



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: SP Corporation Limited

Security: SP Corporation Limited

Meeting details:

Date: 16 April 2019

Time: 11.30 a.m.

Venue: MND Function Room, Annexe A, 9 Maxwell Road, MND Complex, Singapore 069112

Company Description

SP Corporation Limited engages in the commodities trading business. It trades in and markets various products, including coal, rubber, and metals, as well as other commodities and products that are used by manufacturers in the energy, tyre, metal, and automotive industries. The company also markets and distributes consumer products, such as feminine napkins, baby diapers, diaper pants, baby wet wipes, and adult diapers; and provides in-house packaging for supermarkets. SP Corporation Limited has operations in Singapore, China, Hong Kong, Indonesia, Malaysia, other ASEAN countries, Brunei, and internationally. The company was incorporated in 1952 and is headquartered in Singapore. SP Corporation Limited is a subsidiary of Tuan Sing Holdings Limited.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=AWE)

1. On 24 September 2018, the company announced that SP Global Hong Kong Limited (“SPGHK”), an indirect wholly-owned subsidiary, had entered into a loan agreement with Nuri Investment (S) Pte. Ltd where SPGHK will grant a loan of \$20 million to the borrower.

The interest on the loan is 7.5% per annum, computed by reference to the outstanding principal amount of the loan with the repayment date one year from the date of the loan disbursement, or such later date agreed in writing between the parties.

The company can elect to be repaid in new shares to be issued in the capital of Sanya Summer Real Estate Co. Ltd., the developer of the Sanya Project.

As at 30 June 2018, when the company announced its consolidated results for the second quarter ended 30 June 2018, the group’s cash and cash equivalents was as high as \$25.2 million.

In the announcement dated 24 September 2018, the company stated that members of the Audit and Risk Committee (“ARC”) is of the view that the loan is entered into on an arm’s length basis on normal commercial terms and is not prejudicial to the interests of the company and its minority shareholders. Mr David Lee Kay Tuan, spouse of Ms Michelle Liem Mei Fung, had recused himself from the deliberation by the ARC.

- (i) Would the ARC help shareholders understand how the loan is in-line with the company’s strategic goals?**
- (ii) For the benefit of new and long standing shareholders, can the company/board (re)state its vision and mission?**
- (iii) On what basis did the ARC justify that the loan and the interest rate of 7.5% is on an arm’s length basis on normal commercial terms and is not prejudicial to the interests of the company and its minority shareholders?**
- (iv) Did the independent directors estimate the group’s cost of capital?**
- (v) What collateral did the company receive from the borrower for the loan?**
- (vi) Is the loan of \$20 million ring-fenced and directly linked to Nuri’s investment in the Hainan investment? Can the company confirm that all the risks associated with the real estate development in Sanya, Hainan is absorbed by Nuri and the return of the \$20 million loan together with interests by Nuri is independent of the success/failure of the development?**
- (vii) On what basis will the group decide if it would be repaid in new shares in Sanya Summer Real Estate Co. Ltd., the developer of the Hainan project?**
- (viii) Prior to the loan, did the board considered declaring a special dividend/capital reduction to distribute the excess capital instead of entering into a loan (which is also an IPT)?**

2. In the Corporate governance report, under guideline 15.5, the board has stated that it would consider establishing a dividend policy at the appropriate time as the company still has accumulated losses.

In addition, the current priority of the company is to achieve long-term growth for the benefit of its shareholders.

Looking at the corporate action of the company¹, the SGX website has no record of the company paying a dividend to shareholders.

- (i) Can the company help shareholders recall when it last paid a dividend, if any?**
- (ii) What deliberations did the directors have over the declaration of dividends? Did the directors evaluate how the company might be able to balance the need to re-invest in the business and the need to reward shareholders with dividends as provider of capital?**
- (iii) Given that the group only achieved return on total assets of 0.6% to 3.0% per year in the last 5 years (page 20) and that net asset value per share grew at a compounded average growth rate of approximately 2% per annum from \$1.36 in 2014 to \$1.52 in 2018 (page 17), would these be evidence that the investment returns and opportunities of the group might be limited? Would shareholders be better served if the company right-sizes its balance sheet?**
- (iv) Has the board considered if the company could carry out a capital reduction to eliminate the accumulated losses to facilitate future declaration of dividends? The accumulated losses should not be the main reason for the non-declaration of dividends and the directors should also review its optimal capital structure.**

3. The attendance of directors at board and board committee meetings are shown in the table below (page 23):

¹ <https://www2.sgx.com/securities/corporate-actions?value=SP%20CORPORATION%20LIMITED>

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

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

Annotations:

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

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

(Source: Company annual report)

In FY2016 and FY2017, Mr Boediman Gozali (alias Tony Wu) attended only 3 out of 5 board meetings each year. In FY2018, Mr Boediman Gozali (alias Tony Wu)'s attendance at board meetings improved to 5 out of the 6 meetings held.

(i) Can the company let shareholders know if the meeting that Mr Boediman Gozali (alias Tony Wu) missed was the ad hoc board meeting in FY2018?

In addition, Mr William Nursalim alias William Liem only attended three board meetings each year in FY2018 (3/6), FY2017 (3/5) and FY2016 (3/5). In FY2015, Mr William Nursalim alias William Liem attended 4 out of 5 board meetings.

(ii) Can the company help shareholders understand if there were extenuating circumstances that caused Mr William Nursalim alias William Liem to be regularly absent for the board meetings?

(iii) How can the company and the company secretary work together with the directors to schedule the board and board committee meetings so that all the directors are able to attend the meetings and contribute to the effectiveness of the board?

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 and 31 December 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=SP%20Corporation%20Ltd&cid=4520,4223>

The company's response could be found here: -----