

Interested Person Transaction::Proposed Disposal of Assets of the Tyre Distribution Unit to Interested Persons

Issuer & Securities

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Announcement Details

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| Submitted By (Co./ Ind. Name) | Helena Chua |
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Additional Details

| | |
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| Interested Person Details | Please refer to attachment. |
| Attachments | 📎 SBA-170725-Proposed Asset Sale to IPs.pdf Total size =96K |

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**PROPOSED DISPOSAL OF ASSETS OF THE TYRE DISTRIBUTION UNIT
TO INTERESTED PERSONS**

1. INTRODUCTION

- 1.1. The Board of Directors of SP Corporation Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wish to announce that the Company's wholly-owned subsidiary, Globaltraco International Pte Ltd ("**Globaltraco**") and its indirect wholly-owned subsidiary, Performance Retreads Sdn. Bhd. ("**Performance Retreads**") had on 25 July 2017 entered into two separate conditional Asset Sale and Purchase Agreements (collectively, the "**Agreements**") with each of Giti Tire Global Trading Pte. Ltd. ("**Giti**") and Giti Tire (Malaysia) Sdn. Bhd. ("**Giti Malaysia**") (collectively, the "**Purchasers**"). Globaltraco, Performance Retreads, Giti and Giti Malaysia are collectively, the "**Parties**", and singularly, the "**Party**". Pursuant to the Agreements, Globaltraco and Performance Retreads have agreed to sell certain fixed assets, stocks, and receivables of the companies as well as assignment of certain business contracts and operating leases ("**Assets**") to the Purchasers for an aggregate consideration of approximately S\$2.2 million ("**Consideration**") and on the terms and subject to the conditions of the Agreements (the "**Proposed Disposal**").

2. INFORMATION ON GLOBALTRACO AND PERFORMANCE RETREADS

- 2.1. The vendors of the Assets, namely; Globaltraco, a company incorporated in Singapore, is involved in the business of tyre distribution, whilst Performance Retreads, a company incorporated in Malaysia, is involved in the business of retreading and sale of retread tyres. Performance Retreads is wholly-owned by SP Performance Pte. Ltd. ("**SP Performance**"), a Singapore-incorporated wholly-owned subsidiary of the Company. Globaltraco, SP Performance and Performance Retreads, collectively, form the Tyre Distribution Unit and undertake the tyre distribution business for the Group.

3. INFORMATION ON THE PURCHASERS AND INTERESTED PERSON TRANSACTIONS

- 3.1. Giti, whose principal activities are the marketing and trading of tire products and provision of services, is incorporated in Singapore. Giti is one of the two principal suppliers of Globaltraco. Giti Malaysia, whose principal activities are the marketing and distribution of tire products, is incorporated in Malaysia. Both the Purchasers are wholly-owned subsidiaries of Giti Tire Pte. Ltd. ("**Giti Tire**"), a company incorporated in Singapore, whose principal activities are investment holding and provision of services. The ultimate holding company of Giti Tire is GITI Holdings Ltd. ("**GITI Holdings**"), a company incorporated in the British Virgin Islands.



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- 3.2. As both the Purchasers are associates of Ms Michelle Liem Mei Fung (“**Ms Liem**”) and Mr William Nursalim alias William Liem (“**Mr Liem**”), they are considered “interested persons” for the purpose of Rule 904(4)(a) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). Ms Liem is a deemed substantial shareholder of the Company by virtue of her deemed interests in the Company’s major shareholder, Tuan Sing Holdings Limited. Ms Liem and Mr Liem are also shareholders and directors of GITI Holdings. Ms Liem is the niece and sister of the Company’s Directors, Mr Boediman Gozali (alias Tony Wu) and Mr Liem, respectively. Accordingly, the Proposed Disposal constitutes an “**interested person transaction**” within the meaning of Chapter 9 of the Listing Manual of the SGX-ST (“**Mainboard Rules**”).
- 3.3. The purchases of tyres by Globaltraco from Giti are interested person transactions conducted under the shareholders’ mandate pursuant to Rule 920 (“**IPT Mandate**”), renewed and approved by shareholders of the Company on an annual basis. The renewal of the IPT Mandate was last approved by shareholders at the Company’s annual general meeting held on 6 April 2017. Other than the Proposed Disposal, transactions less than S\$100,000 and transactions under the IPT Mandate, the Company has not entered into any other interested person transactions with either one of the Purchasers for the 6-month period ended on 30 June 2017.
- 3.4. The Consideration of the Proposed Disposal of approximately S\$2.2 million represents approximately 4.2% of the Group’s audited net tangible assets of approximately S\$53.0 million as at 31 December 2016, and accordingly, the Proposed Disposal constitutes a “**disclosable transaction**” based on Chapter 9 of the Mainboard Rules.

4. CONSIDERATION

- 4.1. The Consideration to be paid in cash by the Purchasers for the Proposed Disposal comprises approximately S\$2.0 million payable to Globaltraco and approximately S\$200,000 payable to Performance Retreads.
- 4.2. The Consideration is subject to adjustments determined in accordance with the final book value of relevant fixed assets, stocks and receivables on Completion (as defined in paragraph 5.1. below).
- 4.3. The Consideration is payable by the Purchasers in two tranches as follows. Completion Date refers to the 7th Business Day after the date on which all of the Conditions (as defined in paragraph 5.1 below) have been satisfied (or waived) or such other date as the Parties may agree:
- 4.3.1. First tranche: on the final book value of fixed assets on Completion and upon the receipt of certificates of registration and duly executed notices of disposition in respect of motor vehicles on Completion Date; and
- 4.3.2. Second tranche: on the final book value of stocks determined in accordance with the result of the physical stocktake, the final value of certain receivables on Completion; and upon execution of assignments of certain business contracts and operating leases.
- 4.4. The Consideration was agreed upon on a willing-buyer and willing-seller basis and taking into account, inter alia, the book value of the Assets based on the unaudited management accounts of Globaltraco and Performance Retreads and other business and market factors of the tyre industry.



5. CONDITIONS PRECEDENT AND COMPLETION

- 5.1. The Parties' obligation to complete the Proposed Disposal is conditional upon a number of conditions ("**Conditions**") being fulfilled (or waived in accordance with the Agreements) by 18 August 2017 between Globaltraco and Giti; and by 1 December 2017 between Performance Retreads and Giti Malaysia, (collectively, "**Completion**"). The key Conditions are set out below:
- 5.1.1. the signing of (a) service agreement between Globaltraco and Giti; and (b) supply and service agreement between Performance Retreads and Giti;
 - 5.1.2. Giti Malaysia obtaining all necessary permits, licences and approvals to carry on the retread activities and businesses; and
 - 5.1.3. the Company obtaining a waiver from the SGX-ST in complying with Rule 1014(2) of the Mainboard Rules in respect of the Proposed Disposal.
- 5.2. Each Party shall use commercially reasonable endeavours to ensure that each Condition is fulfilled before Completion.
- 5.3. Subject to the Parties' written agreement, if any of the Conditions is not satisfied, or waived by each Party entitled to the benefit of that Condition before Completion, the other Party shall be entitled (i) to terminate the Agreements; or (ii) to fix a new date for Completion.

6. RATIONALE FOR THE PROPOSED DISPOSAL

- 6.1. The performance of the Tyre Distribution Unit in terms of revenue and profitability had been in deterioration for a number of years for various reasons including the highly competitive market and the outlook is not expected to improve in the medium term. Indeed, the Tyre Distribution Unit incurred a net loss before tax of approximately S\$0.1 million in FY2014 and approximately S\$0.9 million each in FY2015 and FY2016. For the 1H2017, its revenue dropped 45% to S\$4.9 million as compared to 1H2016 and it incurred a net loss before tax of approximately S\$1.1 million.
- 6.2. The Consideration of approximately S\$2.2 million represents a premium of 57.1% to the unaudited book value of the Assets to be disposed of pursuant to the Proposed Disposal, being approximately S\$1.4 million as at 30 June 2017.
- 6.3. Accordingly, the Board of Directors (save for Mr Peter Sung and Mr Liem who have recused themselves from the review and approval process) is of the view that the Proposed Disposal at a premium to the book value of the Assets will enhance the Group's cash resources, improve the profitability and the balance sheet of the Group and allow it to conserve its resources for other working capital requirements.

7. THE PROPOSED DISPOSAL AS A "MAJOR TRANSACTION" AND APPLICATION FOR WAIVER FROM THE REQUIREMENT TO COMPLY WITH RULE 1014(2) OF THE MAINBOARD RULES IN RESPECT OF THE PROPOSED DISPOSAL

- 7.1. Based on the Group's latest announced unaudited financial statements for the half year ended 30 June 2017, the relative figures of the Proposed Disposal computed on the bases set out in Rule 1006(a) to (e) of the Mainboard Rules are as follows:



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| Rule 1006 | Bases | Relative values |
|-----------|--|-------------------------------|
| (a) | The net asset value of the assets to be disposed of, compared with the Group's net asset value | 2.7% ⁽¹⁾ |
| (b) | The net loss ⁽²⁾ attributable to the assets disposed of, compared with the Group's net loss | 275.0 % ⁽³⁾ |
| (c) | The aggregate value of the consideration ⁽⁴⁾ to be received, compared with the Company's market capitalisation | 8.6% ⁽⁵⁾ |
| (d) | The number of equity securities to be issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue | Not applicable ⁽⁶⁾ |
| (e) | The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves | Not applicable ⁽⁷⁾ |

Notes:

- (1) Based on the unaudited book value of the Assets to be disposed of as at 30 June 2017 of approximately S\$1.4 million and the Group's unaudited net tangible assets as at 30 June 2017 of approximately S\$51.2 million.
- (2) Under Rule 1002(3)(b) of the Mainboard Rules, "net profits" is defined as profit or loss before income tax, minority interests and extraordinary items.
- (3) Calculated based on the unaudited net loss before tax attributable to the Tyre Distribution Unit of approximately S\$1.1 million for the half year ended 30 June 2017 and the unaudited net loss before tax of the Group of approximately S\$0.4 million for the half year ended 30 June 2017.
- (4) The aggregate value of the Consideration is calculated based on the gross proceeds before payment of attributable taxes and direct cost associated with the Proposed Disposal.
- (5) Calculated based on the aggregate Consideration of approximately S\$2.2 million and the Company's market capitalisation of approximately S\$25.6 million as at 24 July 2017, being the last traded market day immediately preceding the date of the Agreements.
- (6) This basis is not applicable as no equity securities will be allotted and issued by the Company in relation to the Proposed Disposal.
- (7) This basis is not applicable as the Proposed Disposal does not relate to the disposal of mineral, oil or gas assets and the Company is not a mineral, oil and gas company.

- 7.2. As the relative figure computed under Rule 1006(b) of the Mainboard Rules exceeds 20%, the Proposed Disposal will constitute a "**major transaction**" as defined in Chapter 10 of the Mainboard Rules. In accordance with Rule 1014 of the Mainboard Rules, a major transaction must be made conditional upon approval by shareholders in general meeting, unless such requirement is waived by the SGX-ST.
- 7.3. Accordingly, the Company will submit an application to the SGX-ST under Rule 1014(2) for the purposes of seeking a waiver from the requirement to obtain shareholder approval for the Proposed Disposal (the "**Application**") as it is of the view that, inter alia, the Assets to be disposed of from the Tyre Distribution Unit pursuant to the Proposed Disposal are loss-making and shareholders should not be concerned with as per paragraph 4.1 of the Practice Note 10.1 of the Mainboard Rules. The Company will make further announcements on the Application as and when there are material developments.



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8. VALUE OF THE ASSETS AND EXCESS OF CONSIDERATION OVER BOOK VALUE

8.1. Value of the Assets

Based on the Group's unaudited financial statements for the half year ended 30 June 2017, the book value of the Assets to be disposed of is approximately S\$1.4 million, which include certain fixed assets, stocks, receivables, business contracts and operating leases.

8.2. Excess of Consideration over Book Value

The excess of Consideration over book value of the Assets to be disposed of is approximately S\$0.8 million.

9. USE OF PROCEEDS

9.1. It is currently intended that the net proceeds will be used for general corporate purposes.

10. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

10.1. The financial effects of the Proposed Disposal on the Group as set out below are purely for illustrative purposes only. The illustrative financial effects should not be construed to mean that the Group's actual results, performance or achievements will be as expected, expressed or implied in such financial effects.

10.2. The financial effects of the Proposed Disposal on the Group as set out below are based on the Group's audited financial statements for the financial year ended 31 December 2016, and the following assumptions:

- (i) the Proposed Disposal had been effected at the end of the financial year ended 31 December 2016 for the computation of the effect on the net tangible assets ("**NTA**") per share; and
- (ii) the Proposed Disposal had been effected at the beginning of the financial year ended 31 December 2016 for the computation of the effect on the earnings per share ("**EPS**").

NTA

| | Before the Proposed Disposal | After the Proposed Disposal |
|---|------------------------------|-----------------------------|
| NTA attributable to equity holders of the Company (S\$'000) | 52,984 | 53,814 ⁽¹⁾ |
| Number of ordinary shares in issue ('000) | 35,099 | 35,099 |
| NTA per share (S\$) | 1.51 | 1.53 |



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EPS

| | Before the Proposed Disposal | After the Proposed Disposal |
|--|------------------------------|-----------------------------|
| Profit after tax attributable to equity holders of the Company (S\$'000) | 1,802 | 2,542 ⁽¹⁾⁽²⁾ |
| Weighted average number of ordinary shares in issue ('000) | 35,099 | 35,099 |
| EPS (Singapore cents) | 5.13 | 7.24 |

Notes:

- (1) Calculated based on the gross proceeds before payment of attributable taxes and direct cost associated with the Proposed Disposal as at 31 December 2016.
- (2) Calculated to exclude the net loss after tax attributable to the equity holders of the Company for the financial year ended 31 December 2016 pertaining to the Tyre Distribution Unit.

11. AUDIT AND RISK COMMITTEE'S STATEMENT

- 11.1. Members of the Audit and Risk Committee (the "**ARC**") have reviewed the terms of the Proposed Disposal. After having taken into consideration, inter alia, the rationale for the Proposed Disposal and the basis of the Consideration, the ARC is of the view that the Proposed Disposal 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.

12. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

- 12.1. Save as disclosed in this Announcement, none of the Directors or controlling shareholders of the Company or their associates, have any interest, direct or indirect, in the Proposed Disposal.

13. SERVICE CONTRACTS

- 13.1. No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal; accordingly, no service contract is proposed to be entered into between the Company and any such person.

14. DOCUMENTS FOR INSPECTION

- 14.1. Copies of the Agreements will be available for inspection at the registered office of the Company at 9 Oxley Rise, #03-02 The Oxley, Singapore 238697 during normal business hours on any weekday for a period of 3 months from the date of this Announcement.

15. FURTHER ANNOUNCEMENTS

- 15.1. The Company will make further announcements on the Proposed Disposal as and when there are material developments on the same.



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16. DIRECTORS' RESPONSIBILITY STATEMENT

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

17. CAUTIONARY STATEMENT

17.1. Shareholders should note that the Proposed Disposal is subject to the fulfilment of the Conditions precedent set out above and accordingly, should exercise caution when trading in the Shares of the Company. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

BY ORDER OF THE BOARD

Helena Chua
Company Secretary
25 July 2017