a director is independent, having regard to the guidelines of the Code, its Practice Guidance, SGX-ST Listing Manual and other factors that the NC considers relevant;
- iii. determine a suitable size of the Board which facilitates effective decision-making, taking into consideration the scope and nature of the operations of the Company;
- iv. consider the Board succession planning for directors, including the review of the appointment and termination/dismissal of the following persons in the Company:
  - (a) the Chairman, CEO, other KMP and the company secretary for recommendation to the Board for approval; and
  - (b) the personnel occupying key positions such as chief financial officer ("CFO") 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 five executives of the Company;
- v. recommend to the Board on internal guidelines to address the competing time commitments faced by directors serving on multiple boards and review the directors' disclosure on their directorships;
- vi. review annually the directors' mix of skills, qualities and experiences that the Board requires to function competently and efficiently;
- vii. develop and maintain, as appropriate, a formal assessment process and criteria to evaluate the effectiveness and performance of the Board as a whole, the Board Committees and the contribution by each director to the effectiveness of the Board;

## CORPORATE GOVERNANCE REPORT

- viii. review, 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. investigate any matter within its terms of reference, with full access to and co-operation expected of management; full discretion to invite any director or executive officer to attend its meeting; and being reasonably resourced to enable it to discharge its functions properly.

In discharging its key responsibilities, the activities of the NC in FY2019 include reviewing the following:

- 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. the 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.

An NC report is submitted to the Board after the end of each financial year and minutes of the NC meetings are tabled at Board meetings to keep Board members apprised.

### Provision 4.3

#### Selection, appointment and re-appointment process for 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 any identified competency gap in the Board. 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 recommends to the Board a suitable size of the Board; and evaluates the balance of skills, knowledge and experience of Board members required to add value and facilitate effective decision-making, taking into consideration the scope and nature of the Group's operations;
- ii. the NC considers the channels for seeking suitable candidates and draw up a list of potential candidates. Such sources include internal promotion, recommendations from directors/substantial shareholders/management or external 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 certain criteria such as 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; and
- v. the NC makes recommendation to the Board for approval. The Board is to ensure that the selected candidate is aware of the expectations and the level of commitment required.

There was no new director appointed to the Board in FY2019.

The NC also ensures compliance with the provisions of the Company's constitution which stipulates that at each AGM, one-third of the directors shall retire from office by rotation at least once every three years. The Company's constitution also stipulates that new directors appointed by the Board without shareholders' approval shall be re-elected at the next AGM following their appointment.



## CORPORATE GOVERNANCE REPORT

The NC had reviewed and recommended, with the concurrence of the Board, for the following directors to retire by rotation and seek re-election at the Company's forthcoming AGM:

- (a) Mr Peter Sung [Article 105]
- (b) Mr Cheng Hong Kok [Article 105]

Subject to their re-election, Mr Peter Sung shall continue to serve as an independent director and Chairman of the Board and the RC. Mr Cheng Hong Kok shall continue to serve as an independent director, Chairman of the ARC and the NC, as well as a member of the RC. Mr Sung and Mr Cheng had recused themselves during the process.

The requisite information required under Appendix 7.4.1 of the SGX-ST Listing Manual pertaining to Mr Sung and Mr Cheng can be found on page 42 of this Annual Report.

### Provision 4.4

#### Continuous review of directors' independence

Each independent director of the Company will confirm his independence (or otherwise) based on a checklist annually. The checklist is drawn up based on the guidelines provided under the Code. In FY2019, the NC had reviewed the independence of the independent directors, having regard to the circumstances set forth in Provision 2.1 of the Code, its Practice Guidance and the SGX-ST Listing Manual. Details of the review process are set out under Provision 2.1 of this report. The NC is also committed to reassess the independence of each independent director as and when warranted.

### Provision 4.5

#### Multiple directorships

Information of each director including his/her directorship(s) or chairmanship(s) in other listed company(ies) and other principal commitment(s) are furnished under the "Directors' Profile" section of this Annual Report. Similar information is also published on the Company's website.

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 FY2019, no director exceeded this limit.

For FY2019, the NC had reviewed each director's outside directorships as well as each director's attendance and contributions to the Board. The NC was satisfied that all the directors had discharged their duties adequately.

## BOARD PERFORMANCE

### Principle 5: Formal annual assessment of the effectiveness of the Board, its Board committees and individual directors

#### Provisions 5.1 and 5.2

#### Board evaluation process, Board performance criteria and individual director evaluation

The Company has implemented a formal process to evaluate (i) the performance and effectiveness of the Board as a whole, and of its Board Committees; (ii) the contribution by the Chairman and each individual director to 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 performance criteria were recommended by the NC and approved by the Board. The NC has established objective criteria to evaluate the Board's performance. More relevant and meaningful criteria will also be used when applicable.

The evaluation of individual directors is differentiated between executive director and non-executive director. The executive director is evaluated by 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 financial year. Should there be issues with any director, the NC Chairman and the Board Chairman 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.

## CORPORATE GOVERNANCE REPORT

For FY2019, all directors were requested to complete a Board performance checklist which assessed the effectiveness of the Board and the Board Chairman. In addition, each director was also requested to complete a Board Committees' performance checklist which assessed 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 Board Committees' meetings held to enable proper consideration of issues.

In the self-assessment of individual directors, the Board of Directors Competency Matrix was used to assess the 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 also assessed 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, completed evaluation forms by all directors were submitted to the company secretary for collation. The results of the performance evaluation were presented first to the NC for review and discussion and then to the Board. The Board was satisfied with the results of the annual evaluation assessment for FY2019.

For FY2019, the NC duly observed the aforesaid process and criteria and was satisfied with the results of the review. The NC noted that while the performance of the Board was satisfactory, the NC recognised that more work would have to be done by management to enlarge the Company's businesses and move it to the next level of growth.

For FY2019, the NC also 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 FY2019, the Board did not engage an independent external consultant to facilitate the annual review of the performance of the Board and the Board Committees.

## II. REMUNERATION MATTERS

Matters concerning remuneration of the Board and other senior executives 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 are disclosed in this report and in the notes to the financial statements of the Group.

### PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

#### Principle 6: Formal and transparent procedure for developing director and executive remuneration

#### Provisions 6.1 and 6.2

#### Remuneration Committee composition and terms of reference

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 responsibilities as follows:

- i. establish appropriate remuneration framework for directors and KMP (or executive of equivalent rank), and ensure that the Company is able to attract, motivate and retain appropriate talents in order to maximise value for shareholders;
- ii. develop remuneration policy for the executive director and KMP (or executive of equivalent rank), structuring it to link rewards to corporate and individual performance;

## CORPORATE GOVERNANCE REPORT

- iii. review specific remuneration and compensation packages for the executive director and KMP (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;
- iv. review the appropriateness and transparency of remuneration matters for disclosure to shareholders; and
- v. investigate any matter within its terms of reference with expert advice within and/or outside the Company, where necessary.

An RC Report is submitted to the Board after the end of each financial year and minutes of the RC meetings are tabled at Board meetings to keep Board members apprised.

### Provision 6.3

#### Developing remuneration framework

With the endorsement of the Board, the RC has established appropriate remuneration frameworks to attract, retain and motivate directors and KMP (or executive of equivalent rank) of the Company. Such frameworks are reviewed periodically to ensure that they remain relevant.

The RC's remit is to make recommendations to the Board. Determining the remuneration of the directors is the purview of the Board as a whole. Individual directors do not participate in discussions regarding their own remuneration.

In setting the remuneration framework, the RC has considered all aspects of remuneration. The RC aims to be fair and avoid rewarding poor performance. The RC carries out remuneration benchmarking each year on comparable organisations.

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 is satisfied that the termination clauses therein are fair and reasonable to the respective employment class and are not overly generous.

### Provision 6.4

#### 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 FY2019, 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.

### LEVEL AND MIX OF REMUNERATION

**Principle 7: Level and structure of remuneration are appropriate and proportionate to the sustained performance, value creation and strategic objectives of the Company**

### Provisions 7.1, 7.2 and 7.3

#### Remuneration of directors and KMP

The Company's remuneration structure for its executive director and KMP (or executive of equivalent rank) comprises both fixed and variable components with an aim to attract, retain and motivate talents 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 (or executive of equivalent rank), 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 FY2019, the Board had only one executive director who was also the CEO. The executive director and KMP (or executive of equivalent rank) of the Group do not receive director's fees from the Company or from its subsidiaries/associated entities if they are nominated and appointed to these boards.

## CORPORATE GOVERNANCE REPORT

Performance measurement takes into account the current business model of the Company and the actual financial performance of the Group for FY2019.

Having reviewed and considered the variable components of the executive director and KMP (or executive of equivalent rank), which are not excessive, 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. There are no lengthy or onerous removal clauses in the employment contracts.

For FY2019, the RC was satisfied that the adjustments made to the salaries as well as the performance-related bonuses granted to the executive director and KMP (or executive of equivalent rank) were reflective of the performance and the contribution made by such staff taking into account the extent to which their KPIs were met.

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.

### **Remuneration framework for non-executive directors**

Non-executive directors receive remuneration packages consisting of director fees and attendance fees which are based on a scale of fees divided into basic retainer fees as director, additional fees for membership held in Board Committees and attendance fees at 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 current framework for non-executive director 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 remain competitive to commensurate with their responsibilities as directors, are taken into account. The RC also considered the nature and responsibilities of the Chairman and members of the ARC who receive higher additional fees which commensurate with their roles and responsibilities.

### **DISCLOSURE ON REMUNERATION**

**Principle 8: Transparency on remuneration policies, procedure, level and mix, and relationship between remuneration, performance and value creation**

#### **Provision 8.1**

#### **Remuneration report**

Details on the remuneration of the directors and CEO for FY2019 are presented in Table A below. There was no termination, retirement and post-employment benefits granted to any of them.



## CORPORATE GOVERNANCE REPORT

TABLE A

Name of Directors	Directors' Fees	Salary <sup>(4)</sup>	Benefits <sup>(5)</sup>	Variable Bonus	Total
<b>Executive Director</b>					
Boediman Gozali (alias Tony Wu) <sup>(1)</sup>	–	\$542,736	\$17,092	\$91,806	\$651,634
<b>Non-Executive Directors</b>					
Peter Sung <sup>(2)</sup>	\$84,010	–	–	–	\$84,010
Cheng Hong Kok	\$55,000	–	–	–	\$55,000
David Lee Kay Tuan	\$29,000	–	–	–	\$29,000
William Nursalim alias William Liem <sup>(3)</sup>	–	–	–	–	–
Tan Lye Huat	\$46,000	–	–	–	\$46,000
<b>Total Directors' Remuneration</b>	<b>\$214,010</b> <b>25%</b>	<b>\$542,736</b> <b>63%</b>	<b>\$17,092</b> <b>2%</b>	<b>\$91,806</b> <b>10%</b>	<b>\$865,644</b> <b>100%</b>

**Annotations:**

- <sup>(1)</sup> As an executive director, Mr Boediman Gozali (alias Tony Wu) (deceased) did not receive director's fee in FY2019.
- <sup>(2)</sup> Director's fee for non-executive Chairman includes fee of \$54,000 and benefits of \$30,010 provided to him for reimbursement of transport and car related costs.
- <sup>(3)</sup> As a full time employee of Tuan Sing Holdings Limited, the Company's holding company, Mr William Nursalim alias William Liem did not receive director's fee.
- <sup>(4)</sup> Salary comprises basic salary and employer's CPF contributions.
- <sup>(5)</sup> Benefits relate to car benefits and related costs.

In FY2019, the Company only has two KMP (or executive of equivalent rank) who are not directors or the CEO. The remuneration of these two KMP (or executive of equivalent rank) who are not directors or the CEO are disclosed in Table B below.

TABLE B

Name of KMP (or executive of equivalent rank)	Designation	Salary <sup>(1)</sup>	Variable Bonus <sup>(2)</sup>	Remuneration Bands of \$250,000
Phey Mui Noi	Senior Finance Manager	89%	11%	< \$250,000
Lee Kay Chen	Senior Manager, Development	90%	10%	< \$250,000
<b>Total Remuneration of KMP (or executive of equivalent rank)</b>		<b>89%</b>	<b>11%</b>	<b>100%</b>
		<b>\$249,331</b>	<b>\$30,569</b>	<b>\$279,900</b>

**Annotations:**

- <sup>(1)</sup> Salary comprises basic salary, allowance and employer's CPF contributions.
- <sup>(2)</sup> Variable bonus includes employer's CPF contributions.

The aggregate remuneration paid to the above KMP (or executive of equivalent rank) who are not directors or the CEO in FY2019 was \$279,900.

# CORPORATE GOVERNANCE REPORT

## Provision 8.2

### Employee related to substantial shareholders, directors or CEO

Mr Lee Kay Chen, whose remuneration is disclosed in Table B above (Remuneration Bands \$100,000 to \$200,000), is the brother of Mr David Lee Kay Tuan, a Non-Executive Director of the Company. Except as disclosed herein, there was no other employee related to substantial shareholders, directors or CEO whose salary exceeded \$100,000 in FY2019.

## Provision 8.3

### Details of all forms of remuneration and other payments and benefits paid to directors and KMP

The breakdown of remuneration and other payments and benefits paid to directors and KMP (or executive of equivalent rank) are exhibited in Table A and Table B above.

The information on the link between remuneration paid to the directors and the KMP and their performance is set out under Principle 7 of this report.

In view of the size of the existing business operations of the Group and its current workforce, the Company has neither establish any employee share scheme nor develop any other long-term incentive scheme.

## III. ACCOUNTABILITY AND AUDIT

The Board and the ARC is responsible for the governance of risk and ensures that the Company maintains a sound system of risk management and internal controls over financial reporting, operational risks and compliance risks (including information technology controls and risk management systems), to safeguard the interests of the Company and its shareholders. All areas of weaknesses identified in internal audit reports are properly dealt with in a timely manner.

During FY2019, all quarterly unaudited results and the unaudited full-year results of the Group were announced within one month after the end of each financial period.

## RISK MANAGEMENT & INTERNAL CONTROLS

### Principle 9: Board's governance of risk management system and internal controls

In April 2015, the Audit Committee was renamed as Audit and Risk Committee. The responsibility of overseeing the Company's risk management framework and policies is undertaken by the ARC with the assistance of the internal auditors. Having considered the Company's business and operations as well as its existing internal control and risk management systems, the Board is of the view that a separate risk committee is not required for the time being.

## Provision 9.1

### Significant risks, objectives and value creation

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 FY2019, the ARC assisted the Board in the identification of risks and oversight of the Group's risk profile and policies, adequacy, and effectiveness of the Group's risk management systems and internal controls. The ARC reported to the Board on critical risk issues facing the Group, material matters, findings and suggested level of risk tolerance for the Company to achieve its strategic objectives and value creation, as well as the review and update of risk policies and risk management.

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

### *Risk management*

The Group has established a Risk Management Framework to enhance its risk management capabilities. The key risks were identified and classified under four categories, namely, (i) business and strategic risks; (ii) financial risks; (iii) operational risks; and (iv) compliance risk including information technology controls and risk management systems. Action plans were in place to mitigate these risks. In addition, the Group evaluates its risk exposure by adopting a three-dimensional risk evaluation model where risk types are assigned risk exposure ratings based on the likelihood and consequences of each risk identified. The risk exposure rating determines the extent of risk exposure and the corresponding risk treatment required.

The Group recognises risk management as a collective effort involving the individual subsidiaries and business units, followed by the operating segments and ultimately, the management and the Board. 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.

## CORPORATE GOVERNANCE REPORT

### **Internal controls**

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

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

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 a risk management report detailing the Group's risk profile, evaluated results and measures to mitigate or transfer identified potential risks, to assure that the process is operating effectively as planned.

The ARC also 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.

As part of the Group's continuous efforts to ensure that its risk management systems and internal controls 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 to meet challenges brought on by a changing business environment.

### **Provision 9.2**

#### **Assurance from CEO, CFO and other responsible KMP**

The Company has established a practice whereby business and finance heads of individual subsidiaries and strategic business units are required to provide yearly written representation in specific template to the CEO and the CFO. The CEO and CFO will in turn furnish an overall representation to the ARC and the Board confirming, *inter alia*, that the financial processes and controls are in place and to confirm the integrity of the Group's financial statements. The report will also highlight material financial risk and impact, as well as providing updates on significant financial issues of the Group. The Company currently has no CFO and the role is being assumed by its senior finance manager ("SFM").

In FY2019, 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 issued negative assurance statements in its quarterly financial results announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

The CEO and the SFM had provided an assurance to the Board that the financial records had been properly maintained and that the financial statements gave a true and fair view of the Company's and the Group's operations and finances for FY2019 and financial position as of 31 December 2019. Based on representations received from other heads of department, the CEO and the SFM had also provided assurance that the Company's risk management and internal control systems were adequate and effective as of the same date.

### **Board's commentary on adequacy and effectiveness of internal controls and risk management systems**

Based on internal controls established and maintained by the Group, work performed by the internal auditors and external auditors and reviews performed by management, written representation by the CEO, SFM and the various heads of department, the Board concurred with the ARC's opinion that the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective as at 31 December 2019.

### **Concurrence of the ARC on the adequacy and effectiveness of internal controls and risk management systems**

As part of the ARC's roles under its terms of reference, the ARC had reviewed and reported to the Board on their assessment of the Company's internal controls and risk management systems. Accordingly, the ARC concurred with the Board that the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective as at 31 December 2019.

# CORPORATE GOVERNANCE REPORT

## AUDIT AND RISK COMMITTEE

### Principle 10: Establishment of Audit and Risk Committee which discharges its duties objectively

#### Provisions 10.1, 10.2 and 10.3

#### Composition, roles and expertise of the ARC

The ARC comprises the following three directors, all of whom are non-executive with the majority, including the ARC Chairman, being 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)     |

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.

At least two members of the ARC (including the ARC Chairman) have recent and relevant accounting or related financial management expertise or experience. Mr Tan Lye Huat is a chartered accountant by profession and sits on several Singapore public-listed boards. Mr Cheng Hong Kok in his professional career, has gathered extensive financial management experience. Mr Cheng was previously a board member with the Singapore Economic Development Board and head of corporate planning, finance and accounting with Singapore Petroleum Company Limited.

None of the ARC members was a former partner or director of the Company's existing auditing firm or its member firms.

#### Duties of the ARC

The ARC is guided by its terms of reference which stipulate its principal roles as follows:

- i. assist the Board in fulfilling its oversight responsibilities on financial reporting, management of financial risks, monitoring of the internal control systems and compliance;
- ii. review the assurance from the CEO and the SFM on the financial records and financial statements;
- iii. review the policies and arrangements by which staff and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- iv. review the proposed audit scope, results and plans of the internal and external auditors, as well as the access and cooperation accorded by management to the auditors;
- v. review the effectiveness and adequacy of the responses and actions taken by management on the recommendations and observations by the internal and external auditors;
- vi. review and report to the Board at least annually, on the adequacy and effectiveness of the Company's and the Group's internal financial controls, operational, compliance and information technology controls, and risk management policies and systems in place to identify and mitigate any material business risks associated with the Company and the Group, taking into account representations received from management;
- vii. review the adequacy and effectiveness of the internal audit function, ensure that it is adequately resourced and that the internal auditors comply with national/international recognised professional bodies;
- viii. review the independence and objectivity of the external auditors annually, taking into account the nature and extent of non-audit services rendered by the external auditors;
- ix. review the remuneration and terms of engagement of the external auditors and recommend to the Board on the removal, appointment and re-appointment of external auditors at general meeting;
- x. assist the Board in ensuring management maintains a sound system of risk management and that material controls are in place to safeguard shareholders' interests and the Group's assets;



## CORPORATE GOVERNANCE REPORT

- xi. assist the Board in determining the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives;
- xii. review the periodic financial statements, the announcements on financial statements to SGX-ST, and the significant financial reporting issues and judgements to ensure the integrity of the financial statements; and
- xiii. review and recommend for the Board's approval, IPTs as defined under Chapter 9 of the SGX-ST Listing Manual and those that require the ARC's approval as specified in the general mandate approved by shareholders ("**IPT Mandate**").

An ARC Report is submitted to the Board after the end of each financial year and minutes of the ARC meetings are tabled at Board meetings to keep the Board members apprised.

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

### **Activities of the ARC**

During FY2019, the ARC reviewed and where appropriate, approved all disclosable IPTs in accordance with the IPT Mandate. The ARC also reviewed related party transactions tabled by management. Directors who are interested in the transactions had recused themselves from the deliberation and approval process at both the ARC and the Board level discussions. On a quarterly basis, the ARC also reviewed the financial results announcements of the Company and the Group before their submission to the Board for approval.

The ARC had reviewed the external auditors' audit plan for FY2019 and 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 FY2019, 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. The ARC also considered the clarity of key disclosures in the financial statements. The ARC had reviewed and addressed, amongst other matters, the following key audit matters reported by the external auditors for FY2019:

- (i) Recoverability of refundable trade deposit
- (ii) The Group's aged trade receivables
- (iii) Identification of related party transactions

### **ARC's commentary on key audit matters**

The ARC had discussed the aforesaid key audit matters for FY2019 with the management and the external auditors, Deloitte & Touche LLP ("**Deloitte**"). The ARC concurred with the basis and conclusions included in the auditors' report with respect to the key audit matters for FY2019. For more information on the key audit matters, please refer to pages 46 to 47 of this Annual Report.

Following the review, the ARC was satisfied that all the aforesaid matters had been properly dealt with and recommended to the Board to approve the financial statements. The Board had on 28 February 2020 approved the financial statements for FY2019.

### **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 a mechanism by which concerns about plausible improprieties in matters of financial reporting and others, may be raised. A Whistle-blowing Committee ("**WBC**") has 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 Whistle-blowing Policy is available on the Company's website: [www.spcorp.com.sg](http://www.spcorp.com.sg).

When whistle-blower complaints are received, the ARC will 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 are reviewed by the ARC at its quarterly meetings.

## CORPORATE GOVERNANCE REPORT

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.

### **Evaluation of external auditors**

During FY2019 and as in the past years, the ARC reviewed the "Professional Services Planning Memorandum" prepared by Deloitte. The ARC discussed with Deloitte on 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.

For FY2019, the ARC had evaluated the external auditors based on the Accounting and Corporate Regulatory Authority's audit quality indicators disclosure framework. In respect of the audit quality indicators, the ARC 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.

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:

Fees paid to External Auditors	FY2019		FY2018	
	\$'000	% of Total Fees	\$'000	% of Total Fees
Total Audit Fees	120	88	96	79
Total Non-Audit Fees	16	12	25	21
<b>Total Fees Paid</b>	<b>136</b>	<b>100</b>	<b>121</b>	<b>100</b>

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

On the recommendation of the ARC, the Board had endorsed the re-appointment of Deloitte as the external auditors of the Group and will submit this for shareholders' approval at the forthcoming AGM. With regard to the aforesaid, the Company had complied with SGX-ST Listing Rules 712 and 715 in relation to the Company's appointment of auditing firms.

### **Provision 10.4**

#### **Internal auditors, reporting line, compliance and function**

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

The primary reporting line of the internal audit function, which has been outsourced to PricewaterhouseCoopers Risk Services Pte. Ltd. ("**PwC**"), is to the ARC, which also endorses the appointment, termination and remuneration of the internal auditors. The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including the ARC, and has appropriate standing within the Company.

Upon the recommendation by the ARC, the Board had approved the re-engagement of PwC as internal auditors of the Group in the ensuing year ending 31 December 2020.

The Company's internal audit function is independent of the external audit. The internal auditors, PwC, is a corporate member of the Institute of Internal Auditors Singapore. PwC is 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.

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 will be internally audited within an internal audit cycle. Having reviewed the audit plan of PwC, the ARC was satisfied that the Company's internal audit function was adequately resourced to perform the work for the Group.

## CORPORATE GOVERNANCE REPORT

### ***ARC's commentary on the independence, adequacy and effectiveness of the internal audit function***

For FY2019, 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 internal auditors to perform the function. For FY2019, after having reviewed the internal audit reports and remedial actions implemented by management, the ARC was satisfied that the internal audit functions were independent, effective and adequately resourced.

### **Provision 10.5**

#### **Independent meeting with external and internal auditors**

During FY2019 and as in the past years, the Company's external auditors 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 at least annually.

## IV. SHAREHOLDER RIGHTS AND ENGAGEMENT

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.

### **SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS**

**Principle 11: Fair and equitable treatment of shareholders, enabling them to exercise shareholder rights and communicate their views. Providing shareholders with balanced and understandable assessment of the Company's performance, position and prospects**

### **Provision 11.1**

#### **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 four weeks in advance through notices accompanied by the annual reports/circulars/letters to shareholders. These notices are publicly announced via SGXNet and posted on the Company's website. 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.

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.

The Company conducted poll voting for all resolutions passed at its last AGM held on 16 April 2019. 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.

### **Provision 11.2**

#### **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 are also provided in the Notice of AGM in this Annual Report.

# CORPORATE GOVERNANCE REPORT

## Provision 11.3

### Attendees at general meetings

The Chairman of the Board, the Chairman of each of the Board Committees and the directors are present and available at all general meetings to address issues raised by shareholders. The Company's external auditor is also present to address queries relating to conduct of audit and the preparation and content of the auditor's report. The attendance of the directors who attended the general meetings in FY2019 is set out under Provision 1.5 of this report.

## Provision 11.4

### Absentia voting at general meetings

Provision has been made under Article 76 of the Company's 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.

## Provision 11.5

### Minutes of general meetings

Minutes of general meetings will be posted on the Company's website as soon as practicable. These minutes include the proceedings at the general meetings, substantial questions raised by shareholders and answers given by the Board and management and the voting result of each resolution. Minutes are also available to shareholders upon written request.

## Provision 11.6

### Dividend policy

As the Company still has accumulated losses as at 31 December 2019 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 will review the dividend policy at an appropriate time.

## ENGAGEMENT WITH SHAREHOLDERS

### Principle 12: Regular communication with shareholders and facilitation of shareholders' participation at general meetings

## Provisions 12.1, 12.2 and 12.3

### Communication with shareholders

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

The Board embraces openness and transparency in the conduct of the Company's affairs, whilst safeguarding its commercial interests. Although the Company does not have an 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](http://www.spcorp.com.sg).

### Avenues of communication

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 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.

The planned date of release of financial results is disclosed ahead in the annual report of the preceding year. Such information is set out under "*Financial Calendar*" which can be found on page 17 of this Annual Report.

For FY2019, quarterly results were announced within four weeks of the succeeding month; and unaudited full-year results were released on 21 January 2020. The Annual Report for FY2019 will be distributed to shareholders four weeks before the AGM scheduled to be held on 16 April 2020.



## CORPORATE GOVERNANCE REPORT

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.

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, the external auditors together with the Company's legal advisers are present during the Company's general meetings to attend to shareholders' queries. Further, the management meets 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.

### V. MANAGING STAKEHOLDERS RELATIONSHIPS

#### ENGAGEMENT WITH STAKEHOLDERS

**Principle 13: Managing stakeholder relationships, balancing the needs and interests of material stakeholders for the Company's best interests**

#### Provisions 13.1, 13.2 and 13.3

##### Managing stakeholder relationships

The Company has appropriate channels in place to identify and engage with its material stakeholder groups. It recognises the importance of having intimate knowledge of its business and regular interactions with its stakeholders to determine material issues for its business.

The Company's approach to stakeholder engagement and materiality assessment can be found under the "*Sustainability Report*" section of this Annual Report.

The Company has a corporate website to communicate and engage with all stakeholders. The Company's corporate website is [www.spcorp.com.sg](http://www.spcorp.com.sg).

### VI. OTHER CORPORATE GOVERNANCE MATTERS

#### 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 IPT mandate in respect of IPTs of the Company. The IPT 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 dealings in the securities of the Company and its listed holding company (collectively, "**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.

# CORPORATE GOVERNANCE REPORT

## 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.

## ADDITIONAL INFORMATION REQUIRED UNDER SGX LISTING RULE 720(6)

The following table sets out the additional information on directors seeking re-appointment at the annual general meeting pursuant to SGX Listing Rule 720(6).

	<b>PETER SUNG</b> <b>Chairman, Independent &amp;</b> <b>Non-Executive Director</b>	<b>CHENG HONG KOK</b> <b>Independent &amp; Non-Executive Director</b>
Date of appointment	28 January 2002	24 May 2001
Date of last re-appointment	6 April 2017	6 April 2017
Age	79	77
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board concurred with the NC's recommendation for the re-appointment of Mr Peter Sung.	The Board concurred with the NC's recommendation for the re-appointment of Mr Cheng Hong Kok.
Working experience and occupation(s) during the past 10 years	Refer to "Directors' Profile" section on page 4 of this Annual Report	Refer to "Directors' Profile" section on page 4 of this Annual Report
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Except as disclosed under Provision 2.1 of the Corporate Governance Report on page 23, there is no such relationship to be disclosed.	Except as disclosed under Provision 2.1 of the Corporate Governance Report on page 23, there is no such relationship to be disclosed.
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments including directorships • Past (for the last 5 years)	Nil	Far East Orchard Limited (listed on SGX-ST) (Independent Director)
Other Principal Commitments including directorships • Present	Calbert Pte. Ltd. (Chairman)	Nil
Information required under items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual	Mr Sung's responses under items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual are all "No".	Mr Cheng's responses under items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual are all "No".

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 2019.

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 50 to 92 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 2019, 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 William Nursalim alias William Liem	(Interim Executive Director)
Mr Cheng Hong Kok	
Mr David Lee Kay Tuan	
Mr Tan Lye Huat	

Mr Boediman Gozali (alias Tony Wu) ceased from his position as Managing Director and Chief Executive Officer of the Company on 8 February 2020.

## 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	Holdings registered in name of Director		Holdings in which Director is deemed to have an interest	
	As at 1 January 2019	As at 31 December 2019	As at 1 January 2019	As at 31 December 2019
<b>The Company</b>				
<u>Ordinary shares</u>				
Mr William Nursalim alias William Liem	–	–	28,146,319	<b>28,146,319</b>
Mr David Lee Kay Tuan	–	–	28,146,319	<b>28,146,319</b>
<b>Holding Company</b>				
<b><u>Tuan Sing Holdings Limited</u></b>				
<u>Ordinary shares</u>				
Mr David Lee Kay Tuan	250,000	<b>250,000</b>	–	–
Mr Tan Lye Huat	–	–	500,000	<b>500,000</b>
Mr William Nursalim alias William Liem	–	–	628,814,529	<b>628,814,529</b>



# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (Continued)

Name of Directors and companies in which interests are held	Holdings registered in name of Director		Holdings in which Director is deemed to have an interest	
	As at 1 January 2019	As at 31 December 2019	As at 1 January 2019	As at 31 December 2019
<b>Holding Company</b>				
<b><u>Tuan Sing Holdings Limited</u></b>				
<u>\$80 million 5-year 4.50% per annum Notes</u>				
<u>due 2019 pursuant to the \$900,000,000</u>				
<u>Multicurrency Medium Term Note Programme</u>				
<b><u>("MTN Programme")</u></b>				
Mr William Nursalim alias William Liem	\$500,000	– <sup>(1)</sup>	–	–
<u>\$150 million 3-year 6% per annum Notes</u>				
<u>due 2020 pursuant to the MTN Programme</u>				
Mr David Lee Kay Tuan	\$500,000	<b>\$500,000</b>	–	–
Mr William Nursalim alias William Liem	\$500,000	<b>\$500,000</b>	–	–
Mr Tan Lye Huat	–	–	\$500,000	<b>\$500,000</b>

### Note

<sup>(1)</sup> The \$80 million 5-year 4.50% per annum Notes due 2019 pursuant to the MTN Programme have been redeemed in full.

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 2020.

## 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)

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 5 AUDIT AND RISK COMMITTEE (Continued)

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.

The Audit and Risk Committee had met four times during the financial year ended 31 December 2019 and 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

**William Nursalim alias William Liem**  
Interim Executive Director

28 February 2020

# 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 2019, 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 50 to 92.

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 2019 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
<p><b>Recoverability of refundable trade deposit</b></p> <p>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 \$8,135,000) provided to a related party to secure coal allocations is impaired.</p> <p>Management monitors and takes into consideration the following in their assessment on recoverability of the refundable trade deposit:</p> <ul style="list-style-type: none"> <li>the related party's past payment history to the Group;</li> <li>ongoing dealings with the related party;</li> <li>latest management accounts and/or audited financial statements of the related party;</li> <li>management's relationships and discussions with management of the related party who owns the coal mine on their coal mine operations; and</li> <li>terms as agreed in the latest coal allocation agreement with the related party.</li> </ul> <p>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 7.</p>	<p>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:</p> <ul style="list-style-type: none"> <li>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;</li> <li>reviewing the agreements for the arrangement on the refundable trade deposit; and</li> <li>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.</li> </ul> <p>We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements.</p>

# 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
<p><b>The Group's aged trade receivables</b></p> <p>There is a risk that the loss allowance for the Group's aged trade receivables may not be adequate.</p> <p>Management monitors and assesses the Group's credit risk, and where required, adjusts the level of impairment allowance. This requires management to make significant judgements regarding the expected future financial condition and the ability of the debtors to pay, especially where the debts are aged or overdue for more than 90 days.</p> <p>Inappropriate judgement and estimates made in the impairment assessment would result in a significant impact on the carrying amount of the trade receivables.</p> <p>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 8.</p>	<p>Our audit procedures were:</p> <ul style="list-style-type: none"> <li>• We have obtained an understanding of the key controls and processes that management and the Directors have in place to assess the expected credit loss ("ECL") of the aged trade receivables;</li> <li>• We have evaluated and challenged management's assessment of the impairment of the Group's aged trade receivables which are past due but not impaired as at the reporting date, including the assessment of any ECL to be made by the Group in respect of overdue debts; and</li> <li>• We enquired with management on the reasons for the delay in payments on certain aged trade receivables and the appropriateness of any allowance for ECL 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 and sources of financial support available to the debtors.</li> </ul> <p>We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements.</p>
<p><b>Identification of related party transactions</b></p> <p>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.</p> <p>The related party transactions have been disclosed in Note 25 to the financial statements.</p>	<p>Our audit procedures were:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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 2019, and transactions for the year then ended; and</li> <li>• 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.</li> </ul>



# 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:

- (a) 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.
- (b) 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.
- (c) 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)

- (d) 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.
- (e) 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.
- (f) 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

28 February 2020

## STATEMENTS OF FINANCIAL POSITION

31 DECEMBER 2019

		Group		Company	
	Note	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Assets</b>					
<b>Non-current assets</b>					
Plant and equipment	5	121	208	118	140
Investments in subsidiaries	6	–	–	31,016	30,611
Trade receivables	7	9,346	–	–	–
<i>Total non-current assets</i>		9,467	208	31,134	30,751
<b>Current assets</b>					
Trade and other receivables	7	27,712	37,036	20,797	20,831
Loan to a related party	10	21,500	20,000	–	–
Tax recoverable	11	16	24	–	–
Cash and bank balances	12	5,483	10,460	111	903
<i>Total current assets</i>		54,711	67,520	20,908	21,734
<b>Total assets</b>		64,178	67,728	52,042	52,485
<b>Equity and Liabilities</b>					
<b>Equity</b>					
Share capital	13	58,366	58,366	58,366	58,366
Translation reserve		(458)	(258)	–	–
Accumulated losses		(2,162)	(4,665)	(19,507)	(19,982)
<i>Total equity</i>		55,746	53,443	38,859	38,384
<b>Non-current liability</b>					
Deferred tax	14	54	49	–	1
<b>Current liabilities</b>					
Borrowings	15	5,125	–	–	–
Trade and other payables	16	2,829	13,952	13,168	14,079
Income tax payable		424	284	15	21
<i>Total current liabilities</i>		8,378	14,236	13,183	14,100
<b>Total equity and liabilities</b>		64,178	67,728	52,042	52,485

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group	
	Note	2019 \$'000	2018 \$'000
<b>Revenue</b>	17	<b>93,076</b>	136,379
<b>Cost of sales</b>		<b>(90,674)</b>	(133,164)
<b>Gross profit</b>		<b>2,402</b>	3,215
Other operating income	18	<b>223</b>	58
Distribution costs		<b>-</b>	(3)
Administrative expenses		<b>(2,592)</b>	(2,585)
Other operating expenses	19	<b>(144)</b>	(80)
Interest income	20	<b>3,380</b>	1,745
Interest expense	21	<b>(300)</b>	(40)
<b>Profit before tax</b>		<b>2,969</b>	2,310
Income tax expense	22	<b>(466)</b>	(412)
<b>Profit for the financial year, representing profit attributable to owners of the Company</b>	23	<b>2,503</b>	1,898
<b>Other comprehensive (loss) income after tax:</b>			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		<b>(200)</b>	739
<b>Other comprehensive (loss) income for the financial year, net of tax, attributable to owners of the Company</b>		<b>(200)</b>	739
<b>Total comprehensive income for the financial year attributable to owners of the Company</b>		<b>2,303</b>	2,637
<b>Basic and diluted earnings per share (cents)</b>	24	<b>7.13</b>	5.41

See accompanying notes to financial statements.



# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Equity attributable to owners of the Company			
	Share capital \$'000	Translation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
<b>Group</b>				
<b>At 1 January 2018</b>	58,366	(997)	(6,563)	50,806
<i>Total comprehensive income for the financial year</i>				
Profit for the financial year	–	–	1,898	1,898
Other comprehensive income for the financial year	–	739	–	739
Total	–	739	1,898	2,637
<b>At 31 December 2018</b>	58,366	(258)	(4,665)	53,443
<i>Total comprehensive income for the financial year</i>				
Profit for the financial year	–	–	2,503	2,503
Other comprehensive loss for the financial year	–	(200)	–	(200)
Total	–	(200)	2,503	2,303
<b>At 31 December 2019</b>	<b>58,366</b>	<b>(458)</b>	<b>(2,162)</b>	<b>55,746</b>
<b>Company</b>				
<b>At 1 January 2018</b>	58,366	–	(20,486)	37,880
Profit for the financial year, representing total comprehensive income for the financial year	–	–	504	504
<b>At 31 December 2018</b>	58,366	–	(19,982)	38,384
Profit for the financial year, representing total comprehensive income for the financial year	–	–	475	475
<b>At 31 December 2019</b>	<b>58,366</b>	<b>–</b>	<b>(19,507)</b>	<b>38,859</b>

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group	
	2019 \$'000	2018 \$'000
<b>Operating activities</b>		
Profit before tax	2,969	2,310
Adjustments for:		
Depreciation of plant and equipment	38	41
Loss on disposal of plant and equipment	13	-
Interest expense	300	40
Interest income	(3,380)	(1,745)
<b>Operating cash flows before movements in working capital</b>	<b>(60)</b>	646
Trade and other receivables	243	8,651
Restricted bank balances	578	554
Trade and other payables	(10,888)	(2,707)
<b>Cash (used in) generated from operations</b>	<b>(10,127)</b>	7,144
Interest received	1,181	1,213
Interest paid	(275)	(40)
Income tax paid, net	(302)	(67)
<b>Net cash (used in) from operating activities</b>	<b>(9,523)</b>	8,250
<b>Investing activities</b>		
Payments for acquisition of plant and equipment	-	(78)
Proceeds on disposal on plant and equipment (Note A)	19	-
Loan to a related party	-	(20,000)
<b>Net cash from (used in) investing activities</b>	<b>19</b>	(20,078)
<b>Financing activities</b>		
Proceeds from borrowings	81,250	36,192
Repayment of borrowings	(76,093)	(36,192)
<b>Net cash from financing activities</b>	<b>5,157</b>	-
Net decrease in cash and cash equivalents	(4,347)	(11,828)
Cash and cash equivalents at the beginning of financial year	9,167	20,837
Effects of exchange rate changes on the balance of cash held in foreign currencies	(52)	158
<b>Cash and cash equivalents at the end of financial year (Note 12)</b>	<b>4,768</b>	9,167

## Note A:

During the financial year, the Group disposed of plant and equipment with an aggregate carrying amount of \$48,000 (2018: \$Nil) to a related party for a consideration of \$35,000, out of which \$16,000 (2018: \$Nil) remains outstanding from the acquirer at the end of the financial year.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 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 ("**Tuan Sing**"), a company incorporated in Singapore and listed on the SGX-ST. Tuan Sing's major shareholder is Nuri Holdings (S) Pte Ltd, 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 29 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 2019 were authorised for issuance in accordance with a resolution of the Directors on 28 February 2020.

## 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 leasing transactions that are within the scope of SFRS(I) 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as 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.

### (b) Adoption of new and revised standards

On 1 January 2019, the Group and the Company adopted all the new and revised SFRS(I) pronouncements that are relevant to its operations. The adoption of these new/revised SFRS(I) pronouncements does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior financial years.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2 Summary of Significant Accounting Policies (Continued)

### (c) Basis of consolidation

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

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

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

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

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

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.



# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2 Summary of Significant Accounting Policies (Continued)

### (c) Basis of consolidation (Continued)

#### Changes in the Group's ownership interests in existing subsidiaries (Continued)

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 *Financial Instruments*, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

### (d) Business combination

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

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

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.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2 Summary of Significant Accounting Policies (Continued)

### (d) Business combination (Continued)

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.

### (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 ("FVTPL")) 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 FVTPL 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.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2 Summary of Significant Accounting Policies (Continued)

### (e) Financial instruments (Continued)

#### Financial assets (Continued)

##### *Classification of financial assets* (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. 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.

##### *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 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.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2 Summary of Significant Accounting Policies (Continued)

### (e) Financial instruments (Continued)

#### Financial assets (Continued)

##### *Impairment of financial assets* (Continued)

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated 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.

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, 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.

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 foregoing, 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.

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.



# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2 Summary of Significant Accounting Policies (Continued)

### (e) Financial instruments (Continued)

#### Financial assets (Continued)

#### *Impairment of financial assets* (Continued)

##### *Significant increase in credit risk* (Continued)

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.

- 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.

##### *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; or
- (b) a breach of contract, such as a default or past due event; or
- (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; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

##### *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.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2 Summary of Significant Accounting Policies (Continued)

### (e) Financial instruments (Continued)

#### Financial assets (Continued)

#### *Impairment of financial assets* (Continued)

##### *Measurement and recognition of ECL*

The measurement of ECL 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 and financial guarantee contracts, 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 ECL 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.

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.

#### *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 2019

## 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 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.

##### *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 *Financial Instruments*; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2 Summary of Significant Accounting Policies (Continued)

### (e) Financial instruments (Continued)

#### Financial liabilities and equity instruments (Continued)

##### Financial liabilities (Continued)

##### *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 income" or "other operating expenses" 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.

##### *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 (Before 1 January 2019)*

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 asset are consumed.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2 Summary of Significant Accounting Policies (Continued)

### (f) Leases (Continued)

#### *Leases (From 1 January 2019)*

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.



# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2 Summary of Significant Accounting Policies (Continued)

### (f) Leases (Continued)

#### *Leases (From 1 January 2019)* (Continued)

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37 *Leases*. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies SFRS(I) 1-36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2(i).

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other operating expenses" in the statement of profit or loss.

As a practical expedient, SFRS(I) 16 *Leases* permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

### (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, or
- (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 2019

## 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:

	<u>Number of years</u>
Plant and equipment	1 to 5
Motor vehicle	10

The estimated useful lives, residual values and depreciation method are reviewed at each financial year end, 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 still 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 (or 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 (or 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.

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.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2 Summary of Significant Accounting Policies (Continued)

### (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 a right of return.

#### *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.

### (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.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2 Summary of Significant Accounting Policies (Continued)

### (o) Income tax (Continued)

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.

### (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. As at each reporting date, 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.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2 Summary of Significant Accounting Policies (Continued)

### (p) Foreign currency transactions and translation (Continued)

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.

### (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, demand deposits and fixed deposits 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. Revisions 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.



# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

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

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

Management is of the view that apart from those involving estimations (see below), there are no critical judgements involved that management has made in the process of applying the Group's accounting policies, that have a 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 \$8,135,000) [2018: US\$6,000,000 (equivalent to \$8,215,000)] 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 which 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 7 to the financial statements.

#### *Calculation of loss allowance*

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

## 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*.

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:

<i>Segment</i>	<i>Principal activities</i>
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, metal and automotive industries in Asia.
Investment	Investment holding.
Corporate and Others	General corporate activities and others.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 4 Segment Information (Continued)

### Products and services from which reportable segments derive their revenues (Continued)

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.

### 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
<b>31 December 2019</b>					
<b>Revenue</b>					
– External customers	92,767	–	309	–	93,076
– Inter-segment	–	–	2,306	(2,306)	–
Total segment revenue	92,767	–	2,615	(2,306)	93,076
<b>Result</b>					
Segment result	(178)	(24)	91	–	(111)
Interest income	1,866	1,531	3	(20)	3,380
Interest expense	(300)	–	(20)	20	(300)
Profit before tax	1,388	1,507	74	–	2,969
Income tax expense					(466)
Profit after tax					2,503
<b>Assets</b>					
Segment assets	41,077	22,876	225	–	64,178
Total assets					64,178
<b>Liabilities</b>					
Segment liabilities	7,098	272	1,062	–	8,432
Total liabilities					8,432
<b>Other information</b>					
Depreciation of plant and equipment	6	–	32	–	38

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 4 Segment Information (Continued)

Products and services from which reportable segments derive their revenues (Continued)

Segment revenue and results (Continued)

	Commodities trading \$'000	Investment \$'000	Corporate and others \$'000	Inter-segment eliminations \$'000	Consolidated \$'000
<b>31 December 2018</b>					
<b>Revenue</b>					
– External customers	136,379	–	–	–	136,379
– Inter-segment	–	–	2,300	(2,300)	–
Total segment revenue	136,379	–	2,300	(2,300)	136,379
<b>Result</b>					
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
<b>Assets</b>					
Segment assets	43,829	21,395	2,504	–	67,728
Total assets					67,728
<b>Liabilities</b>					
Segment liabilities	13,075	78	1,132	–	14,285
Total liabilities					14,285
<b>Other information</b>					
Capital expenditure	5	–	73	–	78
Depreciation of plant and equipment	6	–	35	–	41

### 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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Based on location of customer</b>						
Singapore	70,770	116,002	5,544	149	–	6
Indonesia	3,168	6,297	3,923	59	–	72
China including Hong Kong	19,138	14,070	–	–	–	–
Others	–	10	–	–	–	–
	93,076	136,379	9,467	208	–	78

### Information about major customers

Included in the Commodities Trading revenue of \$92,767,000 (2018: \$136,379,000) were sales of approximately \$62,511,000 and \$14,573,000 (2018: \$52,844,000 and \$31,811,000) to the Group's two largest customers who are third parties.

## NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 5 Plant and Equipment

<u>Group</u>	Plant and equipment \$'000	Motor vehicle \$'000	Total \$'000
<b>Cost:</b>			
<b>At 1 January 2019</b>	<b>368</b>	<b>202</b>	<b>570</b>
Exchange differences	(2)	–	(2)
Disposals	(71)	–	(71)
Write-offs	(17)	–	(17)
<b>At 31 December 2019</b>	<b>278</b>	<b>202</b>	<b>480</b>
<b>At 1 January 2018</b>	289	202	491
Exchange differences	1	–	1
Additions	78	–	78
<b>At 31 December 2018</b>	<b>368</b>	<b>202</b>	<b>570</b>
<b>Accumulated depreciation:</b>			
<b>At 1 January 2019</b>	<b>297</b>	<b>65</b>	<b>362</b>
Exchange differences	(1)	–	(1)
Depreciation for the financial year	18	20	38
Disposals	(23)	–	(23)
Write-offs	(17)	–	(17)
<b>At 31 December 2019</b>	<b>274</b>	<b>85</b>	<b>359</b>
<b>At 1 January 2018</b>	274	45	319
Exchange differences	2	–	2
Depreciation for the financial year	21	20	41
<b>At 31 December 2018</b>	<b>297</b>	<b>65</b>	<b>362</b>
<b>Carrying amounts:</b>			
<b>At 31 December 2019</b>	<b>4</b>	<b>117</b>	<b>121</b>
<b>At 31 December 2018</b>	<b>71</b>	<b>137</b>	<b>208</b>
 <u>Company</u>			
<b>Cost:</b>			
<b>At 1 January 2019</b>	<b>233</b>	<b>202</b>	<b>435</b>
Write-offs	(5)	–	(5)
<b>At 31 December 2019</b>	<b>228</b>	<b>202</b>	<b>430</b>
<b>At 1 January 2018</b>	232	202	434
Additions	1	–	1
<b>At 31 December 2018</b>	<b>233</b>	<b>202</b>	<b>435</b>
<b>Accumulated depreciation:</b>			
<b>At 1 January 2019</b>	<b>230</b>	<b>65</b>	<b>295</b>
Depreciation for the financial year	2	20	22
Write-offs	(5)	–	(5)
<b>At 31 December 2019</b>	<b>227</b>	<b>85</b>	<b>312</b>
<b>At 1 January 2018</b>	228	45	273
Depreciation for the financial year	2	20	22
<b>At 31 December 2018</b>	<b>230</b>	<b>65</b>	<b>295</b>
<b>Carrying amounts:</b>			
<b>At 31 December 2019</b>	<b>1</b>	<b>117</b>	<b>118</b>
<b>At 31 December 2018</b>	<b>3</b>	<b>137</b>	<b>140</b>

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 6 Investments in Subsidiaries

	Company	
	2019 \$'000	2018 \$'000
Unquoted equity shares, at cost	14,049	14,049
Recognition of financial guarantee provided to subsidiaries	5,512	5,107
Quasi-equity loan	13,500	13,500
Less: Impairment loss	(2,045)	(2,045)
	<b>31,016</b>	<b>30,611</b>

Further details regarding the subsidiaries are set out in Note 29.

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.

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, they are stated at cost.

During the financial year, no additional allowance for impairment loss (2018: an allowance for impairment loss of \$12,000) was made for investments in subsidiaries. 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 Trade and Other Receivables

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<u>Current</u>				
Trade receivables (Note 8)	18,629	27,766	–	–
Other receivables (Note 9)	948	1,055	20,797	20,831
Refundable trade deposit with a related party <sup>(a)</sup> [Note 25(a)(ii)]	8,135	8,215	–	–
	<b>27,712</b>	<b>37,036</b>	<b>20,797</b>	<b>20,831</b>
<u>Non-Current</u>				
Trade receivables (Note 8)	9,346	–	–	–
	<b>37,058</b>	<b>37,036</b>	<b>20,797</b>	<b>20,831</b>

<sup>(a)</sup> Refundable trade deposit of US\$6,000,000 (2018: 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 which also owns a coal mine.

The deposit (equivalent to \$8,135,000 [2018: \$8,215,000]) is repayable within one year and subject to annual renewal by mutual agreement between the two parties. It bears an effective interest rate of 6.24% (2018: 6.83%) per annum.



# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 8 Trade Receivables

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Third parties – current	6,637	6,209	–	–
Related parties – current	11,997	21,562	–	–
Related parties – non-current	9,346	–	–	–
	27,980	27,771	–	–
Less: Loss allowance	(5)	(5)	–	–
	27,975	27,766	–	–

### Trade receivables

The trade receivables are generally on 30 to 180 days (2018: 30 to 180 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.

Loss allowance for trade receivables are measured at an amount equal to lifetime 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.

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

### Trade receivables from related parties

Certain past due trade amounts due from related parties bear an interest rate of 8% (2018: 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 (2018: 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 ECL.

Included in the trade receivables from related parties was an amount of \$8,231,000 due from a related party, which is secured by two parcels of industrial land and building of the related party in Indonesia valued at approximately \$20,000,000. During the financial year, a repayment agreement was signed by the related party to make quarterly repayments totalling \$6,093,000 over three years from the end of the financial year. Accordingly, an amount of \$3,923,000 expected to be repaid after one year from the end of the financial year has been classified as non-current. The remaining \$2,170,000 which is not covered under the repayment agreement is expected to be repaid within one year from the end of the financial year and has been classified as current.

An amount of \$12,084,000 due from another related party was included in trade receivables from related parties as at 31 December 2019. Subsequent to the end of the financial year, the related party signed a repayment agreement with respect to the past due amounts to make quarterly repayments totalling \$11,443,000 over two years from the end of the financial year. Management has assessed that the signing of the agreement represents an adjusting event after the reporting period. Accordingly, an amount of \$5,423,000 expected to be repaid after one year from the end of the financial year has been classified as non-current as at 31 December 2019. The remaining \$641,000 which is not covered under the repayment agreement is expected to be repaid within one year from the end of the financial year and has been classified as current. The controlling party of this related party has provided a letter of financial support to the related party over the outstanding amount of \$12,084,000. Management has assessed the ECL for this amount to be immaterial.

# NOTES TO FINANCIAL STATEMENTS

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## 8 Trade Receivables (Continued)

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 that 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 following table details the risk profile of trade receivables from contracts with customers based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

	Group					
	Trade receivables – days past due					
	Not past due \$'000	< 3 months \$'000	3 months to 6 months \$'000	6 months to 12 months \$'000	> 12 months \$'000	Total \$'000
<b>2019</b>						
Estimated total gross carrying amount at default	1,914	8,058	2,608	11,224	4,176	27,980
Lifetime ECL	–	–	–	–	(5)	(5)
						<u>27,975</u>
	Group					
	Trade receivables – days past due					
	Not past due \$'000	< 3 months \$'000	3 months to 6 months \$'000	6 months to 12 months \$'000	> 12 months \$'000	Total \$'000
<b>2018</b>						
Estimated total gross carrying amount at default	17,562	4,237	1,294	3,774	904	27,771
Lifetime ECL	–	–	–	–	(5)	(5)
						<u>27,766</u>

## 9 Other Receivables

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Prepayments	123	61	19	38
Deposits	75	73	73	67
Sundry debtors	50	105	–	–
Interest receivable from a related party [Note 25(a)(ii)]	657	637	–	–
Amounts due from related parties [Note 25(a)(ii)]	17	60	–	–
Balance consideration receivable from related parties on disposal of tyre distribution business [Note 25(a)(ii)]	26	114	–	–
Amount due from holding company	–	5	–	–
Amount due from a subsidiary (Notes 6 and 29)	–	–	20,705	20,726
	<u>948</u>	<u>1,055</u>	<u>20,797</u>	<u>20,831</u>

The amounts due from related parties and a subsidiary 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.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 9 Other Receivables (Continued)

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 ECL.

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.

## 10 Loan to a Related Party

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Loan to a related party [Note 25(a)(ii)]	<b>21,500</b>	20,000	–	–

On 24 September 2018, the Group extended a loan of \$20,000,000 to a related party. The loan was repayable on 23 September 2019 and bore interest of 7.5% 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.

The loan was renewed on 24 September 2019 and the accrued interest of \$1,500,000 was added to the loan principal. The renewed loan is repayable on 23 September 2020 and other terms of the loan remain unchanged.

Management has considered the probability of default of the loan and determined that the balance is subject to immaterial credit loss.

## 11 Tax Recoverable

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

## 12 Cash and Bank Balances

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Fixed deposits	<b>2,438</b>	2,824	–	–
Cash at bank and on hand	<b>3,045</b>	7,636	<b>111</b>	903
Cash and bank balances	<b>5,483</b>	10,460	<b>111</b>	903
Less: Restricted bank balances (pledged fixed deposits)	<b>(715)</b>	(1,293)		
Cash and cash equivalents in statement of cash flows	<b>4,768</b>	9,167		

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 \$715,000 (2018: \$1,293,000) are held by banks as security for facilities granted to a subsidiary. Fixed deposits bear interest at rates ranging from 0.6% to 1.92% (2018: 0.6% to 2.57%) per annum and are placed for tenors ranging from 49 to 365 days (2018: 33 to 123 days).

# NOTES TO FINANCIAL STATEMENTS

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## 13 Share Capital

	Group and Company		
	2019 Number of ordinary shares	2018 2019 \$'000	2018 \$'000
<b>Issued and paid up:</b>			
At beginning and end of financial year	<b>35,099,132</b>	35,099,132	<b>58,366</b> 58,366

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

## 14 Deferred Tax

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
At beginning of financial year	<b>49</b>	38	<b>1</b>	1
Charge (Write-back) during the financial year (Note 22)	<b>5</b>	10	<b>(1)</b>	–
Translation difference	–	1	–	–
At end of financial year	<b>54</b>	49	–	1
Deferred tax at 31 December related to the following:				
<i>Deferred tax liabilities</i>				
Depreciation	<b>54</b>	49	–	1

## 15 Borrowings

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Trust receipts	<b>5,125</b>	–	–	–

The trust receipts bear interest rates ranging from 3.40% to 10.25% per annum and have a maturity period of one to two months at the end of the reporting period. They are secured by fixed deposits of \$513,000 placed with the banks.

At 31 December 2019, the Group had available \$24,115,000 (2018: \$20,277,000) of undrawn borrowing facilities.

### Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2019 \$'000	Financing cash flows \$'000	Foreign exchange movement \$'000	31 December 2019 \$'000
Borrowings	–	5,157	(32)	5,125

There are no non-cash changes in the movement of the Group's liabilities arising from financing activities for the financial year ended 31 December 2018.

# NOTES TO FINANCIAL STATEMENTS

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## 16 Trade and Other Payables

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Trade creditors	777	6,813	32	22
Accrued expenses	1,097	1,061	653	629
Financial guarantee contracts	-	-	177	145
Sundry creditors	264	91	7	31
Interest payable	25	-	-	-
Amounts due to related parties				
- trade [Note 25(a)(ii)]	666	5,934	-	-
Amounts due to related parties				
- non-trade [Note 25(a)(ii)]	-	53	-	-
Amount due to subsidiaries				
- non-trade (Notes 6 and 29)	-	-	12,299	13,252
	<b>2,829</b>	<b>13,952</b>	<b>13,168</b>	<b>14,079</b>

Trade creditors principally comprise amounts outstanding for trade purchases and ongoing costs. Trade payables are generally on 14 to 90 days (2018: 14 to 90 days) credit terms.

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

## 17 Revenue

The Group derives its revenue from the sale of commodities trading products at a point in time. This is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 *Operating Segments* (see Note 4).

The Group has applied the practical expedient in SFRS(I) 15:121 and has not disclosed the transaction price of contracts with customers allocated to remaining performance obligations as at the end of the financial year as those performance obligations are part of contracts that have an original expected duration of one year or less.

## 18 Other Operating Income

	Group	
	2019 \$'000	2018 \$'000
Handling fee income [Note 25(a)(ii)]	198	-
Bad debt recovered	4	-
Write-back of provision for retrenchment costs	-	27
Refund from insurance companies	-	12
Sundry income	21	19
	<b>223</b>	<b>58</b>

## 19 Other Operating Expenses

	Group	
	2019 \$'000	2018 \$'000
Foreign currency exchange loss	125	79
Loss on disposal of plant and equipment	13	-
Others	6	1
	<b>144</b>	<b>80</b>



# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 20 Interest Income

	Group	
	2019 \$'000	2018 \$'000
Bank deposits	57	63
Refundable trade deposit – related party [Note 25(a)(ii)]	552	519
Loan to a related party [Note 25(a)(ii)]	1,530	407
Overdue trade receivables – related parties [Note 25(a)(ii)]	1,241	756
	<b>3,380</b>	<b>1,745</b>

## 21 Interest Expense

	Group	
	2019 \$'000	2018 \$'000
Interest expense on trust receipts	300	40

## 22 Income Tax Expense

	Group	
	2019 \$'000	2018 \$'000
Income tax:		
Current financial year	397	274
Withholding tax paid	70	65
(Over) Under provision in prior financial years	(6)	63
	<b>461</b>	<b>402</b>
Provision of deferred tax	5	10
	<b>466</b>	<b>412</b>

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

	Group	
	2019 %	2018 %
Domestic statutory tax rate	17.0	17.0
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1.3)	(1.7)
(Over) Under provision in prior financial years	(0.3)	2.7
Exempt income	(1.3)	(2.0)
Withholding tax paid	2.4	2.8
Expenses not deductible for tax purposes	2.1	2.9
Income capital in nature	(0.4)	(0.3)
Effect of tax concessions	–	(0.6)
Others	(2.5)	(3.0)
Effective tax rate	<b>15.7</b>	<b>17.8</b>

Domestic income tax is calculated at 17% (2018: 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 2019, the Group had unutilised capital allowances and tax losses of approximately \$1,831,000 (2018: \$1,831,000) and \$8,848,000 (2018: \$8,836,000) 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 \$1,815,000 (2018: \$1,813,000) arising from such unutilised capital allowances and tax losses have not been recognised as there is no reasonable certainty of their recovery in future periods.

# NOTES TO FINANCIAL STATEMENTS

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## 23 Profit for the Financial Year

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

	Group	
	2019 \$'000	2018 \$'000
Salaries and wages	1,468	1,513
Employer's contribution to defined contribution plans including Central Provident Fund	85	84
Employees benefits expenses (including directors' remuneration)	1,553	1,597
Remuneration paid or payable to:		
– Directors of the Company	866	920
– Key management personnel	280	471
Fees for audit services to:		
– Auditors of the Company	116	94
– Other auditors	11	9
Fees for non-audit services to:		
– Auditors of the Company	13	15
– Other auditors	34	22

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 Fund Board, 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 \$85,000 (2018: \$84,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2019, contributions of \$15,000 (2018: \$13,000) 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.

## 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	
	2019	2018
<b>Net profit attributable to owners of the Company (\$'000)</b>	<b>2,503</b>	1,898
Weighted average number of ordinary shares in issue (in '000)	35,099	35,099
<b>Basic earnings per share (cents)</b>	<b>7.13</b>	5.41

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

# NOTES TO FINANCIAL STATEMENTS

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## 25 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).

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 otherwise stated.

The Company has provided financial support to one (2018: two) of its subsidiaries for a period of twelve months from the end of the reporting period so as to enable the subsidiary to continue to operate as a going concern and meet its contractual obligations when they fall due.

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

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

	Group	
	2019 \$'000	2018 \$'000
<b>(i) Tuan Sing Holdings Limited and subsidiaries</b>		
Management fee expense	150	150
<b>(ii) Related parties</b>		
Sale of goods and services	(15,992)	(42,888)
Purchase of goods	78,496	95,390
Interest income from placement of refundable trade deposit	(552)	(519)
Interest income from overdue trade receivables	(1,241)	(756)
Interest income from loan	(1,530)	(407)
Handling fee income	(198)	-
Sale of plant and equipment	(35)	-
Placement of refundable trade deposit*	8,135	8,215
Loan*	21,500	20,000

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

The Group is reliant on two related parties for the supply of 100% (2018: 100%) of its coal within its Commodities Trading business segment. The Group supplies 100% (2018: 100%) of its rubber products within its Commodities Trading segment to one customer (2018: one customer) who is a related party.

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

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 25 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 was as follows:

	Group	
	2019 \$'000	2018 \$'000
Short-term benefits	1,111	1,346
Post-employment benefits	35	45
	<u>1,146</u>	<u>1,391</u>

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

## 26 Commitments

### Operating lease arrangements

At 31 December 2019, the Group was committed to \$276,000 for short-term leases in respect of rental of office premises.

At 31 December 2018, the Group and the Company had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group 2018 \$'000	Company 2018 \$'000
Within one year	195	131
After one year but not more than five years	160	–
	<u>355</u>	<u>131</u>

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

## 27 Contingent Liabilities

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Financial guarantees to banks for facilities granted to a subsidiary	<u>–</u>	<u>–</u>	<u>35,770</u>	<u>37,709</u>

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 28 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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Financial Assets</b>				
Amortised cost				
Trade and other receivables	37,058	37,036	20,797	20,831
Less: Prepayments	(123)	(61)	(19)	(38)
Loan to a related party	21,500	20,000	–	–
	58,435	56,975	20,778	20,793
Cash and bank balances	5,483	10,460	111	903
	63,918	67,435	20,889	21,696
<b>Financial Liabilities</b>				
Amortised cost				
Borrowings	5,125	–	–	–
Trade and other payables	2,829	13,952	13,168	14,079
	7,954	13,952	13,168	14,079

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

The Group and the Company do not have any financial instruments which are subject to enforceable master netting arrangements or similar netting agreements as at 31 December 2019.

#### Financial assets

	(a)	(b)	(c) = (a) – (b)	(d)	(e) = (c) + (d)
Type of financial asset	Gross amounts of recognised financial asset	Gross amounts of recognised financial liability set off in the statement of financial position	Net amounts of financial asset presented in the statement of financial position	Financial instruments	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Group</b>					
<b>31 December 2018</b>					
Amounts due from related parties (Non-trade) (Note 9)	888	744	144	–	144

Related amounts not set off in the statement of financial position



# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 28 Financial Instruments, Financial Risks and Capital Management (Continued)

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

#### Financial liabilities

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

The Company does not have any financial instruments which are subject to enforceable master netting arrangements or similar netting agreements as at 31 December 2018.

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

The Group has documented its financial risk management framework. The Group's risk framework has formal, systematic and comprehensive guidelines and rules to identify and manage significant risks that might affect the achievement of its business objectives. The Group's overall risk management framework seeks to minimise potential adverse effects on financial performance of the Group.

Risk management is carried out by the Company and the respective subsidiaries and business units under the policies formulated by the Company and approved by the Company's Board of Directors.

The Group's activities expose it to a variety of financial risks – market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise potential adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Group's financial instruments comprise borrowings in the form of trust receipts, 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 hold or issue 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.

# NOTES TO FINANCIAL STATEMENTS

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## 28 Financial Instruments, Financial Risks and Capital Management (Continued)

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

#### (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.

#### 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:

<i>SGD equivalent</i>	<b>USD \$'000</b>	<b>SGD \$'000</b>	<b>Others \$'000</b>	<b>Total \$'000</b>
<b>Group</b>				
<b>At 31 December 2019</b>				
<b>Financial assets</b>				
Cash and bank balances	6	63	114	183
Trade and other receivables	–	9,461	90	9,551
<b>Financial liabilities</b>				
Trade and other payables	(19)	(23,082)	(41)	(23,142)
<b>Net financial (liabilities) assets and currency exposure</b>	<b>(13)</b>	<b>(13,558)</b>	<b>163</b>	<b>(13,408)</b>
<b>At 31 December 2018</b>				
<b>Financial assets</b>				
Cash and bank balances	396	494	89	979
Trade and other receivables	–	11,791	76	11,867
<b>Financial liabilities</b>				
Trade and other payables	(97)	(22,863)	(60)	(23,020)
<b>Net financial assets (liabilities) and currency exposure</b>	<b>299</b>	<b>(10,578)</b>	<b>105</b>	<b>(10,174)</b>

The Company's functional currency is Singapore dollar. Except for cash and bank balances of \$Nil (2018: \$74,000) 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 2019.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 28 Financial Instruments, Financial Risks and Capital Management (Continued)

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

#### (i) *Currency risk management* (Continued)

##### Currency sensitivity analysis

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

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

	USD impact		SGD impact		Other currency impact	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<i>SGD equivalent</i>						
<b>Group</b>						
Profit or loss	(1)	30	(1,356)	(1,058)	16	11
<b>Company</b>						
Profit or loss	-	7	-	-	-	-

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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<i>SGD equivalent</i>						
<b>Group</b>						
Profit or loss	1	(30)	1,356	1,058	(16)	(11)
<b>Company</b>						
Profit or loss	-	(7)	-	-	-	-

#### (ii) *Price risk management*

Due to the nature of the Group's operations, performance of a subsidiary in the Group which trades in aluminium, coal, rubber and steel wire rods is 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.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 28 Financial Instruments, Financial Risks and Capital Management (Continued)

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

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

Cash flow 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 28(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.

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 has been disclosed in Notes 8 and 9 respectively.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 28 Financial Instruments, Financial Risks and Capital Management (Continued)

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

#### (iv) Credit risk management (Continued)

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:

<u>Group</u>	<u>Note</u>	<u>Internal credit rating</u>	<u>12-month or lifetime ECL</u>	<u>Gross carrying amount \$'000</u>	<u>Loss allowance \$'000</u>	<u>Net carrying amount \$'000</u>
<b>31 December 2019</b>						
Trade receivables	8	(i)	Lifetime ECL (simplified approach)	27,980	(5)	27,975
Other receivables	9	Performing	12-month ECL	825	–	825
Refundable trade deposit with a related party	7	Performing	12-month ECL	8,135	–	8,135
Loan to a related party	10	Performing	12-month ECL	21,500	–	21,500
					(5)	
<u>Group</u>	<u>Note</u>	<u>Internal credit rating</u>	<u>12-month or lifetime ECL</u>	<u>Gross carrying amount \$'000</u>	<u>Loss allowance \$'000</u>	<u>Net carrying amount \$'000</u>
<b>31 December 2018</b>						
Trade receivables	8	(i)	Lifetime ECL (simplified approach)	27,771	(5)	27,766
Other receivables	9	Performing	12-month ECL	994	–	994
Refundable trade deposit with a related party	7	Performing	12-month ECL	8,215	–	8,215
Loan to a related party	10	Performing	12-month ECL	20,000	–	20,000
					(5)	
<u>Company</u>	<u>Note</u>	<u>Internal credit rating</u>	<u>12-month or lifetime ECL</u>	<u>Gross carrying amount \$'000</u>	<u>Loss allowance \$'000</u>	<u>Net carrying amount \$'000</u>
<b>31 December 2019</b>						
Other receivables	9	Performing	12-month ECL	20,778	–	20,778
<b>31 December 2018</b>						
Other receivables	9	Performing	12-month ECL	20,793	–	20,793
					–	

(i) For trade receivables, the Group has applied the simplified approach in SFRS(I) 9 *Financial Instruments* 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 8 includes further details on the loss allowance for these trade receivables.



# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 28 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 27, if the full guaranteed amount is claimed by the counterparty to the guarantee is \$35,770,000 (2018: \$37,709,000). 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 9 are mainly derived from Singapore and Indonesia.

The refundable trade deposit in Note 7 is derived from Indonesia.

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

	Group	
	2019 \$'000	2018 \$'000
<b><u>By geographical areas</u></b>		
Singapore	15,294	18,890
Indonesia	9,591	8,875
China including Hong Kong	3,090	-
Malaysia	-	1
	<b>27,975</b>	<b>27,766</b>

#### (v) Liquidity risk management

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

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

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 28 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*

##### Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets as disclosed in Note 28(a). The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the Group's liquidity risk is managed on a net asset and liability basis. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset in the statement of financial position.

Group	Weighted average effective interest rate %	On demand or within 1 year \$'000	Within 2 to 5 years \$'000	After 5 years \$'000	Adjustment \$'000	Total \$'000
<b>2019</b>						
Non-interest bearing	–	46,382	–	–	–	46,382
Fixed interest rate instruments	8.0	8,399	9,576	–	(439)	17,536
		<u>54,781</u>	<u>9,576</u>	<u>–</u>	<u>(439)</u>	<u>63,918</u>

The Group's non-derivative financial liabilities as at 31 December 2019 and non-derivative financial assets and liabilities as at 31 December 2018 as disclosed in Note 28(a) are due within one year from the end of the reporting period. The Company's non-derivative financial assets and liabilities as at 31 December 2019 and 2018 are due within one year from the end of the reporting period.

#### (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.

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 prior financial year.

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

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

## 29 List of Subsidiaries

Name of subsidiary and country of incorporation/operation	Principal activity	Interest and voting power held by the Group	
		2019 %	2018 %
SP Resources International Pte. Ltd. (Singapore) <sup>(a)</sup>	Trading and marketing of industrial products	100	100
SP Global International Pte. Ltd. (Singapore) <sup>(a)</sup>	Distribution of consumer products	100	100
Globaltraco International Pte Ltd (Singapore) <sup>(a)</sup>	Distribution of tyres	100	100
SP Performance Pte. Ltd. (Singapore) <sup>(a)</sup>	Investment holding	100	100
Performance Retreads Sdn. Bhd. (Malaysia) <sup>(b)</sup>	Retreading of tyres	100	100
SP Energy Pte. Ltd. (Singapore) <sup>(a)</sup>	Investment holding	100	100
SP Mining & Engineering Pte. Ltd. (Singapore) <sup>(a)</sup>	Investment holding	100	100
PT. SP Mining & Engineering (Indonesia) <sup>(c)</sup>	Engineering contractor	100	100
SP Global Hong Kong Limited (Hong Kong) <sup>(d)</sup>	Investment holding	100	100

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

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

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

(d) Audited by Deloitte & Touche LLP, Singapore and overseas practice of Deloitte Touche Tohmatsu Limited in Hong Kong.

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

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

# SGX-ST LISTING MANUAL REQUIREMENTS

31 DECEMBER 2019

## Interested Person Transactions

– Listing Manual Rule 907

Interested person transactions (excluding transactions less than \$100,000) during the financial year ended 31 December 2019 are set out below.

Name of interested persons	Nature of relationship	Group			
		Aggregate value of all interested person transactions (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) For the financial year		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	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>William Nursalim alias William Liem &amp; associates</b>	Mr William Nursalim alias William Liem is a director and deemed controlling shareholder of the Company.				
Sales		–	–	7,390	11,749
Purchases		–	–	78,277	94,246
Placement of refundable trade deposit		–	–	8,135	8,215
Interest income from placement of refundable trade deposit		–	–	552	519
<i>Aggregate value of transactions entered into with the same interested person</i>		–	–	94,354	114,729
<b>Nuri Holdings (S) Pte Ltd &amp; associates</b>	Nuri Holdings (S) Pte Ltd is a major shareholder of the Company's immediate holding company, Tuan Sing Holdings Limited.				
Loan <sup>(1)</sup>		–	–	21,500	20,000
Interest income from loan		–	–	1,531	407
<i>Aggregate value of transactions entered into with the same interested person</i>		–	–	23,031	20,407
<b>Tuan Sing Holdings Limited &amp; associates</b>	Tuan Sing Holdings Limited is the Company's immediate holding company and controlling shareholder.				
Management fee expense		–	–	150	150
<b>Total interested person transactions</b>		<b>–</b>	<b>–</b>	<b>117,535</b>	<b>135,286</b>

<sup>(1)</sup> This item which represented the amount as at financial year end, relates to a loan agreement made on 24 September 2018 (as extended by an addendum dated 24 September 2019) made between SP Global Hong Kong Limited (an indirect wholly owned subsidiary of the Company) as lender and Nuri Investments (S) Pte. Ltd. (a wholly owned subsidiary of Nuri Holdings (S) Pte Ltd) as borrower. The loan interest rate and terms as to payment and repayment of principal are set out in Note 10 to the financial statements on page 77. The loan is unsecured.

## Material Contracts

– Listing Manual Rule 1207(8)

Save as disclosed above, there were no other material contracts entered into by the Company and its subsidiaries involving the interest of the Chief Executive Officer, Director or controlling 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 the financial statements on page 81. 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 29 to the financial statements on page 92.

# SHAREHOLDINGS STATISTICS

AS AT 2 MARCH 2020

## SHARE CAPITAL AND VOTING RIGHTS

ISSUED AND FULLY PAID-UP CAPITAL	:	\$58,365,721.95
NO. OF SHARES ISSUED	:	35,099,132
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS	:	ONE VOTE PER SHARE
NUMBER OF TREASURY SHARES AND SUBSIDIARY HOLDINGS HELD	:	NIL

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	118	3.73	5,282	0.01
100 – 1,000	2,430	76.75	1,047,108	2.98
1,001 – 10,000	571	18.04	1,655,420	4.72
10,001 – 1,000,000	45	1.42	2,666,603	7.60
1,000,001 & above	2	0.06	29,724,719	84.69
<b>Total</b>	<b>3,166</b>	<b>100.00</b>	<b>35,099,132</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

as shown in the Register of Members and Depository Register

No.	Name of Shareholders	No. of Shares	%
1	TUAN SING HOLDINGS LIMITED	28,146,319	80.19
2	ABN AMRO CLEARING BANK N.V.	1,578,400	4.50
3	CITIBANK NOMINEES SINGAPORE PTE LTD	796,050	2.27
4	DBS NOMINEES PTE LTD	243,650	0.69
5	RAFFLES NOMINEES (PTE) LIMITED	166,570	0.47
6	ATMA SINGH S/O NAND SINGH	128,000	0.36
7	LOW CHENG LUM	110,000	0.31
8	UNITED OVERSEAS BANK NOMINEES PTE LTD	108,523	0.31
9	UOB KAY HIAN PTE LTD	92,800	0.26
10	CHEN BIQING	85,900	0.25
11	CHOY LOKE WAI	65,800	0.19
12	OCBC NOMINEES SINGAPORE PTE LTD	62,700	0.18
13	JOSEPH LIOW CHIN YONG (JOSEPH LIAO ZHENYANG)	60,000	0.17
14	MAYBANK KIM ENG SECURITIES PTE.LTD	53,700	0.15
15	MORGAN STANLEY ASIA (S) SECURITIES PTE LTD	51,200	0.15
16	LIM HOCK HUAT PAUL	46,700	0.13
17	KUEK NGA HONG	46,400	0.13
18	CHAN KIA TON @ CHAN TIANG TON	33,500	0.10
19	OCBC SECURITIES PRIVATE LTD	31,932	0.09
20	CHUA SWEE KUAN	30,000	0.09
<b>Total</b>		<b>31,938,144</b>	<b>90.99</b>

## 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 interests in Tuan Sing Holdings Limited

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

## SHAREHOLDINGS HELD IN THE HANDS OF THE PUBLIC

Based on information available to the Company as at 2 March 2020, 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.



# LETTER TO SHAREHOLDERS



**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 67<sup>th</sup> Annual General Meeting (**"67<sup>th</sup> AGM"**) of the Company, which is an Ordinary Resolution (**"Resolution 7"**) to be proposed at the 67<sup>th</sup> AGM for the renewal of the Company's shareholders' mandate for interested person transactions. The purpose of this letter is to provide Shareholders with information relating to Resolution 7.

### **1. Background**

At the 66<sup>th</sup> Annual General Meeting of the Company held on 16 April 2019 (**"66<sup>th</sup> AGM"**), Shareholders had approved the renewal of a shareholders' mandate for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited (**"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 (**"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 66<sup>th</sup> AGM was expressed to continue in force until the next annual general meeting of the Company, being the 67<sup>th</sup> AGM, which is to be held on 16 April 2020. Accordingly, it is proposed that the Shareholders' Mandate be renewed at the 67<sup>th</sup> AGM, to take effect until the conclusion of the next annual general meeting of the Company.

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

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

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

The Audit and Risk Committee of the Company confirms that:

- (a) the methods or procedures for determining the transaction prices under the Shareholders' Mandate have not changed since the 66<sup>th</sup> AGM; and
- (b) the methods or procedures referred to in (a) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

## LETTER TO 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 2019 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 7 for the renewal of the Shareholders' Mandate at the forthcoming 67<sup>th</sup> AGM.

Tuan Sing Holdings Limited, Nuri Holdings (S) Pte Ltd, and their respective associates, being within the classes of interested persons in relation to the proposed renewal of the Shareholders' Mandate, will abstain from voting their respective shareholdings (if any) on Resolution 7 relating to the renewal of the Shareholders' Mandate at the forthcoming 67<sup>th</sup> AGM.

### 6. Responsibility Statement

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this letter constitutes full and true disclosure of all material facts about Resolution 7, the Company and its subsidiaries which are relevant to Resolution 7, and the Directors are not aware of any facts the omission of which would make any statement in this letter misleading.

Where information in this letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this letter in its proper form and context.

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 2020  
Singapore

# LETTER TO SHAREHOLDERS

## 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 ("**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, "**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 ("**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) 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

## LETTER TO SHAREHOLDERS

### APPENDIX A (Continued)

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

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

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

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

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

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

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

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

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

Transactions coming within this category consist of the following:

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

## LETTER TO SHAREHOLDERS

### APPENDIX A (Continued)

- (vi) the marketing, sale by or purchase of, paint, basic and intermediate petrochemicals including but not limited to ethylene, monoethylene glycol, polyester, synthetic rubber, nylon fibres and others related to the petrochemical industries;
- (vii) the distribution, marketing, sale and purchase of rubber and tyre related stocks and related products (including raw materials and auxiliary products);
- (viii) the sale, purchase, rental and/or leasing of rubber, tyre and tyre related retreading machinery and equipment or components and parts in respect thereof; and
- (ix) the provision and/or receipt of commissions, rebates and other trade-related or marketing incentives to or by counter-parties including but not limited to dealers, distributors and principals.

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

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

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

Transactions coming within this category consist of the following:

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

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

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

Transactions coming within this category consist of the following:

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

#### **(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, "**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.



## LETTER TO SHAREHOLDERS

### APPENDIX A (Continued)

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

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

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

Transactions covered by this category consist of the following:

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

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

### 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 ("**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 ("**Audit and Risk Committee**") from time to time) with the review and approval of such transactions.

## LETTER TO SHAREHOLDERS

### APPENDIX A (Continued)

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

- (a) A transaction equal to or exceeding S\$100,000 in value but below S\$3 million ("**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.
- (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.

# LETTER TO SHAREHOLDERS

## APPENDIX A (Continued)

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

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 of Interested Person Transactions

The Company will announce the aggregate value of transactions conducted with Interested Persons pursuant to the Shareholders' Mandate for the financial periods which the Company is required to report on pursuant to the Listing Manual and within the time required for the announcement of such report. Disclosure will also be made in the Company's Annual Report of the aggregate value of transactions conducted with Interested Persons pursuant to the Shareholders' Mandate during the financial year, and in the annual reports for subsequent financial years that the Shareholders' Mandate continues to be in force, in accordance with the requirements of Chapter 9 of the Listing Manual.

# LETTER TO SHAREHOLDERS

## APPENDIX B

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

1. Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") deals with transactions in which a listed company or any of its subsidiaries or associated companies (that are not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s) (as defined in Chapter 9), has control over the associated company) proposes to enter with a party who is an interested person of the listed company.
2. Transactions with interested persons which do not come within the ambit of a general mandate for interested person transactions approved by shareholders of the listed company pursuant to Chapter 9 of the Listing Manual (including any renewal thereof) will be subject to applicable provisions of Chapter 9 and/or other applicable provisions of the Listing Manual. As such, an immediate announcement and/or shareholders' approval would be required in respect of transactions with interested persons if certain financial thresholds as set out in Chapter 9 of the Listing Manual are reached or exceeded. In particular, an immediate announcement is required where:
  - 2.1 the value of a proposed transaction is equal to or exceeds 3% of the group's latest audited net tangible assets ("**NTA**"); or
  - 2.2 the aggregate value of all transactions entered into with the same interested person during the same financial year, is equal to or more than 3% of the group's latest audited NTA. An announcement will have to be made immediately of the latest transaction and all future transactions entered into with that same interested person during the same financial year,
 and shareholders' approval (in addition to an immediate announcement) is required where:
  - 2.3 the value of a proposed transaction is equal to or exceeds 5% of the group's latest audited NTA; or
  - 2.4 the aggregate value of all transactions entered into with the same interested person during the same financial year, is equal to or more than 5% of the group's latest audited NTA. The aggregation will exclude any transaction that has been approved by shareholders previously, or is the subject of aggregation with another transaction that has been approved by shareholders.
3. For the purposes of aggregation, interested person transactions below S\$100,000 each are excluded. However, the SGX-ST may aggregate any such transaction entered into during the same financial year and treat them as if they were one transaction.
4. For illustration purposes, based on the audited accounts of the Company and its subsidiaries ("**Group**") for the financial year ended 31 December 2019, the latest audited NTA of the Group is S\$55.7 million. Accordingly, in relation to the Company, for the purposes of Chapter 9 in the current financial year, shareholders' approval would be required where:
  - (a) the transaction is of a value equal to, or more than, S\$2.8 million, being 5% of the Group's latest audited NTA; or
  - (b) the transaction, when aggregated with other transactions entered into with the same interested person during the same financial year, is of a value equal to, or more than, S\$2.8 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;
  - 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; and
  - 6.4 the SGX-ST may deem any person or entity to be an interested person if the person or entity has entered into, or proposes to enter into (a) a transaction with an entity at risk; and (b) an agreement or arrangement with an interested person in connection with that transaction.

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 67th Annual General Meeting of SP Corporation Limited ("**Company**") will be held at MND Function Room, Annexe A, 9 Maxwell Road, MND Complex, Singapore 069112 on Thursday, 16 April 2020 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 (" <b>FY</b> ") 2019 and the Independent Auditor's Report thereon.  | <b>Ordinary Resolution 1</b>                                 |
| 2. | To approve the payment of \$214,010 as Directors' fees for FY2019 (FY2018: \$193,719).  | <b>Ordinary Resolution 2</b>                                 |
| 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:<br><br>(a) Mr Peter Sung<br>(b) Mr Cheng Hong Kok | <b>Ordinary Resolution 3</b><br><b>Ordinary Resolution 4</b> |
| 4. | To re-appoint Deloitte & Touche LLP as Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.   | <b>Ordinary Resolution 5</b>                                 |
| 5. | To transact any other ordinary business that may properly be transacted at the Annual General Meeting of the Company.   |  |

### SPECIAL BUSINESS:

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

- |    |  |                              |
|----|--|------------------------------|
| 6. | <b>Authority to allot and issue shares up to ten per centum (10%) of the issued shares</b>   | <b>Ordinary Resolution 6</b> |
|    | <p>"That pursuant to Section 161 of the Companies Act, Cap. 50 (the "<b>Companies Act</b>"), 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."</p>   |                              |
| 7. | <b>Renewal of the Shareholders' Mandate for Interested Person Transactions</b>   | <b>Ordinary Resolution 7</b> |
|    | <p>"That:-</p> <p>a. approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual ("<b>Chapter 9</b>") 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 2020 ("<b>Letter</b>"), 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 ("<b>Shareholders' Mandate</b>");</p> |                              |



## NOTICE OF ANNUAL GENERAL MEETING

- 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

Tan Sock Kiang  
Group Company Secretary

18 March 2020  
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.

### EXPLANATORY NOTES ON BUSINESSES TO BE TRANSACTED:

**Ordinary Resolution 1** – is to receive and adopt the Directors' Statement and the Audited Financial Statements for FY2019 and the Independent Auditor's Report thereon which can be found in the Company's 2019 Annual Report.

**Ordinary Resolution 2** – is to approve the payment of Directors' fees of \$214,010 for FY2019, for services rendered by the Directors on the Board as well as on various Board Committees.

**Ordinary Resolution 3** – Mr Peter Sung will, upon re-election, continue to serve as the Chairman of the Board and Chairman of the Remuneration Committee. He is considered a Non-Executive and Independent Director.

**Ordinary Resolution 4** – Mr Cheng Hong Kok will, upon re-election, continue to serve as the Chairman of the Audit and Risk Committee, Chairman of the Nominating Committee and a member of the Remuneration Committee. He is considered a Non-Executive and Independent Director.

In relation to Ordinary Resolutions 3 and 4, detailed information on these Directors (including information as set out in Appendix 7.4.1 of the SGX-ST Listing Manual) can be found on pages 4 and 42 in the Company's 2019 Annual Report.

## NOTICE OF ANNUAL GENERAL MEETING

**Ordinary Resolution 5** – is to re-appoint Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. The Company has complied with Rule 713(1) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual by ensuring that the audit partner is not in charge of more than 5 consecutive years of audits. The current audit partner, Mr Loi Chee Keong, was appointed in April 2018.

**Ordinary Resolution 6** – is to empower the Directors to issue shares in the capital of the Company up to an amount not exceeding in aggregate 10% of the issued shares in the capital of the Company. This 10% limit is lower than the limit allowed under the SGX-ST Listing Manual. The Company is seeking a lower limit as it believes that this is adequate for the time being and will review the limit annually. 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 7** – 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 66th Annual General Meeting of the Company on 16 April 2019, will be expiring at the forthcoming 67th 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 2019 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, "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

**SP CORPORATION LIMITED**

(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 2020.

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

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

being a member(s) of SP Corporation Limited ("**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 67th Annual General Meeting of the Company ("**Meeting**") as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Meeting to be held at MND Function Room, Annexe A, 9 Maxwell Road, MND Complex, Singapore 069112 on Thursday, 16 April 2020 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 Peter Sung as Director		
Ordinary Resolution 4	Re-election of Mr Cheng Hong Kok as Director		
Ordinary Resolution 5	Re-appointment of Deloitte & Touche LLP as Auditors and authorisation for Directors to fix their remuneration		
Special Business			
Ordinary Resolution 6	Authority to issue shares		
Ordinary Resolution 7	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 \_\_\_\_\_ 2020.

Shares in:	Total Number of Ordinary 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.

*1<sup>st</sup> fold*

*Do not staple. Glue all sides firmly.*

Please  
Affix  
Postage  
Stamp

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

*2<sup>nd</sup> fold*

# CORPORATE DIRECTORY

## BOARD OF DIRECTORS

Peter Sung (*Chairman*)  
William Nursalim alias William Liem  
Cheng Hong Kok  
David Lee Kay Tuan  
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

William Nursalim alias William Liem  
*Interim Executive Director*

David Lee Kay Tuan  
*Non-Executive Director*

Tan Sock Kiang  
*Group Company Secretary*

Email: [whistle-blowing@spcorp.com.sg](mailto:whistle-blowing@spcorp.com.sg)

## REGISTERED OFFICE

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

## HEAD/CORPORATE OFFICE

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

## SHARE REGISTRAR

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

## EXTERNAL AUDITORS

Deloitte & Touche LLP  
Partner-in-charge: Loi Chee Keong  
(Appointed since financial year  
31 December 2018)  
6 Shenton Way  
QUE Downtown 2 #33-00  
Singapore 068809  
Tel: (65) 6224 8288  
Fax: (65) 6538 6166

## INTERNAL AUDITORS

PricewaterhouseCoopers Risk  
Services Pte. Ltd.  
Partner-in-charge: Ng Siew Quan  
7 Straits View, Marina One  
East Tower, Level 12  
Singapore 018936  
Tel: (65) 6236 3388

## COMMODITIES TRADING UNIT

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

## INVESTMENT UNIT

SP Global Hong Kong Limited  
Unit 2306  
9 Queen's Road Central  
Hong Kong  
Tel: (852) 3192 0000  
Fax: (852) 2915 8960

## OTHERS

SP Energy Pte. Ltd.  
SP Mining & Engineering Pte. Ltd.  
Globaltraco International Pte Ltd  
SP Performance Pte. Ltd.  
6 Shenton Way  
QUE Downtown 1 #41-03  
Singapore 068809  
Tel: (65) 6645 3260  
Fax: (65) 6645 3261

## PT. SP Mining & Engineering

Sahid Sudirman Center Lt. 36 Unit C  
Jl. Jenderal Surdiman No. 86  
Jakarta 10220  
Indonesia

## Performance Retreads Sdn. Bhd.

53 Jalan Cemerlang  
Taman Perindustrian Cemerlang  
Batu 10<sup>1/2</sup> Jalan Kota Tinggi  
81800 Ulu Tiram, Johor Darul Takzim  
Malaysia  
Tel: (60 7) 861 7671  
Fax: (60 7) 861 7672

## 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 Annual 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](http://www.spcorp.com.sg).



**SP CORPORATION LIMITED**

(Company Registration No. 195200115K)

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