

Financial Statements and Related Announcement::Second Quarter and/ or Half Yearly Results

Issuer & Securities

Issuer/ Manager	SP CORPORATION LIMITED
Securities	SP CORPORATION LIMITED - SG1AJ0000007 - AWE
Stapled Security	No

Announcement Details

Announcement Title	Financial Statements and Related Announcement
Date & Time of Broadcast	25-Jul-2017 18:11:00
Status	New
Announcement Sub Title	Second Quarter and/ or Half Yearly Results
Announcement Reference	SG170725OTHR7Y41
Submitted By (Co./ Ind. Name)	Helena Chua
Designation	Company Secretary
Description (Please provide a detailed description of the event in the box below - Refer to the Online help for the format)	Please refer to attachment.

Additional Details

For Financial Period Ended	30/06/2017
Attachments	<p>📎 SBA-170725-Results 2Q2017.pdf</p> <p>Total size =91K</p>

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SP CORPORATION LIMITED

(Company Registration No. 195200115K)

UNAUDITED RESULTS FOR THE SECOND QUARTER (“2Q2017”) AND HALF YEAR (“1H2017”) ENDED 30 JUNE 2017

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

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

	Note	Group Second Quarter			Group First Half		
		30.06.17	30.06.16	+ / (-)	30.06.17	30.06.16	+ / (-)
		\$'000	\$'000	%	\$'000	\$'000	%
Revenue	a	35,202	25,430	38	58,853	53,328	10
Cost of sales		(34,216)	(24,212)	41	(57,056)	(50,758)	12
Gross profit	a	986	1,218	(19)	1,797	2,570	(30)
Other operating income		75	81	(7)	141	184	(23)
Distribution costs		(551)	(573)	(4)	(1,075)	(1,106)	(3)
Administrative expenses		(824)	(813)	1	(1,596)	(1,654)	(4)
Other operating expenses	b	(58)	(245)	(76)	(301)	(360)	(16)
Interest income	c	322	359	(10)	650	758	(14)
Interest expense		(1)	-	n.m	(1)	(9)	(89)
(Loss) Profit before tax		(51)	27	n.m	(385)	383	n.m
Income tax expense	d	(24)	(148)	(84)	(7)	(205)	(97)
(Loss) Profit for the financial period		(75)	(121)	(38)	(392)	178	n.m
(Loss) Profit attributable to Owners of the Company		(75)	(121)	(38)	(392)	178	n.m

n.m: Not meaningful

1(a)(ii) Consolidated 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

	Group Second Quarter			Group First Half			
	30.06.17 \$'000	30.06.16 \$'000	+ / (-) %	30.06.17 \$'000	30.06.16 \$'000	+ / (-) %	
(Loss) Profit for the financial period	(75)	(121)	(38)	(392)	178	n.m	
Other comprehensive loss for the financial period:							
<i>Items that may be reclassified subsequently to profit or loss:</i>							
Exchange differences on translation of foreign operations	e	(261)	(540)	(52)	(1,362)	(1,214)	12
Total comprehensive loss for the financial period		<u>(336)</u>	<u>(661)</u>	(49)	<u>(1,754)</u>	<u>(1,036)</u>	69
Total comprehensive loss attributable to Owners of the Company		<u>(336)</u>	<u>(661)</u>	(49)	<u>(1,754)</u>	<u>(1,036)</u>	69

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

	Group Second Quarter		Group First Half		
	30.06.17 \$'000	30.06.16 \$'000	30.06.17 \$'000	30.06.16 \$'000	
Depreciation of plant and equipment	(28)	(46)	(54)	(98)	
Foreign currency exchange loss	(42)	(275)	(285)	(360)	
(Allowance) Write-back for inventory obsolescence	(16)	33	(16)	3	
Over provision of income tax in prior financial years	d	2	-	57	3

Note:

- Revenue in 2Q2017 was higher attributable to higher sales in Commodities Trading, partially offset by lower sales in Tyre Distribution. Lower gross profit in 2Q2017 as compared to 2Q2016 reflected mainly the poorer tyre trading performance.
- The decrease in other operating expenses in 2Q2017 was largely because of lower foreign currency exchange loss arising from the depreciation of US dollar against Singapore dollar, partially offset by a higher allowance for inventory obsolescence in the quarter.
- The decrease in interest income was mainly due to lower late interest charge as a result of lower overdue trade receivables.
- Lower income tax expense in 2Q2017 reflected the lower level of unremitted overseas interest receivables and lower withholding tax paid.
- The translation loss was due to the depreciation of US dollar against Singapore dollar upon consolidation of subsidiaries whose functional currency is US dollar.

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

	Note	Group		Company	
		30.06.17 \$'000	31.12.16 \$'000	30.06.17 \$'000	31.12.16 \$'000
ASSETS					
Non-current assets					
Plant and equipment		389	375	172	184
Investment in subsidiaries	f	-	-	30,270	18,413
<i>Total non-current assets</i>		<u>389</u>	<u>375</u>	<u>30,442</u>	<u>18,597</u>
Current assets					
Inventories	g	1,119	759	-	-
Trade and other receivables	h	48,531	51,901	7,147	19,262
Tax recoverable		112	110	69	69
Cash and bank balances	i	18,630	24,826	1,158	2,449
<i>Total current assets</i>		<u>68,392</u>	<u>77,596</u>	<u>8,374</u>	<u>21,780</u>
Total assets		<u>68,781</u>	<u>77,971</u>	<u>38,816</u>	<u>40,377</u>
EQUITY AND LIABILITIES					
Equity					
Share capital		58,366	58,366	58,366	58,366
Translation reserve		266	1,628	-	-
Accumulated losses		(7,402)	(7,010)	(20,592)	(19,173)
<i>Total equity</i>		<u>51,230</u>	<u>52,984</u>	<u>37,774</u>	<u>39,193</u>
Non-current liability					
Deferred tax		96	54	1	1
Current liabilities					
Trade and other payables	i	17,354	24,567	987	1,092
Income tax payable		101	366	54	91
<i>Total current liabilities</i>		<u>17,455</u>	<u>24,933</u>	<u>1,041</u>	<u>1,183</u>
Total equity and liabilities		<u>68,781</u>	<u>77,971</u>	<u>38,816</u>	<u>40,377</u>

Note:

- f. The increase in investment in subsidiaries of the Company was mainly because of the reclassification of a sum of \$13.5 million from being a loan to a subsidiary to being its quasi-equity, partially offset by an impairment of about \$1.6 million for the Company's investment in subsidiaries involved in tyre distribution. Such exercise did not affect the consolidated balance sheet of the Group.
- g. The higher level of inventories reflected the replenishment of tyres to fulfil certain contractual obligations.
- h. The decrease in trade and other receivables of the Group was largely due to accelerated collections from trade debtors, partially offset by an increase in advances to suppliers by approximately \$1.5 million for coal orders in the last six months.

The interest-bearing trade deposit of US\$6 million (equivalent to approximately \$8.3 million) placed by the Group is pending negotiation for a renewal on 31 July 2017. Despite higher coal supply in 2Q2017, the supplier's allocation for 1H2017 remained partially fulfilled as there was delay in shipments in 1Q2017.

The decrease in trade and other receivables of the Company was mainly due to the reclassification of a loan to a subsidiary to quasi-equity (refer to Note f).

- i. The decrease in trade and other payables of the Group was mainly due to timing of payments to trade creditors.

1(b)(ii) Aggregate amount of group's borrowings and debt securities**Amount repayable in one year or less, or on demand**

As at 30.06.17		As at 31.12.16	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
-	-	-	-

Details of any collateral

None.

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

	Note	Group Second Quarter		Group First Half	
		30.06.17 \$'000	30.06.16 \$'000	30.06.17 \$'000	30.06.16 \$'000
Operating Activities					
(Loss) Profit before tax		(51)	27	(385)	383
<i>Adjustments for:</i>					
Depreciation of plant and equipment		28	46	54	98
Allowance (Write-back) for inventory obsolescence		16	(33)	16	(3)
Interest expense		1	-	1	9
Interest income		(322)	(359)	(650)	(758)
Fair value loss (gain) on forward contracts, unrealised		54	577	41	(114)
Operating cash flows before movements in working capital		(274)	258	(923)	(385)
Inventories		(112)	133	(376)	272
Trade and other receivables		6,005	(1,179)	1,552	10,545
Restricted bank balances		(615)	(1,359)	1,173	103
Trade and other payables		4,072	(278)	(5,722)	(8,186)
Cash generated from (used in) operations		9,076	(2,425)	(4,296)	2,349
Interest paid		(1)	-	(1)	(9)
Interest received		227	(74)	411	228
Income tax paid, net		(60)	(37)	(223)	(43)
Net cash from (used in) operating activities	j	9,242	(2,536)	(4,109)	2,525
Investing Activity					
Payments for acquisition of plant and equipment		(53)	(1)	(69)	(1)
Net cash used in investing activity		(53)	(1)	(69)	(1)
Financing Activities					
Proceeds from borrowings		-	-	-	900
Repayments of borrowings		-	-	-	(900)
Net cash from financing activities	k	-	-	-	-
Net increase (decrease) in cash and cash equivalents		9,189	(2,537)	(4,178)	2,524
Cash and cash equivalents at the beginning of financial period		8,229	14,226	22,146	9,569
Effects of exchange rate changes on the balance of cash held in foreign currencies		(295)	(223)	(845)	(627)
Cash and cash equivalents at the end of financial period	l	17,123	11,466	17,123	11,466

Note:

j. Net cash from operating activities in 2Q2017 of \$9.2 million was largely attributable to accelerated collections from trade debtors and lower sum of advances made to suppliers for coal orders, partially offset by timing of lumpy payments to trade creditors.

Net cash used in operating activities in 1H2017 was largely due to timing of lumpy payments to trade creditors and higher sum of advances made to suppliers mainly for coal orders, partially offset by accelerated collections from trade debtors.

k. Borrowings during 1Q2016 were in the form of trust receipts for commodities trading which were all settled in the same quarter.

l. Cash and cash equivalents as at 30 June 2017 excluded a sum of approximately \$1,507,000 (31 March 2017: \$892,000; 31 December 2016: \$2,680,000; 30 June 2016: \$3,327,000) which had been pledged to banks as collateral for trade and credit facilities provided to a subsidiary.

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

	Attributable to owners of the Company			
	Share Capital \$'000	Translation Reserve (Account) \$'000	Accumulated Losses \$'000	Total Equity \$'000
The Group				
At 1 January 2017	58,366	1,628	(7,010)	52,984
<i>Total comprehensive loss for the financial period</i>				
Loss for the financial period	-	-	(317)	(317)
Other comprehensive loss for the financial period	-	(1,101)	-	(1,101)
At 31 March 2017	58,366	527	(7,327)	51,566
<i>Total comprehensive loss for the financial period</i>				
Loss for the financial period	-	-	(75)	(75)
Other comprehensive loss for the financial period	-	(261)	-	(261)
At 30 June 2017	58,366	266	(7,402)	51,230
At 1 January 2016	58,366	810	(8,812)	50,364
<i>Total comprehensive income (loss) for the financial period</i>				
Profit for the financial period	-	-	299	299
Other comprehensive loss for the financial period	-	(674)	-	(674)
At 31 March 2016	58,366	136	(8,513)	49,989
<i>Total comprehensive loss for the financial period</i>				
Loss for the financial period	-	-	(121)	(121)
Other comprehensive loss for the financial period	-	(540)	-	(540)
At 30 June 2016	58,366	(404)	(8,634)	49,328
The Company				
At 1 January 2017	58,366	-	(19,173)	39,193
<i>Total comprehensive income for the financial period</i>				
Profit for the financial period	-	-	183	183
At 31 March 2017	58,366	-	(18,990)	39,376
<i>Total comprehensive loss for the financial period</i>				
Loss for the financial period	-	-	(1,602)	(1,602)
At 30 June 2017	58,366	-	(20,592)	37,774
At 1 January 2016	58,366	-	(20,349)	38,017
<i>Total comprehensive income for the financial period</i>				
Profit for the financial period	-	-	204	204
At 31 March 2016	58,366	-	(20,145)	38,221
<i>Total comprehensive income for the financial period</i>				
Profit for the financial period	-	-	242	242
At 30 June 2016	58,366	-	(19,903)	38,463

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares or cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.

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 year.

	The Group		The Company	
	<u>30.06.17</u>	<u>31.12.16</u>	<u>30.06.17</u>	<u>31.12.16</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, disposal, cancellation and/or use of treasury shares 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 standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard.

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

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

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 compared with those used in the audited financial statements for the financial year ended 31 December 2016.

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 amendments to Financial Reporting Standards ("FRS") that are effective for annual periods beginning on or after 1 January 2017 and are relevant to its operations. The adoption of these new amendments to FRS 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 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 (Quarter)		Group (Year to Date)	
	30.06.17	30.06.16	30.06.17	30.06.16
i) (Loss) Earnings per ordinary share based on weighted average number of shares (in cent)	(0.21)	(0.34)	(1.12)	0.51
ii) (Loss) Earnings per ordinary share based on fully diluted basis (in cent)	(0.21)	(0.34)	(1.12)	0.51
Weighted average number of ordinary shares (in millions)	35.10	35.10	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 period reported on and (b) immediately preceding financial year

	Group		Company	
	30.06.17	31.12.16	30.06.17	31.12.16
Net asset value per ordinary share (in dollars)	1.46	1.51	1.08	1.12
Total number of issued shares* at the end of the financial period / year (in millions)	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. The review must discuss 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. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

The Group posted revenue of \$35.2 million in 2Q2017 as compared to \$25.4 million in 2Q2016. The higher revenue was mainly attributable to higher trading activities in commodities trading, partially offset by lower trading activities in tyre distribution. Gross profit decreased mainly caused by poorer tyre trading performance. Despite a decrease in operating expenses, the Group incurred a loss after tax of \$0.1 million in 2Q2017.

Commodities Trading registered revenue of \$32.3 million in 2Q2017, a \$11.9 million or 58% increase over \$20.4 million in 2Q2016. This was primarily contributed by higher trading volumes and average selling prices of coal and metals, partially offset by lower revenue from sales of rubber and consumer products. Gross profit increased as a result of higher trading volumes. However, gross profit margin for coal and metal trading decreased due to margin erosion arising from intense competition. The Unit's profit before tax of \$0.4 million in 2Q2017 was higher than the \$0.1 million in 2Q2016 mainly attributable to higher gross profit and lower foreign currency exchange loss.

Tyre Distribution Unit's revenue dropped 42% from \$5.0 million in 2Q2016 to \$2.9 million in 2Q2017. Accordingly, loss before tax of \$0.6 million was higher than \$0.2 million in 2Q2016.

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

On 19 July 2017, the Company released a profit guidance statement on SGXNET regarding an expected loss for 2Q2017. The actual results for 2Q2017 corresponded with the guidance issued.

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 Group continues to face challenges arising from volatile commodity prices and uncertain economic conditions, which continue to weigh on its revenues and margins. The Group remains focused on streamlining its business structure and maintaining disciplined cost management. In this connection, the Group has decided to dispose of certain assets in the Tyre Distribution Unit so as to enhance the Group's cash resources, improve the profitability and the balance sheet of the Group and allow it to conserve its resources for other working capital requirements.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared or recommended for the half year ended 30 June 2017.

13. Interested Person Transactions

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

Name of interested person	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)			
	Second Quarter		First Half		Second Quarter		First Half	
	30.06.17	30.06.16	30.06.17	30.06.16	30.06.17	30.06.16	30.06.17	30.06.16
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales								
William Nursalim alias William Liem & associates	-	-	-	-	2,712	-	6,225	-
Nuri Holdings (S) Pte Ltd & associates	-	-	-	-	-	-	-	4,676
Purchases								
William Nursalim alias William Liem & associates	-	-	-	-	17,286	5,276	24,532	9,972
Interest income from placement of trade deposit								
William Nursalim alias William Liem & associates	-	-	-	-	119	104	237	210
Interest income from overdue receivables								
Nuri Holdings (S) Pte Ltd & associates	-	-	-	-	196	191	196	191
Total interested persons transactions	-	-	-	-	20,313	5,571	31,190	15,049

14. Undertakings from directors and executive officers

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. Subsequent Events

Subsequent to the half year ended 30 June 2017, the Group has entered into conditional asset sale and purchase agreements with interested persons for the proposed disposal of assets of the Tyre Distribution Unit ("Proposed Disposal"). The Company will make a separate announcement in relation to the Proposed Disposal.

16. Confirmation by the Board

We, Peter Sung, and Boediman Gozali (alias Tony Wu), 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 their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the second quarter and half year ended 30 June 2017 to be false or misleading in any material aspect.

Peter Sung
Chairman

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

BY ORDER OF THE BOARD

Helena Chua
Company Secretary
25 July 2017

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.

Forward-looking statements 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.