



SP CORPORATION LIMITED
(Company Registration No. 195200115K)

RESPONSE TO QUERY BY SINGAPORE EXCHANGE REGULATION PTE LTD (“SGX REGCO”)

The Board of Directors (the “**Board**”) of SP Corporation Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has received a query from SGX RegCo in relation to the SGXNet Announcement dated 6 April 2022 with regards to Mr Tan Lye Huat’s resignation as a Non-Executive and Independent Director of the Company (the “**Announcement**”). In the Announcement, it was disclosed that the resignation was due to differences of opinion relating to the Possible Interest Waivers amongst the Board of Directors.

Please refer to the Appendix A of this announcement for details of the questions and responses of the Company.

BY ORDER OF THE BOARD

Lee Pih Peng
Group Company Secretary
14 April 2022

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We refer to the SGXNet Announcement dated 6 April 2022 with regards to Mr Tan Lye Huat's resignation as a Non-Executive and Independent Director of the Company (the "**Announcement**"). In the Announcement, it was disclosed that the resignation was due to differences of opinion relating to the Possible Interest Waivers amongst the Board of Directors. We would appreciate if the Company can respond to the following queries via an SGXNet Announcement by 14 April 2022:-

It was provided in the Announcement that the Audit and Risk Committee ("**ARC**") had made certain recommendations to the Board relating to the Possible Interest Waivers. In this regard, please clarify the following:-

Question	Response
(a) Please provide the nature, the amount and the background of (i) the Interest and (ii) the Possible Interest Waivers;	<p>The Interest and Possible Interest Waivers relate to interest on overdue trade receivables from two customers that purchased aluminium (by PT Meshindo Alloy Wheel ("Meshindo")) and rubber (by Axtens Pte Ltd ("Axtens")) from one of the subsidiaries of the Company, SP Resources International Pte. Ltd. ("SPRI"). As part of the trading terms for the supply of goods, interest may be charged by the Company for late payment.</p> <p>Management's approach to interest since COVID-19 pandemic is set out below:</p> <p>(i) Interest up to 30 June 2020 has been accrued and recognised in the Financial Statements as interest income ("Interest Income") and stood at \$1,493,000 (as at 31 December 2021) and loss allowance has been provided (ie impaired).</p> <p>(ii) Interest from 1 July 2020 stood at \$1,459,000 (as at 31 December 2021) and had not been accrued and recognised as Interest Income and this is referred to as Possible Interest Waivers.</p> <p>Further details and breakdown of these items are set out in the Company's response to the question in para (d) below.</p> <p>Efforts by the Management to collect or seek the recovery of these trade receivables have been hampered by the COVID-19 pandemic, which resulted in the customers suffering significant losses and running into financial difficulties during the pandemic period. Management had focused its efforts on seeking the recovery of the outstanding principal amounts owing and to that end this eventually resulted in an agreement between the parties in November 2020 that interest would be waived if full repayment of principal is received. Hence, the relevant interest was not accrued and</p>

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	<p>recognised as interest income for reasons stated above. This decision is also supported by legal opinion received by the Company.</p>
<p>(b) Please disclose the factors taken into consideration by the Board and the ARC for the Possible Interest Waivers;</p>	<p>The Board and the ARC took into consideration the following factors for the Possible Interest Waivers:</p> <ul style="list-style-type: none"> (i) Debtors' ability to pay in light of the ongoing COVID-19 pandemic and their financial condition: Although the debtors have made partial payments of principal, they have not been able to pay the interest due on the principal despite management's best efforts to collect the amounts. There is a risk that the debtors would not be able to make any payment. (ii) Cost of legal action against the debtors and the potential recoverability of the debts: The cost of litigation is significant compared to the real risk that the debtors would not be in a position to make any payment, even if the Company is able to secure a Court order for them to pay interest. The Company would then have incurred substantial legal fees, with nothing to show for it but a paper judgment which the Company cannot successfully enforce. (iii) Best Interest of the Company in view of the ongoing COVID-19 pandemic: The Company has negotiated for the best possible outcome in its offer of interest waivers in consideration of the full payment of the principal sums. This would be in the best interest of the Company and all shareholders as to continue to pursue the interest payments would have put the principal debts of \$6,567,000 (as at 31 December 2021) at risk of non-payment.
<p>(c) Please disclose whether the Board has reached a decision on the Possible Interest Waivers and if not, when is this expected to be resolved, and will this be announced?</p>	<p>The Board did not reach a decision on the Possible Interest Waivers as these are contingent on full repayment of trade receivables which were expected within 12 months from 31 December 2021. The Company will make such announcement(s) as necessary or required in due course.</p>

In the Company's annual report for the financial year ended 31 December 2021, it was provided that the Possible Interest Waivers are contingent on full repayment of trade receivables which were expected within 12 months from 31 December 2021. Please clarify the following:

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(a) Please disclose the identities of the related party and the interested person.	The related party (as the term is defined under SFRS 24) is Axtens and the interested person (in accordance with Listing Manual provisions) is Meshindo.																																								
(b) Please clarify whether the (i) related party and the (ii) interested party has any relationship (direct or indirect) with the Company, its Directors, and substantial shareholders.	<p>(i) In terms of Axtens:</p> <ul style="list-style-type: none"> ▪ one of the directors and shareholders is Mdm Lim Min Lim who is also a director of the Company's indirect wholly owned subsidiary, SP Global Hong Kong Limited. ▪ one of the directors and shareholders is Mr Khoo Chin Inn, who is a business associate of Nuri Holdings (S) Pte Ltd (the major shareholder of the Company's immediate holding company, Tuan Sing Holdings Limited.) Mr Khoo Chin Inn is also a director of another company (Pan-West (Private) Limited), an associate company of Tuan Sing Holdings Limited. <p>(ii) Meshindo is an associate of Mr William Nursalim alias William Liem, the Interim Executive Director of the Company.</p>																																								
(c) Please provide the breakdown and aging of trade receivables due from the (i) related party and (ii) interested person as at 31 December 2021.	<p>The breakdown and aging of trade receivables due from the (i) related party and (ii) interested person as at 31 December 2021 are as follows:</p> <table border="1" data-bbox="837 874 1989 1262"> <thead> <tr> <th></th> <th style="text-align: center;">Axtens</th> <th style="text-align: center;">Meshindo</th> <th style="text-align: center;">Total</th> </tr> <tr> <th></th> <th style="text-align: center;">\$'000</th> <th style="text-align: center;">\$'000</th> <th style="text-align: center;">\$'000</th> </tr> </thead> <tbody> <tr> <td>Not past due</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>< 3 months</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>3 months to 6 months</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>6 months to 12 months</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>> 12 months</td> <td style="text-align: center;">2,443</td> <td style="text-align: center;">5,617</td> <td style="text-align: center;">8,060</td> </tr> <tr> <td>Gross carrying amount</td> <td style="text-align: center;">2,443</td> <td style="text-align: center;">5,617</td> <td style="text-align: center;">8,060</td> </tr> <tr> <td>Loss allowance</td> <td style="text-align: center;">(1,082)</td> <td style="text-align: center;">(411)</td> <td style="text-align: center;">(1,493)</td> </tr> <tr> <td>Net carrying amount</td> <td style="text-align: center;">1,361</td> <td style="text-align: center;">5,206</td> <td style="text-align: center;">6,567</td> </tr> </tbody> </table>		Axtens	Meshindo	Total		\$'000	\$'000	\$'000	Not past due	-	-	-	< 3 months	-	-	-	3 months to 6 months	-	-	-	6 months to 12 months	-	-	-	> 12 months	2,443	5,617	8,060	Gross carrying amount	2,443	5,617	8,060	Loss allowance	(1,082)	(411)	(1,493)	Net carrying amount	1,361	5,206	6,567
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(d) Please provide the breakdown of the possible interests due from the (i) related	The breakdown of the Possible Interests Waiver due from the (i) related party and (ii) interested person as at 31 December 2021 are as follows:																																								

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<p>party and (ii) interested person as at 31 December 2021.</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 20%; text-align: center;">Axtens</th> <th style="width: 20%; text-align: center;">Meshindo</th> <th style="width: 30%; text-align: center;">Total</th> </tr> <tr> <td></td> <td style="text-align: center;">\$'000</td> <td style="text-align: center;">\$'000</td> <td style="text-align: center;">\$'000</td> </tr> </thead> <tbody> <tr> <td>2H2020</td> <td style="text-align: center;">365</td> <td style="text-align: center;">316</td> <td style="text-align: center;">681</td> </tr> <tr> <td>1H2021</td> <td style="text-align: center;">196</td> <td style="text-align: center;">256</td> <td style="text-align: center;">452</td> </tr> <tr> <td>2H2021</td> <td style="text-align: center;">113</td> <td style="text-align: center;">213</td> <td style="text-align: center;">326</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">674</td> <td style="text-align: center;">785</td> <td style="text-align: center;">1,459</td> </tr> </tbody> </table>		Axtens	Meshindo	Total		\$'000	\$'000	\$'000	2H2020	365	316	681	1H2021	196	256	452	2H2021	113	213	326	Total	674	785	1,459
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<p>(e) Please clarify as to when the Interest payment from the related party and the interested person was due.</p>	<p>The Company's policy is interest from all debtors is due and payable when the relevant trade receivables are not paid when due.</p>																								
<p>(f) Please clarify whether the Possible Interest Waivers falls under the ambit of Listing Rule 905 where it provides, inter alia, that an issuer must make an immediate announcement of any interested person transaction of a value equal to, or more than 3% of the group's latest audited net tangible assets; or Listing Rule 906 where it provides, inter alia, that an issuer must obtain shareholder approval for any interested person transaction of a value equal to, or more than 5% of the group's latest audited net tangible assets or when aggregated with other transactions entered into with the same interested person during the same financial year.</p>	<p>Based on the audited financial statements of the Company and the Group for the financial years ended 31 December 2019 ("FY2019"), 31 December 2020 ("FY2020") and 31 December 2021 ("FY2020"), the relevant latest audited net tangible assets ("NTA") of the Group were \$55.7 million, \$56.7 million, and \$55.8 million respectively.</p> <p>Accordingly, in relation to the Company, for the purposes of Chapter 9 in the respective financial years:</p> <p>(i) The Rule 905 mandatory announcement threshold for FY 2021 is \$1.674 million, being 3% of the Group latest audited NTA. The Rule 906 Shareholders approval threshold is \$2.79 million, being 5% of the Group latest audited NTA.</p> <p>(ii) The Possible Interests Waivers for Meshindo as of December 2021 is approximately \$785,000 and is below the 3% mandatory announcement threshold. Thus, immediate announcement of the interested person transactions with Meshindo would not be required. In any case, the waiver is contingent on full repayment of trade receivables and would only take effect upon such full repayment.</p>																								