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S&P INTERNATIONAL HOLDING LIMITED

椰豐集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1695)

ANNOUNCEMENT OF THE UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

KEY FINANCIAL PERFORMANCE

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Unaudited		% of change
	Six months ended 30 June		
	2019	2018	
	RM	RM	
Revenue	34,133,885	41,051,640	(16.9%)
Profit from operating activities	1,738,438	4,646,597	(62.6%)
Net finance income	84,884	201,337	(57.8%)
Income tax expense	(428,268)	(1,371,465)	(68.8%)
Profit attributable to:			
Owners of the Company	1,284,827	3,476,469	(63.0%)
Non-controlling interest	<u>(8,493)</u>	<u>—</u>	<u>(100%)</u>
	<u>1,276,334</u>	<u>3,476,469</u>	<u>(64.7%)</u>

Consolidated Statement of Financial Position			
	30 June 2019 RM (Unaudited)	31 December 2018 RM (Audited)	% of Change
Cash and cash equivalents	28,602,767	46,089,253	(37.9%)
Loans and borrowings	23,840,634	3,369,696	>100%
Net current assets	62,439,047	77,308,826	(19.2%)
Net assets	124,082,749	122,754,156	1.1%
KEY FINANCIAL RATIOS			
	Unaudited Six months ended 30 June 2019	2018	Change (% points)
Gross profit margin	31.0%	29.3%	5.8%
Return on equity (annualised)	2.1%	5.9%	(64.4%)
	30 June 2019	31 December 2018	
Current ratio (times) [#]	6.0	6.4	6.3%
[#] Dividing current assets by current liabilities			

INTERIM FINANCIAL INFORMATION

The board (the “**Board**”) of directors (the “**Directors**”, each a “**Director**”) of S&P International Holding Limited (the “**Company**”) presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2019 (“**1H2019**”) together with the comparative unaudited figures for the corresponding period in 2018 (“**1H2018**”) and certain audited figures as at 31 December 2018. All amounts set out in this announcement are presented in Malaysian Ringgit (“**RM**”) unless otherwise indicated.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Note	Six months ended 30 June	
		2019 RM (Unaudited)	2018 RM (Unaudited)
Revenue	5	34,133,885	41,051,640
Cost of sales		<u>(23,561,570)</u>	<u>(29,016,751)</u>
Gross profit		10,572,315	12,034,889
Other income		107,393	370,607
Selling and distribution expenses		(1,500,571)	(1,518,002)
Administrative expenses		(6,704,439)	(5,038,547)
Other expenses		<u>(736,260)</u>	<u>(1,202,349)</u>
Profit from operating activities		1,738,438	4,646,597
Finance income	6	353,257	346,869
Finance costs	6	(268,373)	(145,532)
Net finance income		<u>84,884</u>	<u>201,337</u>
Profit before taxation	6	1,823,322	4,847,934
Income tax expense	7	(546,988)	(1,371,465)
Profit for the period		<u>1,276,334</u>	<u>3,476,469</u>
Other comprehensive income/(loss) for the period			
<i>Item that is or may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences for foreign operations		<u>69,746</u>	<u>(318,111)</u>
Total comprehensive income for the period		<u>1,346,080</u>	<u>3,158,358</u>
Profit attributable to:			
Owners of the Company		1,284,827	3,476,469
Non-controlling interest		<u>(8,493)</u>	<u>—</u>
Profit for the period		<u>1,276,334</u>	<u>3,476,469</u>
Total comprehensive income attributable to:			
Owners of the Company		1,357,394	3,158,358
Non-controlling interest		<u>(11,314)</u>	<u>—</u>
Total comprehensive income for the period		<u>1,346,080</u>	<u>3,158,358</u>
Basic and diluted earnings per share (expressed in Sen)	8	<u>0.12</u>	<u>0.32</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	<i>Note</i>	30 June, 2019 RM (Unaudited)	31 December, 2018 RM (Audited)
Assets			
Non-current assets			
Property, plant and equipment	9	86,607,131	49,839,306
Right of-use assets	15	<u>483,801</u>	<u>—</u>
		<u>87,090,932</u>	<u>49,839,306</u>
Current assets			
Inventories	10	27,532,183	25,330,420
Current tax asset		1,988,793	318,577
Trade and other receivables	11	16,765,864	20,235,346
Cash and cash equivalents	12	<u>28,602,767</u>	<u>46,089,253</u>
		<u>74,889,607</u>	<u>91,973,596</u>
Total Assets		<u>161,980,539</u>	<u>141,812,902</u>
Equity and Liabilities			
Equity			
Share capital		5,941,706	5,941,706
Share premium		58,707,916	58,707,916
Reserves		<u>59,349,788</u>	<u>58,012,702</u>
Total equity attributable to equity shareholders of the Company		<u>123,999,410</u>	122,662,324
Non-controlling interest		<u>83,339</u>	<u>91,832</u>
Total Equity		<u>124,082,749</u>	<u>122,754,156</u>
Liabilities			
Non-current liabilities			
Loans and borrowings	13	23,238,354	2,906,435
Lease liabilities	15	305,350	—
Deferred tax liabilities		<u>1,903,526</u>	<u>1,487,541</u>
		<u>25,447,230</u>	<u>4,393,976</u>
Current Liabilities			
Loans and borrowings	13	602,280	463,261
Trade and other payables	14	11,629,907	13,774,954
Lease liabilities	15	199,775	—
Contract liabilities		—	392,000
Current tax liabilities		<u>18,598</u>	<u>34,555</u>
		<u>12,450,560</u>	<u>14,664,770</u>
Total Liabilities		<u>37,897,790</u>	<u>19,058,746</u>
Total equity and liabilities		<u>161,980,539</u>	<u>141,812,902</u>
Total assets less current liabilities		<u>149,529,979</u>	<u>127,148,132</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Share capital <i>RM</i> (Unaudited)	Share premium <i>RM</i> (Unaudited)	Other Reserve <i>RM</i> (Unaudited)	Translation reserve <i>RM</i> (Unaudited)	Retained earnings <i>RM</i> (Unaudited)	Total <i>RM</i> (Unaudited)	Non- controlling interest <i>RM</i> (Unaudited)	Total equity <i>RM</i> (Unaudited)
At 1 January 2018, restated	5,941,706	58,707,916	150,200	(2,745,323)	53,422,100	115,476,599	—	115,476,599
Foreign currency translation differences for foreign operations	—	—	—	889,996	—	889,996	(183)	889,813
Other comprehensive income for the year	—	—	—	889,996	—	889,996	(183)	889,813
Profit for the year	—	—	—	—	6,295,729	6,295,729	(846)	6,294,883
Total comprehensive (loss)/ income for the year	—	—	—	889,996	6,295,729	7,185,725	(1,029)	7,184,696
Acquisition of a subsidiary	—	—	—	—	—	—	92,861	92,861
At 31 December 2018	5,941,706	58,707,916	150,200	(1,855,327)	59,717,829	122,662,324	91,832	122,754,156
At 1 January 2019, as previously reported	5,941,706	58,707,916	150,200	(1,855,327)	59,700,342	122,644,837	91,832	122,736,669
Effect of change in accounting policy	—	—	—	—	(17,487)	(17,487)	—	(17,487)
Adjusted balance at 1 January 2019	5,941,706	58,707,916	150,200	(1,855,327)	59,700,342	122,644,837	91,832	122,736,669
Foreign currency translation differences for foreign operations	—	—	—	69,746	—	69,746	—	69,746
Other comprehensive income for the period	—	—	—	69,746	—	69,746	—	69,746
Profit for the period	—	—	—	—	1,003,594	1,284,827	(8,493)	1,276,334
At 30 June 2019	5,941,706	58,707,916	150,200	(1,785,581)	60,703,936	123,999,410	83,339	124,082,749

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RM	RM
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before tax	1,823,322	4,847,934
Adjustments for:		
Depreciation of property, plant and equipment	1,182,717	992,001
Net loss on unrealised foreign exchange	561,898	868,955
Finance costs	268,373	145,532
Depreciation of right of-use assets	57,857	—
Finance income	<u>(353,257)</u>	<u>(346,869)</u>
Operating profit before working capital changes	3,540,910	6,507,553
(Increase)/decrease in inventories	(2,201,763)	2,593,057
Decrease in trade and other receivables	3,274,557	2,943,798
Decrease in trade and other payables	(2,109,536)	(6,649,347)
Decrease in contract liabilities	(392,000)	<u>—</u>
Cash generated from operations	2,112,168	5,395,061
Income tax paid	(1,817,176)	<u>(1,582,887)</u>
Net cash (used in)/from operating activities	294,992	<u>3,812,174</u>
Cash flows used in investing activities		
Acquisition of property, plant and equipment	(37,950,542)	(8,771,590)
Interest received	353,257	<u>346,869</u>
Net cash used in investing activities	(37,597,285)	<u>(8,424,721)</u>
Cash flows from/(used in) financing activities		
Bank loan draw downs	20,502,054	—
Interest and other borrowing costs paid	(260,598)	(145,532)
Repayments of bank loans	(225,087)	(1,094,039)
Capital element of finance leases paid	(54,020)	—
Interest element of finance leases paid	(7,775)	<u>—</u>
Net cash generated from/(used in) financing activities	19,954,574	<u>(1,239,571)</u>
Net decrease in cash and cash equivalents	(17,347,719)	(5,852,118)
Cash and cash equivalents at 1 January	46,089,253	59,425,300
Effect of foreign exchange rate changes	(138,767)	<u>697,653</u>
Cash and cash equivalents at 30 June	28,602,767	<u>54,270,835</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 10 November 2016.

The Company is an investment holding company. The Group is principally engaged in the manufacturing and distribution of food products such as coconut cream powder, low fat desiccated coconut, coconut milk and other related products. The Company's shares (the "**Shares**") in issue have been listed on the Main Board of The Stock Exchange since 11 July 2017 (the "**Listing**").

At the date of this announcement, the Company's ultimate parent company is TYJ Holding Limited ("**TYJ**"), a company incorporated in the British Virgin Islands with limited liability on 8 November 2016, which is wholly owned by Mr. Tang Koon Fook, an executive Director and the chairman of the Company, who is also the sole director of TYJ.

This interim condensed consolidated financial information of the Group for the six months ended 30 June 2019 (the "**Interim Condensed Consolidated Financial Information**"), which has not been audited, was reviewed and approved for issue by the Board on 28 August 2019.

2. BASIS OF PREPARATION

This Interim Condensed Consolidated Financial Information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange, including compliance with International Accounting Standard ("**IAS**") 34, "Interim Financial Reporting" issued by the International Accounting Standards Board.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in the preparation of the Interim Condensed Consolidated Financial Information are consistent with those adopted in the preparation of the audited consolidated financial statements of the Group for the financial year ended 31 December 2018 ("**FY2018**") and described in the annual report of the Company for FY2018 (the "**2018 Annual Report**"), except for the adoption of IFRS 16, *Leases*.

New standards and amendments to standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations have been issued but will become effective for the financial year beginning on or after 1 January 2020 and have not been early adopted:

Effective for accounting periods beginning on or after 1 January 2020

— Amendments to References to the Conceptual Framework in IFRS Standards

Effective for accounting periods beginning on or after 1 January 2021

— IFRS 17, *Insurance Contracts*

Effective for accounting periods beginning on or after a date yet to be determined

- Amendments to IFRS 10, *Consolidated Financial Statements* and IFRS 28, *Investments in Associates and Joint ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group is in the process of making an assessment of the impact of these new standards and amendments to standards and interpretations upon initial application but is not yet in a position to state whether these new standards and amendments to standards and interpretations would have a significant impact on its financial performance and financial position.

4. ESTIMATES

The preparation of the Interim Condensed Consolidated Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Condensed Consolidated Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were similar to those disclosed in the 2018 Annual Report.

5. REVENUE AND SEGMENT INFORMATION

The principal activities of the Group are the manufacturing and distribution of food products such as coconut cream powder, low fat desiccated coconut, coconut milk and other related products.

Revenue represented the sales value of coconut related products, other non-coconut related food products, freight charges to customers and miscellaneous income, net of trade discounts, rebates and returns.

	Six months ended 30 June	
	2019	2018
	RM	RM
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
— Coconut related products	32,798,037	39,823,713
— Others	1,335,848	1,227,927
	<u>34,133,885</u>	<u>41,051,640</u>

The Board assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the manufacturing and distribution of coconut related products. Therefore, management considers that there is only one operating segment under the requirements of IFRS 8, Operating Segments. In this regard, no segment information is presented.

Geographical information

The following table sets out information on the geographical locations of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods are delivered.

	Six months ended 30 June	
	2019	2018
	RM	RM
	(Unaudited)	(Unaudited)
South East Asia	9,645,191	10,308,809
Middle East	9,382,530	6,733,058
West Indies	7,770,113	13,703,010
North America	1,851,830	1,974,922
East Asia	1,357,234	1,531,915
Other regions	4,126,987	6,799,926
	<u>34,133,885</u>	<u>41,051,640</u>

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2019	2018
	RM	RM
	(Unaudited)	(Unaudited)
(a) Finance costs		
Interest on bank loans	141,701	133,653
Interest on bank overdrafts	—	2,266
Interest on leases liabilities (<i>Note 15</i>)	7,775	—
Other borrowing costs	118,897	9,613
	<u>268,373</u>	<u>145,532</u>

Six months ended 30 June

	2019	2018
	<i>RM</i>	<i>RM</i>
	(Unaudited)	(Unaudited)

(b) Other items

Personnel expenses (including Directors' emoluments):

— Wages, salaries and other benefits	6,463,268	5,649,389
— Contributions to Employees' Provident Fund	471,632	438,567
Depreciation of property, plant and equipment	1,182,717	922,001
Depreciation of right of use assets	57,857	—
Net loss on foreign exchange differences	736,260	1,202,349
Auditors' remuneration	190,730	200,000
Bank interest income	(353,257)	(346,867)
Rental income	(102,246)	(102,000)
	6,463,268	5,649,389

7. INCOME TAX EXPENSE

Income tax in the interim condensed consolidated statement of profit or loss and other comprehensive income represents:

Six months ended 30 June

	2019	2018
	<i>RM</i>	<i>RM</i>
	(Unaudited)	(Unaudited)

Current tax — Malaysian income tax

Current period	125,888	1,678,503
Under provision in prior year	5,114	—
	131,002	1,678,503

Deferred tax

Origination/(reversal) of temporary differences	415,986	(307,038)
	546,988	1,371,465

8. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

Six months ended 30 June

	2019	2018
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Profit attributable to equity shareholders of the Company (expressed in RM)	1,234,827	3,476,469
Weighted average number of Shares (unit)	1,080,000,000	1,080,000,000
Basic earnings per share (expressed in sen)	0.12	0.32

As at 30 June 2019, the Company has not issued any dilutive potential Shares and hence, the diluted earnings per share is equal to the basic earnings per share.

9. PROPERTY, PLANT AND EQUIPMENT

	Freehold land <i>RM</i>	Leasehold land with unexpired lease period of more than 50 years <i>RM</i>	Factory and other buildings <i>RM</i>	Plant and machinery <i>RM</i>	Motor vehicles <i>RM</i>	Furniture, fitting and equipment <i>RM</i>	Construction in progress <i>RM</i>	Total <i>RM</i>
Cost								
At 1 January 2018	3,797,046	415,170	19,078,690	21,629,522	677,720	2,284,712	317,424	48,200,284
Additions	—	—	902,010	1,200,073	—	467,984	24,714,943	27,285,010
Write-offs	—	—	—	(91,458)	—	(56,166)	—	(147,624)
At 31 December 2018/ 1 January 2019	3,797,046	415,170	19,980,700	22,738,137	677,720	2,696,530	25,032,367	75,337,670
Additions	4,050,000	—	—	145,258	—	143,163	33,612,121	37,950,542
Write-offs	—	—	—	(57,879)	—	—	—	(57,879)
Reclassifications	497,330	—	—	—	—	—	(497,330)	—
As of 30 June 2019	8,344,376	415,170	19,980,700	22,825,516	677,720	2,839,693	58,147,158	113,230,333
Accumulated depreciation								
At 1 January 2018	—	160,528	6,585,295	14,181,691	632,494	1,893,743	—	23,453,751
Charge for the year	—	8,303	601,825	1,360,150	18,144	184,339	—	2,172,761
Write offs	—	—	—	(77,709)	—	(50,439)	—	(128,148)
At 31 December 2018/ 1 January 2019	—	168,831	7,187,120	15,464,132	650,638	2,027,643	—	25,498,364
Charge for the period	—	4,152	278,366	704,298	9,072	186,829	—	1,182,717
Write-offs	—	—	—	(57,879)	—	—	—	(57,879)
As of 30 June 2019	—	172,983	7,465,486	16,110,551	659,710	2,214,472	—	26,623,202
Carrying amounts								
As of 1 January 2018	3,797,046	254,642	12,493,395	7,447,831	45,226	390,969	317,424	24,746,533
As of 31 December 2018	3,797,046	246,339	12,793,580	7,274,005	27,082	668,887	25,032,367	49,839,306
As of 30 June 2019	8,344,376	242,187	12,515,214	6,714,965	18,010	625,221	58,147,158	86,607,131

10. INVENTORIES

	30 June 2019 <i>RM</i> (Unaudited)	31 December 2018 <i>RM</i> (Audited)
Packaging and raw materials	8,135,782	5,357,262
Semi finished goods	17,314,627	18,231,429
Finished goods	<u>2,081,773</u>	<u>1,741,729</u>
	<u>27,532,182</u>	<u>25,330,420</u>
The amount of inventories recognized as an expense is as follows:		
Carrying amount of inventories sold	<u><u>23,561,570</u></u>	<u><u>54,164,489</u></u>

11. TRADE AND OTHER RECEIVABLES

	30 June 2019 <i>RM</i> (Unaudited)	31 December 2018 <i>RM</i> (Audited)
Trade receivables	9,718,398	14,243,657
Deposits, prepayments and other receivables	<u>7,047,466</u>	<u>5,991,689</u>
	<u><u>16,765,864</u></u>	<u><u>20,235,346</u></u>

As of the end of the reporting period, the ageing analysis of trade debtors based on the invoice date is as follows:

	30 June 2019 <i>RM</i> (Unaudited)	31 December 2018 <i>RM</i> (Audited)
Within one month	5,363,442	6,361,134
Over 1 month to 2 months	2,812,069	3,979,570
Over 2 months to 3 months	966,434	2,045,243
Over 3 months	<u>576,453</u>	<u>1,857,710</u>
	<u><u>9,718,398</u></u>	<u><u>14,243,657</u></u>

Trade receivables are due within 7 to 120 days from the date of invoice.

12. CASH AND CASH EQUIVALENTS

	30 June 2019 RM (Unaudited)	31 December 2018 RM (Audited)
Cash on hand	28,971	131,662
Balances with licensed banks	<u>28,573,796</u>	<u>45,957,591</u>
Cash and cash equivalents	<u>28,602,767</u>	<u>46,089,253</u>

13. LOANS AND BORROWINGS

	30 June 2019 RM (Unaudited)	31 December 2018 RM (Audited)
Non-current		
Bank loans — secured	23,238,354	2,906,435
Current		
Bank loans — secured	<u>602,280</u>	<u>463,261</u>
	<u>23,840,634</u>	<u>3,369,696</u>

The bank loans are secured over the leasehold land, freehold land and factory and other buildings as disclosed under “Pledge of Assets” on page 20 of this announcement.

14. TRADE AND OTHER PAYABLES

	30 June 2019 RM (Unaudited)	31 December 2018 RM (Audited)
Trade payables	3,236,963	3,501,209
Advances from customers	1,124,447	584,608
Other payables and accruals	<u>7,268,497</u>	<u>9,689,137</u>
	<u>11,629,907</u>	<u>13,774,954</u>

As of the end of the reporting period, the ageing analysis of trade payables based on the invoice date is as follows:

	30 June	31 December
	2019	2018
	<i>RM</i>	<i>RM</i>
	(Unaudited)	(Audited)
Within one month	1,808,235	2,195,529
Over 1 month to 3 months	612,189	1,155,955
Over 3 months to 6 months	814,114	147,300
Over 6 months	<u>2,425</u>	<u>2,425</u>
	<u><u>3,236,963</u></u>	<u><u>3,501,209</u></u>

15. LEASES

The information about leases for which the Group is a lessee is presented as below.

Right-of-use assets

2019	Land	Warehouses	Total
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Balance at 1 January	210,497	94,102	304,599
Additions during the period	—	237,060	237,060
Depreciation charge for the period	<u>(27,456)</u>	<u>(30,402)</u>	<u>(57,858)</u>
Balance at 30 June	<u><u>183,041</u></u>	<u><u>300,760</u></u>	<u><u>483,801</u></u>

Lease liabilities

	30 June
	2019
	<i>RM</i>
	(Unaudited)
Maturity analysis — contractual undiscounted cash flows	
Less than one year	256,978
One to two years	183,408
More than two years	<u>92,800</u>
Total undiscounted lease liabilities	<u><u>533,186</u></u>
Lease liabilities included in the statement of financial position	<u><u>505,125</u></u>
Current	<u><u>199,775</u></u>
Non-current	<u><u>305,350</u></u>

Amounts recognized in profit or loss

	Six months ended 30 June 2019 RM (Unaudited)
Interest on lease liabilities (<i>Note 6</i>)	7,775
Expenses relating to leases of low-value assets	<u>34,080</u>

Amounts recognized in the statement of cash flows

	Six months ended 30 June 2019 RM (Unaudited)
Total cash outflow	<u>61,795</u>

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Using this approach, comparative information is not restated.

16. OTHER RESERVE

Other reserve of the Company represents the difference between the par value of the Shares issued and the equity in Edaran Bermutu Sdn. Bhd., Radiant Span Sdn. Bhd., Rasa Mulia Sdn. Bhd. and Shifu Ingredients Sdn. Bhd. acquired from the controlling shareholders on 29 December 2016 pursuant to the share swap as if the current group structure and share swap had occurred on 1 January 2016.

17. DIVIDENDS

At a meeting of the Board held on 28 August 2019, the Directors resolved not to declare the payment of an interim dividend to the shareholders of the Company (the “**Shareholders**”) for 1H2019.

18. CONTINGENCY

As disclosed in the audited consolidated financial statements of the Group for FY2018, a third party filed a lawsuit against the Group for allegedly wrongful rescission of agreement to purchase a plot of land. The Group duly filed a counterclaim for the refund of deposit paid previously.

During 1H2019, the above lawsuit was settled out of court, with the plaintiff withdrawing their lawsuit against the Group, and further paying the Group the amount of RM60,000 towards settlement of the counterclaim.

19. CAPITAL COMMITMENTS

Capital commitments outstanding at the end of each reporting period not provided for in the interim condensed consolidated financial information are as follows:

	30 June 2019 <i>RM</i> (Unaudited)	31 December 2018 <i>RM</i> (Audited)
Approved but not contracted for:		
Property, plant and equipment	34,627,850	53,900,000
Contracted but not provided for:		
Property, plant and equipment	<u>4,594,942</u>	<u>15,324,206</u>
Total	<u>39,222,792</u>	<u>69,224,203</u>

20. RELATED PARTY TRANSACTIONS

Identity of related parties

For the purpose of the interim financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the related party are subject to common control. Related parties may be individuals or entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the directors of the Group, and certain members of senior management of the Group.

Key management personnel compensation

Compensation of key management personnel of the Group is as follows:

	Six months ended 30 June	
	2019 <i>RM</i> (Unaudited)	2018 <i>RM</i> (Unaudited)
Salaries and other benefits	1,646,349	1,277,826
Contributions to Employees' Provident Fund	148,721	133,780
Discretionary bonuses	<u>—</u>	<u>25,200</u>
	<u>1,795,070</u>	<u>1,436,806</u>

Key management compensation is included in personnel expenses as disclosed in Note 6(b) above.

21. FINANCIAL INSTRUMENTS

(a) Financial risk management

The activities of the Group expose it to a variety of financial risks: market risk (foreign exchange risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

All financial risk management information and disclosures of the Group are consistent with, and should be read in conjunction with the 2018 Annual Report.

(b) Fair values information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with their carrying amounts shown in the consolidated statement of financial position. None of the financial instruments are carried at fair value during the reporting period.

	Fair value of financial instruments not carried at fair value				Carrying amount RM
	Level 1	Level 2	Level 3	Total	
	RM	RM	RM	RM	
At 30 June 2019					
Financial liability					
Bank loans	—	—	18,789,079	18,789,079	23,840,634
	<u>—</u>	<u>—</u>	<u>18,789,079</u>	<u>18,789,079</u>	<u>23,840,634</u>
At 31 December 2018					
Financial liability					
Bank loans	—	—	2,405,762	2,405,762	3,369,696
	<u>—</u>	<u>—</u>	<u>2,405,762</u>	<u>2,405,762</u>	<u>3,369,696</u>

22. CAPITAL MANAGEMENT

The Group's objective when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain the confidence of investors, creditors and market and sustain future development of the business.

There was no changes in the Group's approach to capital management during 1H2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is engaged mainly in the manufacturing and distribution of coconut based food products. These include coconut cream powder and low fat desiccated coconut, and they are manufactured at the Group's manufacturing facility located at Bagan Datoh, Perak, Malaysia (the "**Perak Plant**"). The Group also manufactures other food products such as non-dairy creamer and other traditional South-east Asian food ingredients, including rice dumplings (ketupat) and toasted coconut paste (kerisik).

The Group is committed to delivering high quality food products and services, meeting customers' expectations and complying with legal requirements. It strives to continuously improve customers' satisfaction and quality of its management processes. It implements strict and comprehensive quality assurance and control procedures throughout all stages of the production process, from the procurement of raw materials to the packaging and delivery of finished products. In this regard, the Group has been accredited with various certifications in relation to quality management and food safety.

During 1H2019, the Group had obtained the certificate of practical completion for its new factory building at the Perak Plant. Following this, the Group commenced installation of new production line and related facilities and all installation works are expected to be completed in second half of 2019 ("**2H2019**"). In preparation for the commercial launching of products to be produced from the new factory, the Group has also commenced various channel and distribution network development initiatives in later part of 1H2019. These initiatives will progressively intensify throughout 2H2019 in tandem with the progressive launching of the new line of products commencing in early 2020.

FINANCIAL REVIEW

The Group's revenue was approximately RM34.1 million for 1H2019, representing a decrease of approximately 17.0%, or RM7.0 million, when compared with that for 1H2018 of approximately RM41.1 million. The decrease in revenue was largely attributed to a drop in sales volume of coconut related products.

The Group's cost of sales decreased by approximately 18.8%, or RM5.5 million, from approximately RM29.0 million for 1H2018 to approximately RM23.6 million for 1H2019, which was in tandem with the decrease in the sales volume of the Group. Total gross profit for 1H2019 decreased by approximately 12.1% or RM1.5 million when compared with that of approximately RM12.0 million for 1H2018, in tandem with the decrease in revenue.

Meanwhile, the gross profit margin of the Group was higher for 1H2019 at 31.0% when compared to that of 1H2018 of 29.3% mainly due to a slightly lower price of the main raw material, coconuts in 1H2019 as compared to 1H2018.

Further details on comparative changes in revenue and expenses are as follows:

Revenue

The Group's revenue is mainly derived from coconut related products. Revenue for such products for 1H2019 was RM32.8 million, representing a drop of approximately RM7.0 million, when compared with that for the 1H2018 of approximately RM39.8 million. The decrease in sales was largely attributed to a drop in sales volume from certain overseas markets resulting from a change in market conditions thereat and increased competition.

Other revenue is mainly made up of sales of ketupat, freight charges to customers and sale of miscellaneous items. In 1H2019, other revenue was approximately RM1.3 million, representing a marginal increase of RM0.1 million from RM1.2 posted in 1H2018.

Other income

In 1H2019, the Group's other income comprised mainly of rental income of RM0.1 million. Other income decreased by approximately RM0.3 million for 1H2019 as compared to 1H2018, mainly attributable to a decrease in the sale of scraps.

Selling and distribution expenses

The Group's selling and distribution expenses of approximately RM1.5 million for 1H2019 were unchanged from 1H2018.

Administrative expenses

The Group's administrative expenses of approximately RM6.7 million for 1H2019 were approximately RM1.7 million higher than those of approximately RM5.0 million for 1H2018. This was primarily attributable to an increase in staff and other related costs in undertaking various market development activities.

Other expenses

The Group's other expenses for 1H2019 of approximately RM0.7 million relate mainly foreign exchange translation losses of the Group's borrowings, which are denominated in United States Dollars ("USD"). The Group's other expenses for 1H2018 of approximately RM1.2 million relate mainly to net loss on foreign exchange differences which arose mainly from the conversion of the Group's cash on hand and fixed deposits held in foreign currencies into Ringgit Malaysia ("RM").

Net finance income/costs

In 1H2019, the Group recorded net finance income of approximately RM0.1 million, as compared to that of 1H2018 of approximately RM0.2 million. The reduction in net finance income was due to the deployment of Net Proceeds towards its intended utilisation, as well as interest expense from term loans drawn down in 1H2019.

Income tax expense

The Group's income tax expense for 1H2019 was approximately RM0.5 million, as compared to that of approximately RM1.4 million for 1H2018. While the reduction in income tax was in line with the decrease in the taxable profit, the effective tax rate for 1H2019 was higher than the previous corresponding period due to certain expenses being not deductible for tax purposes.

Profit attributable to owners of the Company

The Group recorded a profit attributable to owners of the Company of approximately RM1.3 million for 1H2019, as compared to that of approximately RM3.5 million for 1H2018. This was primarily attributable to the decrease in sales (and hence, gross profit) and the increase in expenses and other reasons as discussed above.

Future Prospects and Strategies

The global outlook of coconut products market continues to be positive, and it is anticipated to grow at a cumulative average growth rate ("CAGR") of 17.8% over the forecast period (2019–2025) (source: Grand View Research), albeit becoming more competitive as more new entrants join in the fray. The Group, nevertheless, believes that, with benefit of a widened product range and enlarged production capacity from the expected commissioning of the new plant and the prevailing market standing of the Group, it is well positioned to capitalize on the expanding market potential of the industry and be competitive and achieve sustainable growth at the same time. Various market development initiatives have been launched in this regard and benefits therefrom are expected to be realized in the coming years.

Liquidity, Financial Resources and Capital Structure

The Group maintained a solid financial position and was in a net cash position as at 30 June 2019. The Group is able to repay its obligations when they became due in the ordinary and usual course of business.

Capital Structure

The Group believes in maintaining a strong capital base as well as the confidence of the investors, creditors and market to sustain future development of the business. The Group continues to maintain an optimal debt-to-equity ratio that complies with its debt covenants.

Cash Position

As at 30 June 2019, the Group's cash and cash equivalents were approximately RM28.6 million, representing a decrease of approximately RM17.4 million as compared with those of approximately RM46.0 million as at 31 December 2018, as detailed in the interim consolidated statement of cash flows on page 6.

Loans and Borrowings

As at 30 June 2019, the loans and borrowings amounted to approximately RM23.8 million, representing an increase of approximately RM20.4 million as compared to those of approximately RM3.4 million as at 30 June 2018, attributable primarily to partial drawdown of a term loan facility to partially finance the Group's expansion plans.

Pledge of Assets

As at 30 June 2019 and 31 December 2018, the assets (including construction in progress) pledged to licensed banks for banking facilities granted to the Group were as follows:

	30 June 2019 RM (Unaudited)	31 December 2018 RM (Audited)
Leasehold land	242,186	246,339
Freehold land	894,376	97,046
Factory buildings and other buildings	20,094,965	10,091,943
Plant and machinery	21,567,568	—
	<u>42,799,095</u>	<u>10,435,328</u>

Capital Expenditures

For 1H2019, the Group had incurred capital expenditure of approximately RM38.0 million as compared to that of approximately RM8.8 million in 1H2018. The capital expenditure was mainly related to the purchase of property, plant and equipment and in line with the expansion plans of the Group.

Gearing ratio

Gearing ratio equals total debt divided by total equity. As at 30 June 2019, the Group's gearing ratio was approximately 0.2 times (31 December 2018: 0.03 times).

Significant Investments

The Group did not hold any significant investments as at 30 June 2019.

Materials Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during 1H2019 and 1H2018.

Foreign Exchange Exposure

The Group undertakes certain transactions denominated in foreign currencies, mainly in USD and Hong Kong dollars (“**HK\$**”), and hence, exposure to exchange rate fluctuations arise. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure closely in order to keep the net exposure to an acceptable level. The Group will consider hedging significant foreign currency exposure should the need arise.

Employees and Remuneration Policies

The Group had 307 employees and 273 employees as at 30 June 2019 and 30 June 2018, respectively. Remuneration is determined by reference to prevailing market terms and in accordance with the performance, qualification and experience of each individual employee. Periodic inhouse training is provided to the employees to enhance the knowledge of the workforce. Meanwhile, training programs conducted by qualified personnel are also attended by our employees to enhance their skills set and working experience.

The Company has adopted a share option scheme (the “**Share Option Scheme**”) with effect from 11 July 2017 to enable the Board to grant share options to eligible participants with an opportunity to have a personal stake in the Company with a view to achieving the following objectives: (i) motivate eligible participants to optimise their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain an ongoing business relationship with eligible participants whose contributions are or will be beneficial to the long-term growth of the Group. No share options have been granted since the above adoption date. As at 30 June 2019 and the date of this announcement, there was no outstanding share option granted under the Share Option Scheme and no share option lapsed or was exercised or cancelled during 1H2019.

USE OF NET PROCEEDS FROM LISTING

On 11 July 2017, the Company completed its IPO by way of a global offering of 270,000,000 Shares at an issue price of HK\$0.48 per Share and the Shares commenced trading on the Main Board of the Stock Exchange on the same day.

The Net Proceeds after deducting the relevant one-off and non-recurring listing expenses amounted to approximately HK\$90.4 million (equivalent to approximately RM46.8 million based on Bank Negara Malaysia’s mid-rate as at 29 December 2017 (being the last trading day of 2017) of HK\$1.00:RM0.51795)) (the “**Year End HK\$:RM Rate**”) (as disclosed in the Company’s annual report for the year ended 31 December 2017).

The Group is in the process of implementing its business strategies as set out in the Company’s prospectus dated 29 June 2017 (the “**Prospectus**”) and has utilised approximately RM41.0 million of the Net Proceeds as at 30 June 2019 by reference to the section headed “Future Plans and Use of Proceeds” of the Prospectus. The following sets forth a summary of the allocation of the Net Proceeds and its utilisation as at 30 June 2019 as well as the Group’s current plan as to the utilisation of the unutilized Net Proceeds.

Use of Net Proceeds	Approximate original allocation of the Net Proceeds (RM'million)	Approximate actual amount of the Net Proceeds utilised as at 30 June 2019 (RM'million)	Approximate unused amount of the Net Proceeds as at 30 June 2019 (RM'million)
Expanding and upgrading the production facilities at the Perak Plant	35.6	35.6	—
Recommissioning of the production facilities located at Parit Raja, Malaysia	4.7	—	4.7
Advertising and promotion expenses	1.2	1.2	—
Investing in new equipment to enhance the research and development	1.2	0.1	1.1
General corporate purposes and working capital	<u>4.1</u>	<u>4.1</u>	<u>—</u>
Total	<u><u>46.8</u></u>	<u><u>41.0</u></u>	<u><u>5.8</u></u>

Note: The above Net Proceeds in RM were arrived at after taking into account the Year End HK\$:RM Rate. Should there be any further movement in the foreign exchange rate until the actual utilisation of the Net Proceeds, any upward or downward differences will be taken into “general corporate purposes and working capital”.

Purchase, Sale or Redemption of Shares

The Company did not redeem its listed securities nor did the Company or any of its subsidiaries purchase or sell any of such securities during 1H2019.

Corporate Governance

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Company so as to achieve effective accountability.

The Company has applied and complied with all the applicable code provisions in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules for 1H2019.

Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding the Directors’ securities transactions and all the Directors have confirmed, upon specific enquiries made by the Company, that they had complied with the Model Code during 1H2019.

Important Events After the Reporting Period

The Board is not aware of any material event requiring disclosure that has taken place after 30 June 2019 and up to the date of this announcement.

Review of Interim Results by the Audit Committee

The audit committee of the Company (the “**Audit Committee**”) was established on 8 June 2017 with written terms of reference in compliance with code provision C.3 of the CG Code and Rule 3.22 of the Listing Rules. Such written terms of reference were revised on 1 January 2019 to conform with the requirements under the CG Code and the Listing Rules.

The Audit Committee has reviewed the unaudited condensed consolidated interim results of the Group for 1H2019 and agreed to the accounting principles and practices adopted by the Group.

PUBLICATION OF THE UNAUDITED INTERIM RESULTS AND INTERIM REPORT

In accordance with the requirements under the Listing Rules, the interim report containing all the Company’s information set out in this announcement including the unaudited financial results for the Period will be published on the Company’s website (www.spfood.com) and the website of the Stock Exchange (www.hkexnews.hk) in due course in the manner as required by the Listing Rules.

By order of the Board,
S&P International Holding Limited
Tang Koon Fook
Chairman and Executive Director

Hong Kong, 28 August 2019

As at the date of this announcement, the Board comprises seven Directors, including four executive Directors, namely Mr. Tang Koon Fook (Chairman), Mr. Lee Sieng Poon, Mr. Yap Boon Teong and Ms. Wong Yuen Lee; and three independent non-executive Directors, namely Mr. Fung Che Wai Anthony, Mr. Chong Yew Hoong and Mr. Ng Hock Boon.