



SP CORPORATION LIMITED

(Company Registration No. 195200115k)

HALF YEAR FINANCIAL STATEMENTS ANNOUNCEMENT UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020 ("1H2020")

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a)(i) Consolidated Statement of Profit or Loss (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group		
	First Half		
	30.06.20	30.06.19	+ / (-)
	\$'000	\$'000	%
Revenue	11,147	48,208	(77)
Cost of sales	(10,854)	(47,004)	(77)
Gross profit	293	1,204	(76)
Other operating income	389	78	399
Administrative expenses	(979)	(1,263)	(22)
Other operating expenses	-	(119)	n.m
Interest income	1,852	1,367	35
Interest expense	(67)	(152)	(56)
Profit before tax	1,488	1,115	33
Income tax expense	(169)	(156)	8
Profit for the financial period	1,319	959	38
Profit attributable to owners of the Company	1,319	959	38

n.m: Not meaningful

SP CORPORATION LIMITED
Unaudited Results for the Half Year Ended 30 June 2020

1(a)(ii) Consolidated Statement of Profit or Loss and Other Comprehensive Income (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Note	Group First Half		
		30.06.20 \$'000	30.06.19 \$'000	+ / (-) %
Profit for the financial period		1,319	959	38
Other comprehensive income after tax:				
<i>Item that may be reclassified subsequently to profit or loss</i>				
Exchange differences on translation of foreign operations	a	500	(211)	n.m
Total comprehensive income for the financial period		<u>1,819</u>	<u>748</u>	143
Total comprehensive income for the financial period attributable to owners of the Company		<u>1,819</u>	<u>748</u>	143

Note:

- a. The translation gain in the current financial period was due to the appreciation of US dollar against Singapore dollar upon consolidation of subsidiaries whose functional currency is US dollar. The net depreciation of US dollar against Singapore dollar in 1H2019 resulted in a translation loss for the previous financial period.

1(a)(iii) Profit for the financial period of the Group is arrived at after (charging) crediting the following:

	Group First Half	
	30.06.20 \$'000	30.06.19 \$'000
Depreciation of plant and equipment	(12)	(20)
Foreign currency exchange gain (loss), net	325	(117)
Over provision of income tax in respect of prior financial years	<u>3</u>	<u>-</u>

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Unaudited Results for the Half Year Ended 30 June 2020

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

		Group		Company	
	Note	30.06.20 \$'000	31.12.19 \$'000	30.06.20 \$'000	31.12.19 \$'000
<u>ASSETS</u>					
Non-current assets					
Plant and equipment		112	121	107	118
Investments in subsidiaries		-	-	31,068	31,016
Trade receivables	b	5,686	9,346	-	-
<i>Total non-current assets</i>		5,798	9,467	31,175	31,134
Current assets					
Trade and other receivables	b	29,187	27,712	20,789	20,797
Loan to a related party	c	21,500	21,500	-	-
Tax recoverable		5	16	-	-
Cash and bank balances		3,733	5,483	26	111
<i>Total current assets</i>		54,425	54,711	20,815	20,908
Total assets		60,223	64,178	51,990	52,042
<u>EQUITY AND LIABILITIES</u>					
Equity					
Share capital		58,366	58,366	58,366	58,366
Translation reserve	a	42	(458)	-	-
Accumulated losses		(843)	(2,162)	(19,318)	(19,507)
<i>Total equity</i>		57,565	55,746	39,048	38,859
Non-current liability					
Deferred tax		87	54	-	-
Current liabilities					
Borrowings	d	205	5,125	-	-
Trade and other payables	e	1,842	2,829	12,928	13,168
Income tax payable		524	424	14	15
<i>Total current liabilities</i>		2,571	8,378	12,942	13,183
Total liabilities		2,658	8,432	12,942	13,183
Total equity and liabilities		60,223	64,178	51,990	52,042

Notes:

- b. Included in the trade and other receivables of the Group were amounts totalling \$5.7 million which are expected to be repaid after one year from 30 June 2020 in accordance with repayment agreements signed with the related parties and have been classified as non-current. Total trade and other receivables as at 30 June 2020 was \$34.9 million as compared to \$37.1 million as at 31 December 2019, a decrease of \$2.2 million due to collections from customers.

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Unaudited Results for the Half Year Ended 30 June 2020

- c. In return for an opportunity to participate in a mixed-use development project in Sanya, Hainan, China, a loan to a related party was extended and \$21.5 million is repayable on 23 September 2020. This loan carries a fixed interest rate of 7.5% per annum.
- d. Borrowings were in the form of trust receipts for commodities trading.
- e. The decrease in trade and other payables of the Group was mainly due to payments made to coal, rubber and aluminium suppliers.

1(b)(ii) Aggregate amount of the group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30.06.20		As at 31.12.19	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
205	-	5,125	-

Amount repayable after one year

None.

Whether the amounts are secured or unsecured

Not applicable.

Details of any collaterals

The Group's borrowings from a bank as at 30 June 2020 were secured by fixed deposits of approximately \$0.1 million placed with it. In addition, the Group has approximately \$1.7 million fixed deposits pledged with banks for trade facilities.

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Unaudited Results for the Half Year Ended 30 June 2020

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group First Half	
	30.06.20	30.06.19
	\$'000	\$'000
Operating activities		
Profit before tax	1,488	1,115
<i>Adjustments for:</i>		
Depreciation of plant and equipment	12	20
Interest expense	67	152
Interest income	(1,852)	(1,367)
Operating cash flows before movements in working capital	(285)	(80)
Trade and other receivables	5,002	(3,569)
Restricted bank balances	(1,048)	(442)
Trade and other payables	(1,552)	(10,016)
Cash generated from (used in) operations	2,117	(14,107)
Interest received	1	151
Interest paid	(92)	(152)
Income tax paid, net	(37)	(157)
Net cash from (used in) operating activities	1,989	(14,265)
Investing activity		
Payments for acquisition of plant and equipment, representing net cash used in investing activity	(3)	-
Financing activities		
Proceeds from borrowings	11,308	45,809
Repayments of borrowings	(16,353)	(36,761)
Net cash (used in) from financing activities	(5,045)	9,048
Net decrease in cash and cash equivalents	(3,059)	(5,217)
Cash and cash equivalents at the beginning of financial period	4,768	9,167
Effects of exchange rate changes on the balance of cash held in foreign currencies	261	(63)
Cash and cash equivalents at the end of financial period	1,970	3,887

	Group		
	30.06.20	31.12.19	30.06.19
	\$'000	\$'000	\$'000
Cash and cash equivalents comprise:			
Cash at bank and on hand	1,881	3,045	2,251
Fixed deposits	89	1,723	1,636
Cash and cash equivalents in statement of cash flows	1,970	4,768	3,887
Pledged fixed deposits	1,763	715	1,735
Cash and bank balances in statement of financial position	3,733	5,483	5,622

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Unaudited Results for the Half Year Ended 30 June 2020

- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Equity attributable to owners of the Company			
	Share Capital	Translation Reserve	Accumulated Losses	Total Equity
	\$'000	\$'000	\$'000	\$'000
<u>The Group</u>				
At 1 January 2020	58,366	(458)	(2,162)	55,746
<i>Total comprehensive income for the financial period</i>				
Profit for the financial period	-	-	1,319	1,319
Other comprehensive loss for the financial period	-	500	-	500
At 30 June 2020	58,366	42	(843)	57,565
At 1 January 2019	58,366	(258)	(4,665)	53,443
<i>Total comprehensive loss for the financial period</i>				
Profit for the financial period	-	-	959	959
Other comprehensive loss for the financial period	-	(211)	-	(211)
At 30 June 2019	58,366	(469)	(3,706)	54,191
<u>The Company</u>				
At 1 January 2020	58,366	-	(19,507)	38,859
Profit for the financial period, representing total comprehensive income for the financial period	-	-	189	189
At 30 June 2020	58,366	-	(19,318)	39,048
At 1 January 2019	58,366	-	(19,982)	38,384
Profit for the financial period, representing total comprehensive income for the financial period	-	-	192	192
At 30 June 2019	58,366	-	(19,790)	38,576

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

None.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding financial year

	The Group		The Company	
	<u>30.06.20</u>	<u>31.12.19</u>	<u>30.06.20</u>	<u>31.12.19</u>
Total number of issued ordinary shares*	35.10 million	35.10 million	35.10 million	35.10 million

* There were no treasury shares at the end of the respective financial period / year.

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on

Not applicable.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on

Not applicable.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The figures have neither been audited nor reviewed by the Company's external auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of matter)

Not applicable.

- 3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:**
 (a) Updates on the efforts taken to resolve each outstanding audit issue.
 (b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

Except as disclosed in Section 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those used in the audited financial statements for the financial year ended 31 December 2019.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

The Group has adopted all the new and revised Singapore Financial Reporting Standards (International) ("SFRS(I)s") pronouncements that are effective for annual periods beginning on or after 1 January 2020 and are relevant to its operations. The adoption of these new/revised SFRS(I)s does not result in any changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current financial period or prior financial years.

- 6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

	Group (Year to Date)	
	30.06.20	30.06.19
(a) Earnings per ordinary share based on weighted average number of ordinary shares (in cent)	3.76	2.73
(b) Earnings per ordinary share based on fully diluted basis (in cent)	3.76	2.73
Weighted average number of ordinary shares (in million)	35.10	35.10

- 7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year**

	Group		Company	
	30.06.20	31.12.19	30.06.20	31.12.19
Net asset value per ordinary share (in dollar)	1.64	1.59	1.11	1.11
Total number of issued shares* at the end of the financial period / year (in million)	35.10	35.10	35.10	35.10

* There were no treasury shares at the end of the respective financial period / year.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

Review of the Financial Performance of the Group (1H2020 vs 1H2019)

The Group's revenue was \$11.1 million as compared to \$48.2 million in 1H2019, a significant decrease of 77% or \$37.1 million. The decrease was mainly due to lower sales volume from coal and rubber reflecting the impact of the current spread of COVID-19. The drop in coal price also contributed to the decline in revenue.

Gross profit was \$0.3 million as compared to \$1.2 million in 1H2019. The decrease of \$0.9 million was in line with the lower revenue.

Other operating income was \$0.4 million as compared to \$0.1 million in 1H2019, an increase of \$0.3 million, while other operating expenses were \$0.1 million in 1H2019. This was primarily due to a net foreign currency exchange gain, as a result of the appreciation of US dollar against Singapore dollar in 1H2020, as contrasted with a net foreign currency exchange loss arising from the depreciation of US dollar against Singapore dollar in 1H2019.

Administrative expenses were \$1.0 million as compared to \$1.3 million in 1H2019, a decrease of \$0.3 million. The decrease was mainly attributable to lower manpower costs due to the cessation of the Company's Managing Director and Chief Executive Officer in February 2020 and receipt of Jobs Support Scheme payouts.

Interest income was \$1.9 million as compared to \$1.4 million in 1H2019, an increase of \$0.5 million. The increase was contributed by the interest income from trade receivables with related parties and a loan granted to a related party. The loan repayment date was extended from 24 September 2019 for one year at the same interest rate of 7.5% per annum and the accrued interest of \$1.5 million for the period from 24 September 2018 to 23 September 2019 was added to the original loan principal of \$20 million. The Group may elect (subject to its shareholders' approval, if required) for the loan to be repaid in cash, or in such other repayment method as otherwise agreed between the parties. As part of its diversification strategy, the Group may opt for the loan to be repaid in new shares to be issued in the capital of Sanya Summer Real Estate Co. Ltd.

Interest expense was \$0.1 million as compared to \$0.2 million in 1H2019, a decrease of \$0.1 million. The decrease was due to lower utilisation of trade financing facilities for commodities trading.

As a result of the above, profit after tax and profit attributable to the owners of the Company was \$1.3 million as compared to \$1.0 million in the same period last year, an increase of \$0.3 million.

Review of the Financial Position of the Group

The Group's total assets were \$60.2 million as at 30 June 2020, a decrease of \$4.0 million from \$64.2 million as at 31 December 2019. The decrease was mainly due to collections from customers and lower cash and bank balances.

The Group's total liabilities were \$2.7 million as at 30 June 2020, a decrease of \$5.8 million from \$8.5 million as at 31 December 2019. The decrease was mainly due to lower borrowings in the form of trust receipts and lower trade and other payables.

As at 30 June 2020, shareholders' funds was \$57.5 million as compared to \$55.7 million as at 31 December 2019, an increase of \$1.8 million.

The Group maintained a positive working capital of \$51.9 million as at 30 June 2020.

Review of the Consolidated Statement of Cash Flows for the Group

During 1H2020, net cash from operating activities of \$2.0 million arose from profit for the period, after changes in working capital and other adjustments. In 1H2019, net cash used in operating activities of \$14.3 million was mainly attributable to advance for coal order placement, timing of collections from customers and payments to suppliers.

Net cash used in financing activities of \$5.0 million in 1H2020 was for repayments of trust receipt financing for commodities trading. Utilisation of trust receipt facilities for commodities trading in 1H2019 contributed to net cash from financing activities of \$9.0 million.

Consequently, cash and cash equivalents were \$2.0 million as at 30 June 2020, representing an outflow of \$1.9 million since 30 June 2019.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

The outbreak of COVID-19 and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. This situation has affected the Group's results for the first half year ended 30 June 2020.

With the global economic slowdown, the Group expects a slow recovery in its commodities trading activities. It may take a longer time before operations can be normalised amid the uncertainties ahead.

Although the Group's revenue may be lower as a result of COVID-19, the Group does not foresee any material impact to its liquidity position and availability of funds. The Group has secured temporary financing as a contingency plan to manage its cash flow needs. There is no material uncertainty of the Group's ability to continue as a going concern in the next 12 months. Notwithstanding this, the Group will continually seek opportunities to grow its commodities trading business.

The Group is exploring 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.

11. Dividend

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

None.

(b)(i) Amount per share

None.

(b)(ii) Previous corresponding period

None.

- (c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated)

Not applicable.

- (d) The date the dividend is payable

Not applicable.

- (e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision

No dividend has been declared or recommended for the half year ended 30 June 2020. As the Company still has accumulated losses as at 30 June 2020 and its current priority is to achieve long-term growth for the benefit of its shareholders, its profits will therefore be retained for investment in future opportunities.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect

The aggregate value of interested person transactions entered into during the following financial periods is as follows:

		Group			
		Aggregate value of all interested person transactions (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
		First Half		First Half	
Name of interested person	Nature of relationship	30.06.20 \$'000	30.06.19 \$'000	30.06.20 \$'000	30.06.19 \$'000
William Nursalim alias William Liem & associates	Mr William Nursalim alias William Liem is a director and deemed controlling shareholder of the Company.	-	-	257	5,947
Sales		-	-	7,795	37,674
Purchases		-	-		
Interest income from placement of refundable trade deposit		-	-	245	282
<i>Aggregate value of transactions entered into with the same interested person</i>		-	-	8,297	43,903
Nuri Holdings (S) Pte Ltd & associates	Nuri Holdings (S) Pte Ltd is a major shareholder of the Company's immediate holding company, Tuan Sing Holdings Limited.	-	-	801	744
Interest income from loan		-	-		
Total interested person transactions		-	-	9,098	44,647

14. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

Pursuant to Listing Rule 720(1) of the SGX-ST Listing Manual, the Company has received the signed undertakings from all its directors and executive officers based on the revised form of Appendix 7.7.

15. Negative confirmation pursuant to Rule 705(5) (Not required for announcement on full year results)

We, Peter Sung and William Nursalim alias William Liem, being two directors of SP Corporation Limited (the “Company”), do hereby confirm on behalf of the directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the results for the half year ended 30 June 2020 to be false or misleading in any material aspect.

Peter Sung
Chairman

William Nursalim alias William Liem
Interim Executive Director

BY ORDER OF THE BOARD

Tan Sock Kiang
Group Company Secretary
22 July 2020

Important Notes to this Announcement

This announcement 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 discussed in this announcement 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 announcement. 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.