ENGRO
BUILDING SUSTAINABILITY

ANNUAL REPORT 2012

CARING FOR THE FUTURE

Registered Office

EnGro Corporation Limited
29 International Business Park
#08-05/06 Acer Building Tower B
Singapore 609923

Tel: +65-65617978
Fax: +65-65619770

Registrar

Boardroom Corporate &
Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Auditors

KPMG LLP
Public Accountants and
Certified Public Accountants
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581

Partner-in-Charge

Low Hon Wah
(with effect from FY2011)

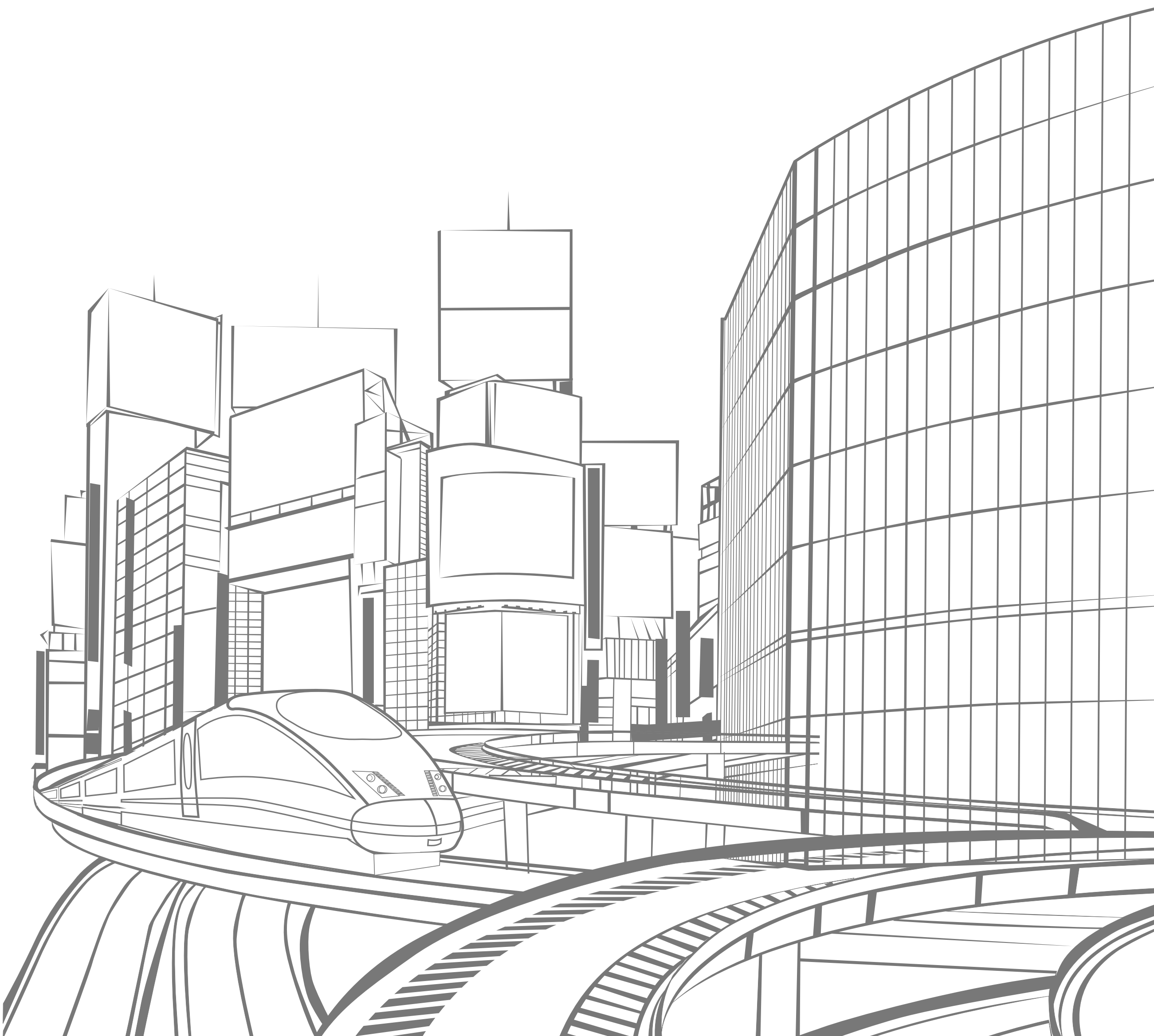
Company Secretaries

Ms Joanna Lim Lan Sim
Ms Low Siew Tian

Table of Contents

40 YEARS... AND GOING STRONG

A leading provider of superior building materials, EnGro celebrates 40 years of shaping landscapes in various parts of Asia. We have maintained high standards of excellence for our products and services all these years, and we look forward to making a more significant impact on the industry and help the industry go green.



CHAIRMAN'S MESSAGE

Financial Review

The Group's turnover for the year increased by 18.9% to S$138 million compared to 2011 while the consolidated net profit after tax was S$11 million, a 13.7 % drop attributed to lower dividend received from an investee company. The Singapore integral cement and ready-mix concrete ("RMC") business and the specialty cement business in China continued to be a healthy contributor to the Group's results.

For the year 2012, EnGro's core business in Singapore continued to gain market share. Sales volume grew in tandem with the continued growth of the local building and construction industry.

In China, slower economic growth and rising costs took a toll on our China JVs' overall profitability. Our GGBS business has, despite a downturn in the China economy, brought in its share of contribution as a result of cushion being provided through the additional income from our newly commissioned 1.2 million tons facility in Wuhan and the 4th production line in Jinan.

The Board is recommending a first and final dividend of 3 cents per share declared for FY2012, subject to shareholders' approval at the Annual General Meeting of the Company to be held on 29 April 2013.

Macro Economic Review

The U.S. economy remains uncertain despite its unemployment rate having gone below 8% while real growth has been kept above 3%. Europe appears to have developed a broad plan to deal with its sovereign debt problem and is moving closer to fiscal cohesion. The slowdown in Europe and the U.S. are casting doubts over growth in economies heavily dependent on them for trade, and the slowdown witnessed in China has thus far proved that the China economy is able to avert a hard landing. The new leaders in China seem determined to implement reforms to keep the domestic economy growing at 8% or better backed by a broader growth strategy to boost domestic consumption as well as improved healthcare and retirement programs aimed at providing better social benefits for the people.

A holistic carbon management program is in place for EnGro to manage its annual carbon emissions, consistent with its philosophy in adoption of "carbon neutral" building materials.

Continuous Investment in Sustainability Building

In 2012, Singapore's Building and Construction Authority ("BCA") reported that the Green Building program is on track. The number of green buildings awarded with BCA Green Mark has reached 1,200. New buildings awarded with BCA Green Mark are now a norm in Singapore and this is a trend which is spreading globally at a fast pace, driven by a common desire to protect the environment amidst rapid urbanization in major global cities.

As the green movement gains momentum, customers' expectation shifts to "low-carbon" as well as "carbon neutral" concrete and cementitious products in order to score higher BCA Green Mark points. To support the continuous shift towards a higher green building standard set by BCA, EnGro is committed to invest bigger R&D dollars to focus on Sustainable Construction Materials (SCM). Our cost-effective high performance products have not only been adopted in several prestigious projects but many of these applications have been under stringent and challenging ground conditions.

EnGro started implementing key environmental management standards ("EMS") since 2011. On top of the ISO 14001, EnGro has subsequently embraced ISO 14064, a new standard to monitor carbon emission from its Singapore operations. With the ISO 14064 standard entrenched in our operations, a solid foundation is established for EnGro to quantify, monitor and report greenhouse gas ("GHG") emissions from 2012 and beyond. A holistic carbon management program is in place for EnGro to manage its annual carbon emissions, consistent with its philosophy in adoption of "carbon neutral" building materials. This is aimed at anchoring EnGro as one of the preferred suppliers of green building materials in Singapore.

18.9%

Increase in Group Turnover

The Group's turnover for the year increased by 18.9% to S$ 138 million compared to 2011

Business Review

a) Singapore Integral Cement and Ready-Mix Concrete (RMC) Operation

	2008	2009	2010	2011	2012
Construction Demand, S$ billion	**34.6**	**21.0**	**25.7**	**32.0**	**28.1**
• Public Sector, (S$ billion)	14.5	13.5	8.3	15.2	9.3
• Private Sector, (S$ billion)	20.1	7.5	17.4	16.8	18.8

Total construction demand in Singapore reached $28.1 billion in 2012. Public sector demand showed a moderate growth while private construction displayed resilience despite slower economic growth. The announced accelerated public housing and infrastructure building programme, in line with a projected population target by 2020, is likely to sustain the current level of construction activities.

Leveraging on EnGro's strength established in Singapore, Top-Mix Concrete has set foot onto one of Malaysia's fast growing markets, namely our neighbouring Johor Bahru ("JB"). The acquisition of Compact Concrete Sdn Bhd ("Compact Concrete") was timely to tap the rapidly increasing construction activities and the projected demand from the Iskandar Development Region ("IDR"). The IDR is one of the five key economic corridors emphasized in the Tenth Malaysia Plan ("10MP"). With its proximity to Singapore and the Singapore Government's encouragement to shift low value-add operations to JB, we expect strong demand in years to come.

b) Specialty Cement Operations

The two newly-commissioned GGBS production lines of Wuhan Wuxin (a joint venture with Wuhan Iron & Steel Corporation ("WISCO") with a total of 1.2 million tons per annum ("MTPA") production capacity went into full production since April 2012. Concurrently, a new 4th production line in Jinan Luxin was commissioned, bringing production capacity to 2.4 MTPA in Jinan, Shandong province. Counting on the phase 2 expansion of Wuhan Wuxin and the greenfield project in Quanzhou Port, Fujian province, the combined capacity of our associates in China will reach 9.0 MTPA by 4th quarter 2013.

China rode through a challenging year in 2012. It has successfully avoided a hard landing predicted by many economists and ended the year with a GDP growth of 7.5%. According to the World Bank, China's economic growth in China is expected to achieve 8.4% in 2013, supported by urbanization inertia.

The economic slowdown in China has greatly impacted the steel and cement industry, of which our GGBS business is closely associated with. Higher material costs, new entrants and excess capacity had resulted in a margin squeeze for our GGBS business.

China has also announced its resumption of its high-speed railway construction programme with the overlay of inter-city rails to form half-an-hour to 2-hour inter-city economic zones. This is yet another ambitious plan to speed

According to the World Bank, China's development is set to regain pace whereby the general expectation is for its economic growth to return to 8.4% in 2013, supported by urbanization inertia.

CHAIRMAN'S MESSAGE

up urbanization in certain parts of China. With the widely propagated and extensive railway construction (generally referred to as the "4-Horizontal plus 4-Vertical Railway Grid") covering a total distance of 30,000 km, high speed railway lines have come into full operation. This inter-city rail is a new concept introduced to enhance the existing national transportation grid. Wuhan, being ideally located in Central China, will clearly benefit from the inter-city rail program and its spin-off.

China's relentless support for urbanization is expected to be positive for our GGBS business. The announced railway development plans and its spin-off look set to benefit all of our GGBS plants and we are most pleased by the latest measures taken by the China Central Government. We remain confident of the overall long-term growth of our Specialty Cement (GGBS) operations in China.

c) Specialty Polymer

Overall production by Resin & Pigment Technologies ("R&P") was lower than projected due to slower customers' off-take caused by slowdown in the global economies. To cushion the effect, R&P redirected its sales and marketing efforts to promote in-house products and services in the medical, health and hygiene industries.

One bright spot is a steady increase in grade development activities of Exxtral™ grades as ExxonMobil Chemical step up qualification efforts with their automotive customers. The success of the grade development activity will pave the way for bigger volumes to be seen in years to come. As part of R&P's plan in continuing to build up its laboratory and technical capabilities over the last few years, efforts are underway to implement ISO17025 standard to put R&P's laboratory in the same league as any other fee-based accredited laboratories, and shorten the grade development cycle to meet ExxonMobil Chemical's increasing demand.

Affected by the new manpower policies rolled out by the Singapore Government in 2012, R&P operations will have to spend more resources to retool and automate its manufacturing systems to meet projected increased demand from EM and to be better positioned to serve the medical, health and hygiene industries. R&P is preparing for ISO13485 qualification which is essential to serve the medical, health and hygiene industries.

As Asia's automotive markets continue to experience high growth rates in places such as China which is forecast to roll out 17 million new cars in 2013 with a CAGR of about 7% until 2020, R&P's automotive toll compounding business is expected to leverage on the growth prospect of these markets.

The growth prospects of the medical, health and hygiene industries in South East Asia is expected to be bright due to the increasing need of sophisticated and quality healthcare, growth of ageing populations and rise in medical tourism. More companies related to these industries are expected to set up or increase manufacturing capacity in Asia, and Singapore remains an attractive destination due to the stringent quality requirements. Hence, R&P stands to benefit from potential collaborative activities with these medical, health and hygiene industry players.

d) Investment

TThe property cooling measures introduced by the Singapore Government have dampened overseas buyers' demand for high-end luxury residential property. Although interest for Turquoise remains subdued, we are confident that demand will return when the property market recovers. In the meantime, the unsold units of Turquoise are being leased out while waiting for the market to recover.

The austerity measures introduced by the Chinese Central Government to cool down China's over-heated property sector affected China's property market. However, EnGro's investments in Phase 1 of the Tangshan Nanhu Eco-city project together with Yanlord and Ho Bee are on track because of our partners' real estate development expertise and branding.

The US venture capital ("VC") industry continues to consolidate resulting in fewer VC firms being left operating.

A small number of VC firms were, however, successful in raising more funds. Capital inflow into this industry remains at a healthy level and this can be deemed as a vote of confidence from limited partners. Overall, the industry as a whole is maintaining good pricing discipline in selecting and supporting emerging growth companies. Against this backdrop, the active US-based VC funds that EnGro has invested has performed well with a few profitable IPO exits and successful M&As in 2012.

Prospect

In Singapore, in spite of sluggish economic growth, rising inflation and higher costs, we expect demand for our expanded range of Sustainable Construction Materials ("SCM") to remain strong.

Although China's economic growth in 2013 is projected at 8% by the Chinese Government, we will continue to adopt a cautious approach in expanding our GGBS business.

Acknowledgement

On behalf of the Board, I wish to offer my heartfelt thanks to everyone in the EnGro family, our customers, stakeholders, my fellow Directors and our management team and staff for their continuing support, dedication and inspirations. Two directors, Mr. Tan Keng Boon and Mdm. Tan Choo Suan, stepped down during the year. We thank them for their contributions. However, special thanks must go to Mr. Tan Keng Boon who was with the Board for 15 years and had given the Board invaluable guidance.

Amidst a period of global uncertainties, we will continue to execute our plans with cautious optimism to ensure a sustained profitability in 2013 as well as the years to come.

Tan Cheng Gay
Chairman

DIRECTORS' PROFILE

Tan Cheng Gay

Chairman and Chief Executive Officer

Mr Tan is a stalwart of the Company, having been with EnGro Corporation since its inception. He was appointed as Director in 1973 and has since served as the Executive Director of the Company.

Tan Yok Koon

Executive Director

Mr Tan was first appointed as a non-independent director in 1974. In March 2005, he was appointed the position of President, China Operations. He also serves as a member of the Nominating Committee. He is related to Mr Tan Cheng Gay.

Ng Tat Pun

Director

Mr Ng is an independent and non-executive Director. He joined the board in 2002 and is the Chairman of the Audit Committee and a member of the Remuneration Committee.

Mr Ng's extensive experience in the banking and finance industry began when he started his career with Citibank in 1971. Since then, he has served in various senior positions with both foreign and local banks. From 1988 to 1997, he was Executive Vice President of OCBC Bank, Singapore, in charge of its International Banking and Financial Institutions business. In 1998, he was appointed the Executive Director and Chief Executive Officer of OCBC Bank, Malaysia. Mr Ng was also a Managing Director of JP Morgan Chase from 1999 to 2002, a Managing Director and subsequently a Senior Advisor at UBS AG from 2003 to 2008.

Mr Ng is currently the Chairman of the Board of Directors of SP Chemicals Holdings Ltd. He also serves as an independent director and Audit Committee member of Thai Beverage Public Company Ltd. Mr Ng also serves as an independent director of Sing Investments & Finance Limited.

Soh Kim Soon

Director

Mr Soh joined the board in 2002 as an independent and non-executive Director. He is the Chairman of the Nominating Committee and serves as a member of the Remuneration Committee and the Audit Committee.

Mr Soh is currently Chairman of ORIX Investment And Management Private Limited and ORIX Leasing Singapore Limited. He also serves on the board of Frasers Centrepoint Asset Management Ltd.

Mr Soh was previously Senior Managing Director of DBS Bank where he worked for more than 29 years.

Ronnie Teo Heng Hock

Director

Ronnie Teo Heng Hock joined the board in January 2012 as an independent and non-executive director of the company. He is the Chairman of the Remuneration Committee and serves as a member of the Nominating Committee and the Audit Committee.

He has worked in several major banking and financial institutions covering areas in corporate lending, treasury, consumer and investment banking over a period spanning more than 20 years. Prior to being the Managing Director of Financial Reengineering Pte Ltd, an advisory and management consultancy company, Mr Teo was the Managing Director and CEO of DBS Asset Management Ltd and General Manager of DBS Finance Ltd.

Mr Teo is currently an Independent Director of Berger International Ltd, Shanghai Asia Holdings Ltd, Uni-Asia Finance Corporation, and Yeoman 3-Rights Value Asia Fund.

MANAGEMENT TEAM

Jimmy Ho
B. Eng. Chemical Engineering from University College London

Group Chief Operating Officer
Jimmy joined the Company in January 2013 as Group Chief Operating Officer. Jimmy has over 15 years of regional business development, commercial, marketing and technical experience working for multinational companies in the petrochemical, chemical and oil & gas industry. His role is to assist Group CEO in overseeing operations and performance of the Group.

SINGAPORE CEMENT & RMC OPERATIONS

Eugene Ho
M.Sc. (Honors) in Marketing from National University of Ireland. B. Bus. (Bus Adm) from Royal Melbourne Institute of Technology University, Australia. Dip. in Civil Eng. from Singapore Polytechnic and Dip. in Management Studies (SIM).

General Manager, Building Materials Division (Singapore)
Mr Eugene Ho joined the Company in 2008 as Senior Manager of the Singapore Building Materials Division and was promoted to General Manager of this division in 2010. He has more than 25 years of working experience in Building Materials Industry and has held various senior positions in major RMC companies.

Chua Chee Kian
B.Eng (Mechanical) with Honours of 2nd Class (Division I) from University of Glasgow, UK and Dip in Mechanical Eng from Singapore Polytechnic

Plant Manager
Mr Chua joined the Company in 1996 and was promoted to position of Plant Manager in August 2009. He oversees EnGro's bulk material terminal operations in Pulau Damar Laut, Singapore.

SPECIALTY CEMENT OPERATIONS

Dr. Chen En Yi
Ph.D in Engineering and a Master Degree in Engineering from Tsinghua University, China

General Manager, Specialty Cement
Dr Chen joined the Company in 1996 and is a member of the China business development team. Dr Chen was promoted to the position of General Manager, Specialty Cement in 2010. Prior to joining the Company, he lectured in Tsinghua University China, specializing in cement and concrete technologies.

Dr. Lim Chan Teng
B.Sc (Chemical Engineering) from Nanyang University and a Ph.D (Chemical Engineering) from University of Manchester Institute of Science and Technology, UK

Manager, Business Development (China)
Dr Lim joined the Company in February 2004 and is a member of the China business development team. His previous working experience includes responsibilities in process technology, facilities planning and development as well as design in a major oil company.

SPECIALTY POLYMER OPERATIONS

Wong Chi Tsung
B. Eng (Mech) and MBA from NTU, CFA charter holder

Managing Director, Resin & Pigment Technologies Pte Ltd
Mr Wong currently oversees the specialty polymer business and operations of both the Singapore and China (Wuxi) plants. He is a member of EnGro's investment team.

HQ HEAD OF DEPARTMENT

Jamie Lee
B.Acc from National University of Singapore, ICPAS member

Group Financial Controller
Ms Lee oversees the financial affairs and procurement for the Group. She has over 20 years of regional finance experience working for Singapore listed and multinational companies in the chemicals, engineering and manufacturing industries.

Wong Toon Hong
B.Eng (Civil) from Nanyang Technological University and an MBA from the University of Surrey, UK

Manager, Strategic Business Unit
Mr Wong joined the Company in 1994. He supports the CEO's Office and is responsible for the GGBS and blended cement operations in Korea, venture capital Hi-Tech investments, and the Infocomm needs of the Group. His prior working experience includes positions in IT system development in sectors from defense, government, publishing, technology and business consulting for multinational companies in Asia Pacific.

Vincent Loh
B.Bus (Accounting) from Monash University, Australia, CPA member of CPA Australia and ICPAS

Manager, Knowledge Management
Mr Loh joined the Company in 2000 as the Internal Auditor. He currently heads the Group's Knowledge Management department and helps to manage the Group's subsidiary companies in Malaysia and China. Mr Loh also oversees the Group's green initiative programs and Corporate Governance matters.

CORPORATE STRUCTURE

- **Specialty Cement & Building Materials**
  - **GGBS**
    - 40% Tangshan Tanglong Materials Co Ltd
    - 40% Tangshan Tang-Ang Materials Co Ltd
    - 40% Jinan Luxin Materials Co Ltd
    - 40% Jiangsu Hualong Materials Co Ltd
    - 33% Wuhan Wuxin Materials Co Ltd
    - 40% VCEM Materials Co Ltd
  - **RMC**
    - 100% Top-Mix Concrete Pte Ltd
    - 100% Top-Mix Concrete (Malaysia) Sdn Bhd
    - 40% Changshu Chang Long Concrete Co Ltd
    - 40% Changshu Chang Xin Ready Mix Concrete Co Ltd
    - 40% Changshu Chang Yin Ready Mix Concrete Co Ltd
  - **DRY MIX**
    - 100% CemtecAsia (M) Sdn Bhd
    - 100% Shanghai S3 Building Materials Co Ltd
- **Specialty Polymer**
  - 97.91% Resin & Pigment Technologies Pte Ltd
  - 97.91% Resin & Pigment Technologies (Wuxi) Co Ltd
- **Investments**
  - 100% Sancem Investment Pte Ltd
  - 100% SsangYong LTI Pte Ltd
  - 100% e-Invest Limited
  - 100% Juniper Capital Ventures (Pte) Ltd
- **Property Development**
  - 30% HBS Investment Pte Ltd
  - 30% Parliament View Developments Limited
  - 20% HB Investments (China) Pte Ltd
  - 10% Ho Bee Cove Pte Ltd

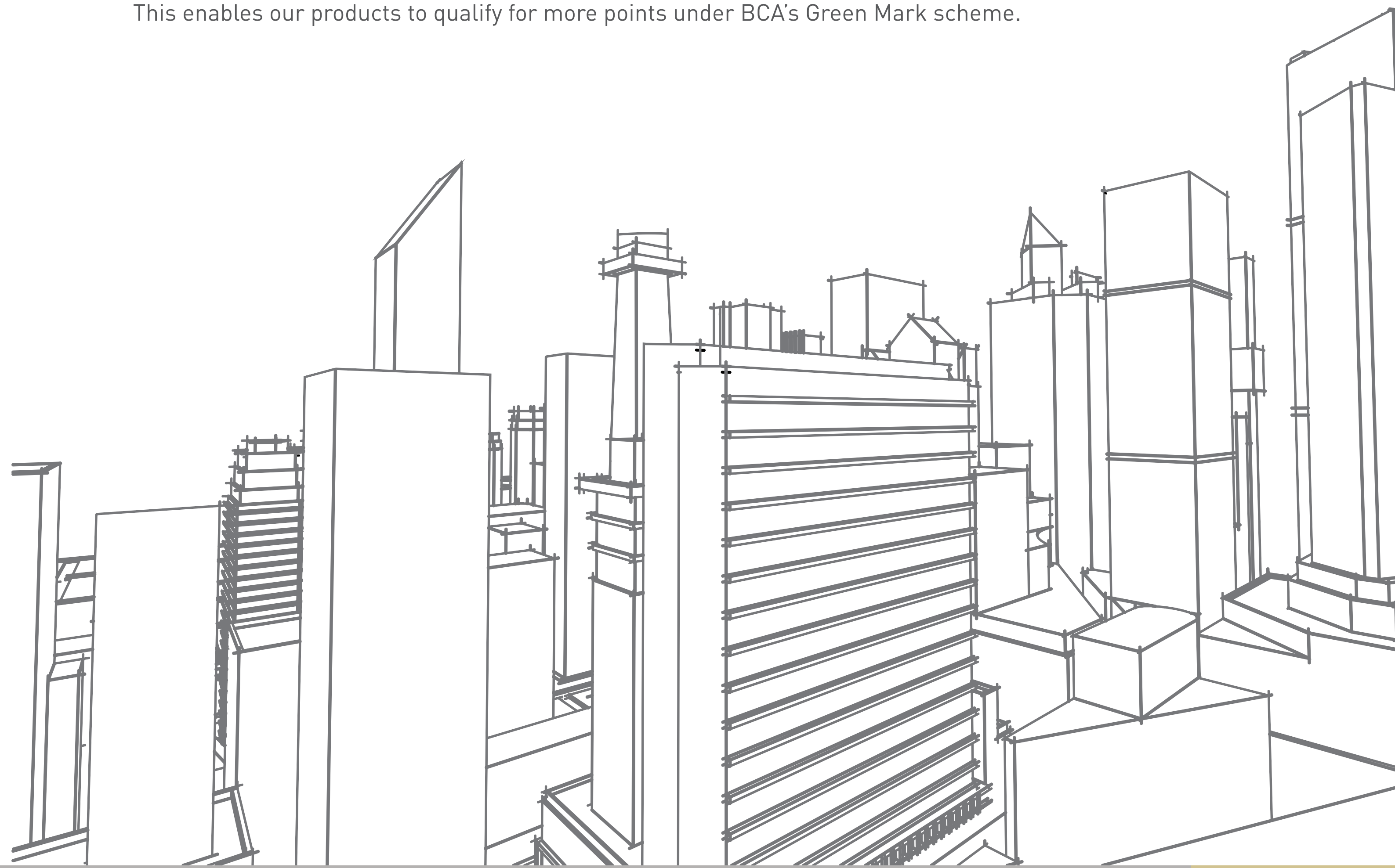
Legend

- Companies Incorporated in China
- Companies Incorporated in Singapore
- Companies Incorporated in Malaysia
- Companies Incorporated in United Kingdom
- Companies Incorporated in South Korea
- Companies Incorporated in Hong Kong

WE HAVE SCALED NEW HEIGHTS OF PRODUCT AND SERVICE EXCELLENCE

Our expertise and proven track record over the past 40 years have won us prestigious projects in Singapore such as Suntec City, Hyflux Desalination Plant, Tuas View Extension Megaport, the KK Women and Children's Hospital, JTC Summit and Biopolis and many more around the world.

In recent years, EnGro is proud to champion the building of a sustainable future. Backed by our firm belief in Building Sustainability, our Green products, which have been certified by the Singapore Green Labelling scheme since 2007, are now also certified by the Singapore Green Building Project ("SGBP") administered by the Singapore Green Building Council ("SGBC"). This enables our products to qualify for more points under BCA's Green Mark scheme.



ENGRO GREEN INITIATIVES

At EnGro, we continue to strengthen our green initiative which we planted the seeds more than a decade ago. In recent years, the fruits of our green initiative germination has begun to reap good results and gained acceptance.

In Singapore, sustainable construction using Singapore Environment Council's or Singapore Green Building Council's certified green cement and green concrete helps green buildings reduce a significant portion of the building's embodied carbon emissions.

When our green products were first certified with Singapore-based eco-labels such as the Singapore Green Label and the Singapore Green Building Product Label, there were curiosity among our peers as to our intent, because at that time, BCA had yet to make the Green Mark mandatory. Notwithstanding this, we saw it as part of our duty to heed the greater calling to lead by example and to provide a choice to our users, for them to access a complete suite of materials which would meet their green building needs in years to come.

And as time passed, we enhanced our green products further by adding other elements, among them, an independent carbon footprint assessment that describes the carbon emission that each ton of our green products generate during its life-cycle from cradle to grave. We felt that this would enable our users to assess how green our green products truly were in light of cement and concrete traditionally being deemed as commodities with little room of differentiation. In our opinion, there is always room to differentiate a product. EnGro would prefer to be known as a Green Building Product Solutions Provider, rather than a mere manufacturer or trader.

Our green initiative objectives and goals are clear and goes beyond our own self interest. It was with this selfless thought that we decided to initiate an independent platform which functioned as a dialogue for companies big and small in Singapore to exchange ideas and experiences on their respective green initiative programs spanning a diverged range of sectors and industries. This is what we deem to be a true "green community" and hopefully contribute towards the nation-wide green knowledge building experience. This community is aptly named "Friends of Building Sustainability".

In 2012, EnGro's green torch continues to brighten the path forward for more in-depth commitment throughout the Group to implement more green initiative programs. The following is a list of what we accomplished in 2012, and which is non-exhaustive.

Friends of Building Sustainability

1. Successful implementation of ISO 14001 and OHSAS 18001 standards

OHSAS 18001 – Occupational Health and Safety Management Systems

EnGro's focus in building sustainability also means that we are a firm believer in preserving and enhancing our staffs' wellbeing with a balanced view on safety and environment impact arising from our various operational activities. In 2012, the Group's Singapore operations obtained the ISO 14001 and OHSAS 18001 certification. This included EnGro Headquarter premises, Pulau Damar Laut bulk terminal facility, Top-Mix Concrete batching plants and Resin & Pigment resin compounding plant located in Jurong Island.

OHSAS 18001: 2007 (Occupational Health and Safety Management Systems) is an International Occupational Health and Safety Management System specification. EnGro and its subsidiary attained the certification in the third quarter of 2012 and certified by TUV SUD Singapore. By being OHSAS 18001 certified, EnGro's Singapore operations is committed to hazard identification, risk assessment and determining controls, legal and other requirements.

ISO 14001 -- Environmental Management System

ISO 14001 is an internationally accepted standard that provides a framework to put in place an effective environmental management system. The standard is designed to address the delicate balance between maintaining profitability and reducing environmental impact. EnGro's commitment to health, environment, safety and security culminates in the implementation of the ISO14001 Environmental Management System standard. The implementation of ISO 14001 standard is expected to enable us to better manage environmental management with focus to reduce waste as well as energy consumption and improve efficiency to reduce operational cost. While we continue pursuing operational excellence, we commit to being responsible corporate citizens and not forsaking the environment.

2. ISO 14064 - Greenhouse Gas (GHG) assessment standard

In the fourth quarter of 2010, EnGro joined as one of the pioneer batch of local companies to implement ISO 14064 Greenhouse Gas (GHG) assessment standard as part of SPRING Singapore's efforts to encourage more companies to being accountable to measure the carbon emissions arising from the direct and indirect activities of the company. In third quarter of 2012, EnGro achieved the ISO 14064 certification which enabled us to assess the GHG emissions of EnGro's building materials operations based on GHG boundaries set out as per the requirements of ISO 14064 standard; this included emission arising from EnGro's Corporate Head Quarters in Singapore, Top Mix Concrete's Ready-Mix Concrete ("RMC") Batching Plants in Singapore, and EnGro's Bulk Material Terminal at Pulau Damar Laut (PDL) in Singapore. As part of the implementation of ISO 14064 standard, EnGro implemented an energy reduction program commencing with the use of LED lightings to replace conventional technology in order to reduce its energy consumption.

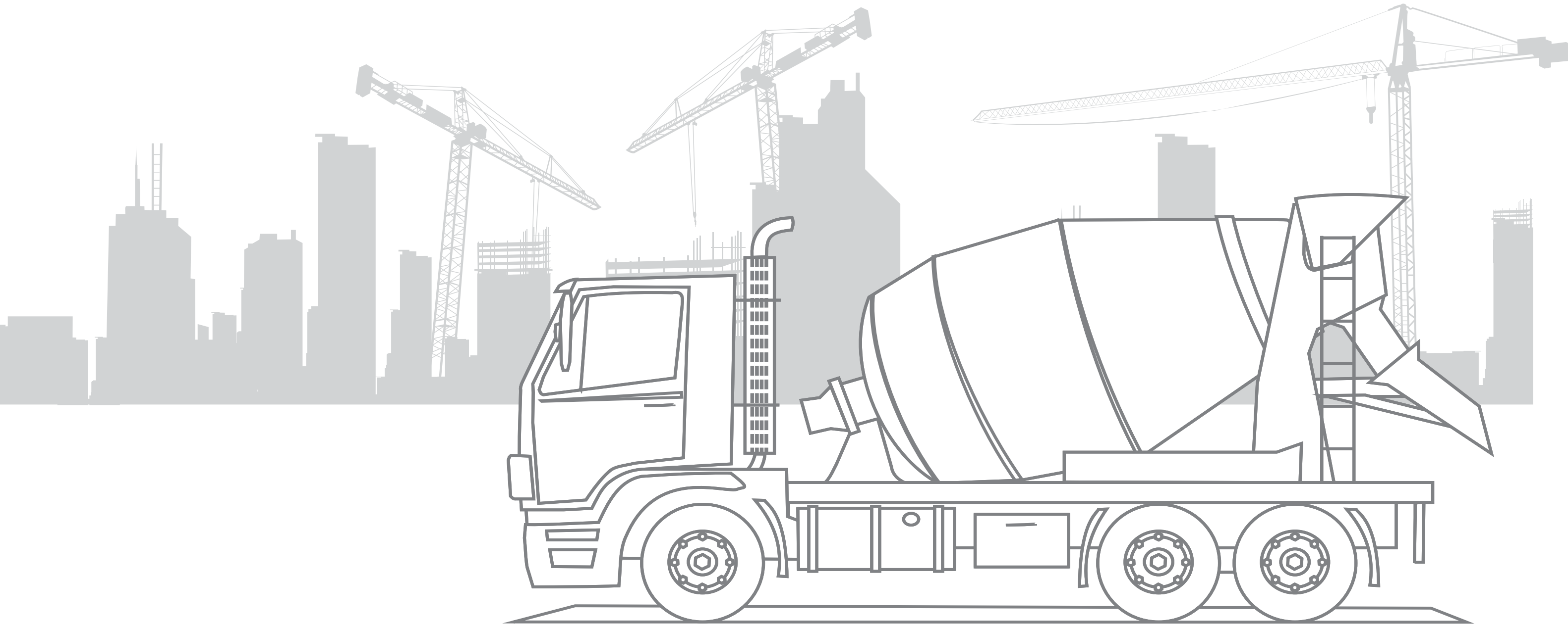
3. Achieving Carbon Neutrality

In tandem with the carbon footprint assessment conducted in accordance to ISO 14064 standard, EnGro has further committed to the PAS 2060 certification as proof that EnGro has achieved carbon neutrality by offsetting our company level carbon emissions. By achieving carbon neutrality, it helps us cascade a top-down message to all employees on the importance of carrying out the company's activities in a way that allows a balance between commercial and environmental considerations. This is what we mean by a balance between "People, Planet, and Profits".

WE HAVE REACHED FAR AND WIDE TO EXPAND OUR GLOBAL FOOTPRINT

Headquartered in Singapore, our operations span across Malaysia, South Korea and various parts of China.

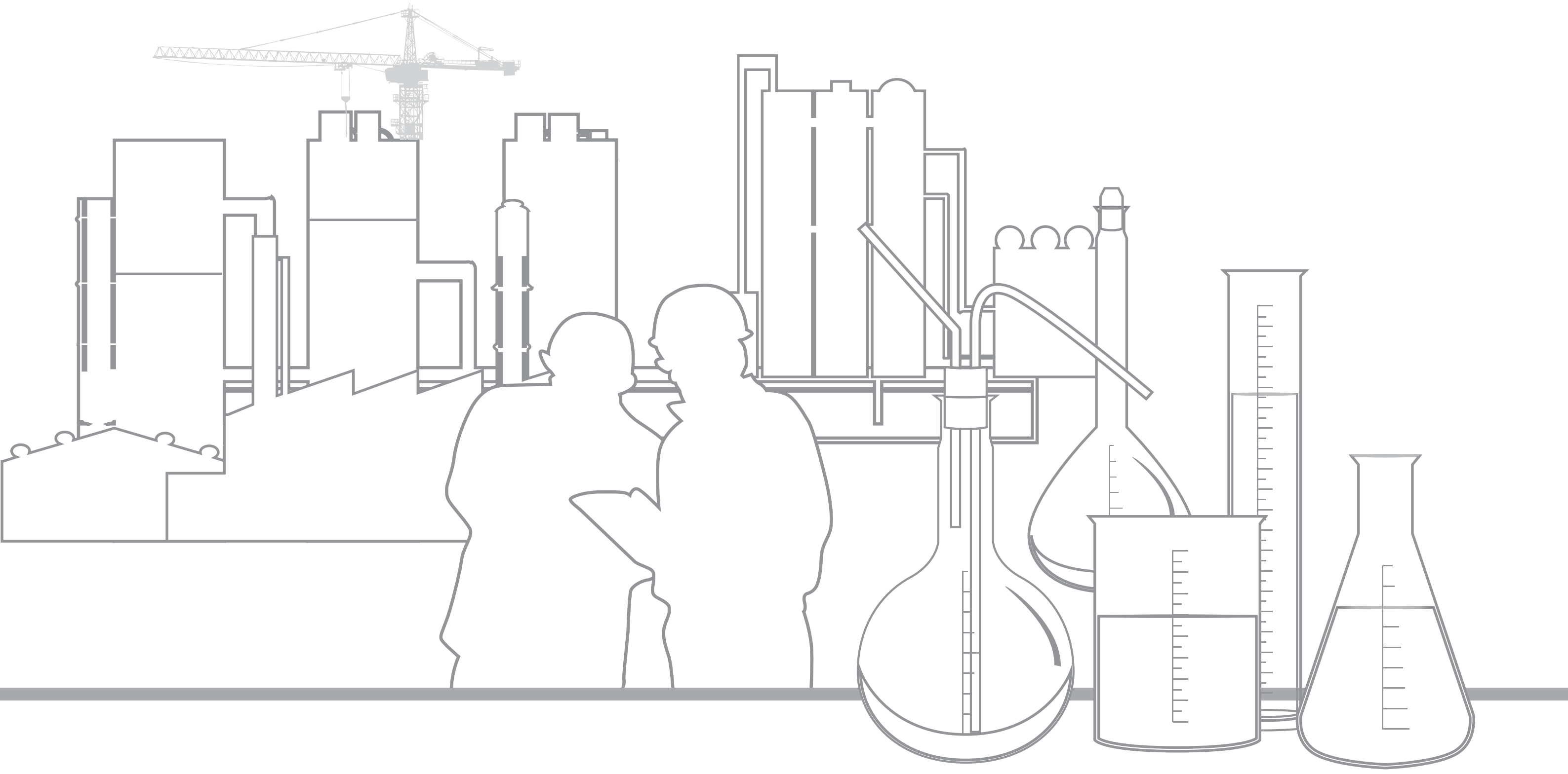
In our latest expansion initiative, our China associate company, Jinan Luxin Materials Company registered a new company, Quanzhou Luxin Materials Company to build a plant comprising a designed ground granulated blast-furnace slag (GGBS) output capacity of 0.6 million tonnes per annum. This will help boost Luxin's total annual production capacity to 3 million tones. Coupled with Wuhan Wuxin's planned Phase 2 expansion of 1.8 million tons, EnGro's total GGBS annual production capacity in China will increase to 9 million tons. The Quanzhou Luxin project is expected to commence operations in the fourth quarter of 2013.



REGIONAL FOOTPRINT

WE HAVE DUG DEEP TO SHARPEN OUR COMPETENCIES

Our expertise in identifying the right resources, intensifying research and development activities and enhancing production efficiencies remain instrumental in bringing reliable, innovative and cost-effective business solutions to our customers. Our partners continue to benefit from our ability to replicate our operating expertise and bring wider market access through our regional network. To meet the increasing demands of the industries we serve, we will continue to invest in research and development and craft innovative engineering processes that will ensure timely, high-volume turnover at lower costs.



SINGAPORE INTEGRAL CEMENT & READY MIX CONCRETE

ENGRO BUILDING SUSTAINABILITY + TOP-MIX DURABLE CONCRETE

	2008	2009	2010	2011	2012
Construction Demand (S$ billion)	**34.6**	**21.0**	**25.7**	**32.0**	**28.1**
• Public Sector (S$ billion)	14.5	13.5	8.3	15.2	9.3
• Private Sector (S$ billion)	20.1	7.5	17.4	16.8	18.8

8 Products

4 Products

2 Products

EnGro's Eco-Friendly Building Materials are awarded with SEC's Green label Accreditation as well as the SGBC's Singapore Green Product Label Accreditation

GGBS	Green Concrete
VCEM BUILDING DURABILITY	DuraCrete™
Blended Cement	Blended Cement
P4246S, P197B, P4246, P197-4S, P197A	P8000

In 2012, the construction sector's strong performance was sustained at a healthy S$28.1 billion based on preliminary estimate. Compared to year 2011, the construction sector's performance in 2012 moderated by 20.8%.

The public sector construction demand, at $9.3 billion, was within the BCA's projected S$9 to S$11 billion range. By contrast, the private sector construction demand in 2012 displayed resilience beyond expectations despite the slower economic growth and exceeded BCA's demand forecast for the private sector. Demand for private sector construction works was mainly driven by acceleration of residential property launches and developments to ride on the strong buying momentum as well as firm industrial building demand bolstered by engineering, procurement and construction of a few major chemical plants.

The Ministry of Trade and Industry (MTI) projected tough times ahead, with growth expected at 1.0% to 3.0% due to global uncertainties. However, anchored by a healthy pipeline of public sector projects, such as public transport and public housing sectors, these projects are expected to provide strong support to the construction sector in 2013. BCA forecasts that total construction demand in 2013 is likely to be between S$26 and S$32 billion reflecting a continued and sustained level of workload for the next few years.

In 2013, the public sector demand is projected to strengthen significantly, constituting 53% of the industry demand, to between S$14 and S$17 billion, boosted by stronger public housing and infrastructure construction. The major boost in public sector demand is due to the rescheduling of several major public housing and civil engineering projects originally scheduled for tender in 2012 but postponed to 2013, coupled

SINGAPORE INTEGRAL CEMENT & READY MIX CONCRETE

with the Government's effort in ramping up public housing and rail construction. In 2013, the anticipated ramp-up in public housing projects and major infrastructure comprise of projects such as the Thomson MRT line, expansion of Kallang Paya Lebar Expresway (KPE) / Tampines Expressway (TPE) Interchange, NTU's Undergraduate Halls of Residence, EMA's fourth storage tank for liquefied natural gas (LNG) terminal at Jurong Island, and JTS's very large floating structure (VLFS) at Pulau Sebarok.

On the other hand, the private sector demand is likely to moderate further in view of uncertain economic outlook coupled with the latest residential property market cooling measures introduced to curb property price escalation.

Beyond 2013, BCA forecasted demand to be between $20 billion and $28 billion per annum between 2014 and 2015. Barring any unforeseen circumstances, this projection seems conceivable in view of the strong pipeline of public housing and public infrastructure construction projects although a sustainable lower rate of growth is planned for the coming years.

The year 2012 has been a good year for EnGro's cement business, as its total cement sales grew by double digits year-on-year compared to 2011. In 2012, EnGro successfully clinched 225,000 metric tons of cement supply contract with the Housing Development Board ("HDB") spanning across the period from mid 2012 till end 2013. With the ramp-up of building programs by HDB, EnGro will be actively participating in the HDB cement supply tenders in the coming years. On the private and civil engineering sectors, EnGro had secured a contract to supply to Marina South development project which involved substantial amount of Portland Blastfurnace Slag Cement (PBFC), running on a 24-hour operation daily. EnGro has also seen higher demands in Ready-Mixed Concrete (RMC) industry and civil engineering projects and continues to enjoy strong supports from the RMC companies for supply to MRT projects. The use of PBFC in various projects to replace Ordinary Portland Cement (OPC) have increased tremendously due to better performance in many areas. In the continuous search of new application for our green cement, new prospects have been identified.

As a leading manufacturer of Ground Granulated Blastfurnace Slag (GGBS) in the Asian region, EnGro has over the years successfully launched various blended cement products under Singapore Environment Council (SEC) and Singapore Green Building Council (SGBC) green labels. Today, apart from OPC and GGBS, EnGro is proud to be able to supply wide range of blended cement products which will also continue to grow in number in the future.

EnGro's wholly owned subsidiary, Top-Mix Concrete, continues to gain customer confidence in support of its promotion of Green Concrete under the DuraCrete brand name and PBFC Concrete to various projects such as Hyflux's largest desalination plant (Phase 1 and 2) in Singapore at Tuas South Ave 3, Twin Waterfalls Executive Condominium at Punggol, Shipyard Development at Tuas South Boulevard, Warehouse Development at 31 Gul Circle and 10 Gul Crescent, Research & Development Building With Basement at Changi Business Park Vista, Commercial Shops at 340 Geylang Road and Development of Print Media Hub @ Paya Lebar iPark.

Apart from strengthening its RMC footprint in Singapore, in 2011 Top-Mix Concrete expanded its RMC business into Malaysia's growing Johor Bahru ("JB") market with the acquisition of Compact Concrete Sdn Bhd ("Compact Concrete"). With the rising interest of the Iskandar Development Region ("IDR") in JB, the acquisition of Compact Concrete was timely to tap on the growing construction demand in JB region. The IDR continues to attract substantial foreign investments with a majority of which coming from Singapore, as the IDR is one of the five economic corridors emphasized in the Tenth Malaysia Plan ("10MP").

The Malaysian government expects the economy to grow by 4.5% to 5.5% in 2013, slightly better than the 4.5% to 5.0% growth projected for 2012. EnGro is committed to grow Compact Concrete's RMC business in JB in anticipation of increased construction activity in the IDR.

From 1st January 2013 onwards, Compact Concrete has been renamed as Top-Mix Concrete (Malaysia) Sdn Bhd as part of the group's RMC business under the Top-Mix Concrete banner.

1 Hyflux Desalination Plant in Tuas

2 Tuas View Extension Mega Port Project 1

3 Twin Waterfalls Executive Condominium at Punggol

4 Reasearch & Development Building at Changi Business Park Vista

5 The Terasse at Hougang

CHINA SPECIALTY CEMENT

2012 proved to be a difficult year for many in China with reports of business failures being featured commonly. Despite this, China, the world second largest economy, fought against critics' prediction of a collapse and still produced a GDP growth rate of 7.7%, the worst performance since 2005, caused by recession in Europe plus a lackluster recovery in the United States coinciding with the Chinese Government's attempt at re-balancing the economy.

During the year, infrastructure was deliberately slowed down while construction activities clearly felt the impact brought about by a series of property market cooling measures introduced by the Chinese government to keep the real estate prices under control. The effect on the construction industry was especially pronounced from the second half of 2011 and continued well into 2012. Cement producers and steel plants were two main sectors which took the brunt of these control measures, and profits of both these sectors plummeted at a time when an already less than desirable over-supply situation was plagued further by weak demand. Cement production stood at 2.18 billion tons in 2012.

EnGro's China Ground Granulated Blastfurnace Slag ("GGBS") business which is inextricably linked to both steel and cement industries did not go unscathed. Against very tough market conditions, our joint venture ("JV") associate companies produced acceptable results although the extent of erosion of profits varies depending on local conditions of respective locations.

In retrospect, our decision to set up the GGBS plant in Wuhan to expand our eco-friendly specialty cement business into a rapidly rising Central China proved to be farsighted. As the "late comer", the new GGBS plant Wuhan Wuxin Materials Co., Ltd ("Wuhan Wuxin"), outperformed all its GGBS "elder siblings" during China's economic slowdown. With this encouraging performance reinforced by the importance of the emergence of Rise of Central China, Wuhan Wuxin approved its Phase 2 construction of another GGBS plant at a location adjacent to WISCO's steel plant complex. The new Phase 2 plant will have a designed GGBS production capacity of 1.8 MTPA, thus raising Wuhan Wuxin's capacity to 3.0 MTPA when the project commissions in October 2013.

Due to vast slag availability and in anticipation of a much tougher operating environment in Shandong market, our GGBS JV associate company in Jinan, Jinan Luxin Materials Co., Ltd ("Jinan Luxin") boldly conceived a plan to set up a plant in South China, where GGBS is in short supply. In 2012, Jinan Luxin successfully completed the registration of a new company, Quanzhou Luxin Materials Co., Ltd ("Quanzhou Luxin"), in Quanzhou, Fujian province and obtained a license to set up a 0.6 MTPA GGBS plant in Quanzhou Shage Port. This marks the first cross-province GGBS expansion by one of our China JV associate companies. The project is scheduled to start up in the fourth quarter of 2013, thereby increasing Jinan Luxin's total production capacity to 3.0 MPTA. Coupled with Wuhan Wuxin's Phase 2 expansion stated above, EnGro's JV associate companies' combined GGBS production capacity shall become the largest in China with an annual production capacity of 9.0 million tons. Combined with the 0.5 MTPA production capacity of our GGBS JV associate company in Incheon, South Korea, our total combined annual GGBS production capacity will rise to 9.5 MTPA, the largest in Asia.

China's urbanization rate is expected to reach Europe's current rate of over 70% and the urban population will increase by 260 million by 2030. Increase in domestic demand resulting from rapid urbanization aims at overtaking the exports driven economic model to become the main driver. Over the next 10 years, demand for housing is expected to exceed 12 billion m^2, 12 times the housing area sold in 2011.

During the Twelfth Five-Year Plan period, China will invest over RMB 5 trillion in green developments: new and renewable energies, energy conservation and environmental protection industries, circular economy and waste utilization and building of green and low-carbon cities. In 2013, fixed asset investment is likely to grow 22% year-on-year (this investment for the first 11 months of 2012 was RMB 32.6 trillion), while the growth in the real estate sector will be about 15% year-on-year.

With the newly announced resolve by the new leaders in China to act with new measures to revive the economy, we believe the worst as seen in 2012 is behind us and we expect the improvement in various markets will begin to be seen.

GGBS JV Plant	Annual Production (tons p.a)
Tangshan Tanglong Material Co., Ltd	1,200,000 tons
Tangshan Tang-Ang Material Co., Ltd	600,000 tons
Jinan Luxin Material Co., Ltd	2,400,000 tons
Quanzhou Luxin Material Co., Ltd	600,000 tons
Jiangsu Huailong Material Co., Ltd	1,200,000 tons
Wuhan Wuxin Material Co., Ltd	1,200,000 tons
Wuhan Wuxin Material Co., Ltd (phase 2)	1,800.000 tons
VCEM Materials (Korea)	500,000 tons
Total in Asia by 2014	**9,500,000 tons**

CHINA SPECIALTY CEMENT

Jinan Luxin

In Jinan, Shandong, Jinan Luxin added its fourth production line which was successfully commissioned in April 2012. This increased its capacity to 2.4 MTPA which allows our JV to take up 100% of the granulated blastfurnace slag generated by our partner, Jinan Iron & Steel Group, which helps in improving competitive strength. Because of the additional production line, Jinan Luxin despite a very tough market environment produced and sold 2.1 million tons of GGBS in 2012, registering an increase of about 300,000 tons over 2011, although profit margin reduced due to higher costs of production.

Looking ahead, Jinan city's future development offers much to be optimistic. The benefits brought about by hosting of the eleventh National Games by Jinan City in 2009 are clearly seen and felt today. As a result of the 11th National Games, the eastern part of Jinan has developed very rapidly as an aftermath, structures such as the well-known "Silver Lotus", "Long'ao", and the Olympic Sports Center have not only become important landmarks in Jinan, they have totally changed the landscape of the vicinity into one full of vibrancy.

Witnessing the abovementioned must have injected confidence into many real estate developers; construction in Jinan has evidently entered a new phase and if all things go according to plan, we expect to see yet another transformation to materialize within the next 5 years. Jinan's eastern city zone will by then offer 4 five-star hotels, 5 major business centers, more than 50 provincial headquarters of financial institutions and over 100 regional headquarters of top 500 global companies. The complete central business district ("CBD") will cover 10 square kilometers made up by more than 100 high-rise buildings. Investment is projected at over RMB 200 billion. All these developments are designed to make Jinan City one of the most important CBDs in China.

Jiangsu Huailong

Huai'an is a third-tier city at the northern part of Jiangsu. Rapid urbanization has transformed the landscape of the city just like many others in China. The slowdown in construction activities coupled with increased competition have similarly affected profitability. However, the good reputation enjoyed by our product quality provides the requisite cushion and allowed Jiangsu Huailong to maintain its production and sales. Future projects in Huai'an which are in the pipeline augurs well for our JV. The following are some of the projects:

Huai'an Yurun Central Xintiandi cum Yurun International Building project, a modern urban development complex comprising a high-end hotel, theme anchor tenant and supermarkets, stores, luxury apartments, office buildings and supporting facilities. At a height of 312 meters, this project designed by the United States Callison Architecture, will become the tallest building in northern Jiangsu. Construction which started in third quarter of 2010 is scheduled to be completed by 2015.

Other major construction projects are SuNing Appliance Plaza, MaoYe Time Square (茂业时代广场), Huai'an City Sports Centre, Huai'an Grand Theatre and Jiangsu Jin Da Di (金大地) Tower.

As a leading supplier of high quality green GGBS, Jiangsu Huailong is poised to benefit from the construction of more eco-friendly green buildings in the city. We expect Huailong will deliver a satisfactory result in 2013.

CHINA SPECIALTY CEMENT

Tangshan Tanglong & Tang-Ang

In Tangshan area, the number of real estate and construction projects was reported to have dropped by 40% to 50%, resulting in a 40% decrease in cement demand. This in turn caused our GGBS sales and selling price to drop compared with those of 2011. Housing prices have gradually increased since June 2012. The rebound in transactions was even more remarkable: between July and October, home sales rose 10% over the same period in 2011, and sales value rose 23.7%. This was in sharp contrast to the decline of 10% in home sales and fall of 6.5% in sales value in the first half of 2012 year-on-year. Rising transaction volumes and home prices have shown the domestic property market is speeding up its recovery.

China's urbanization drive will play the key role in Chinese economy growth and domestic demand. Building materials sector shall benefit consequently. Our JV associate companies in Tangshan, Tangshan Tanglong Material Co., Ltd ("Tanglong") and Tangshan Tang-Ang Material Co., Ltd ("Tang-Ang"), are the only mills in China that supplied GGBS for the construction of the Shenzhen nuclear power plant, has been known as a leading, reputable and reliable supplier of quality GGBS both locally and overseas. Besides improving its operation to reduce operating cost and equipment maintenance program to maximize plant utilization, Tanglong and Tang-Ang will continue to explore innovative applications for its GGBS product and open up new markets. We are cautiously optimistic that Tanglong and Tang-ang will remain profitable in 2013.

Wuhan Wuxin

Wuhan Wuxin Materials Co., Ltd ("Wuhan Wuxin") commenced one of its two GGBS production lines on 31 December 2011 upon completion in record time of seven months. The second mill was subsequently started up in March 2012. Built with a capacity of 1.2 MTPA, Wuhan Wuxin plant actually produced 1.05 million tons in 2012, a commendable performance.

Located at the confluence of the Yangtze River and the Han River, Wuhan is a prosperous metropolitan in central China and is the capital city of Hubei Province. Being the center of economy, politics, culture and finance, it was rated as one of the top 12 mainland cities with the greatest potential for investment. Wuhan City is constantly ramping up its air, road and water infrastructure and transport works. New residential and commercial developments are progressing unabated and rapidly.

Some of the major infrastructural constructions and property developments in the city include:

- Wuhan Tianhe Airport Terminal 3. Construction started in July 2012 and scheduled to complete in 2015. The project involves building a second runway, 3,600-meter long and 60-meter wide, capable of accommodating Airbus A380s, and a terminal in the shape of flying phoenix with a total area of 370,000 square meters. The project costing about RMB 14 billion ($2.6 billion) will make Wuhan the fourth aviation hub in China after Beijing, Shanghai and Guangzhou.

- Construction of the eighth Yangtze River Bridge at Yingwuzhou is still in progress and will be completed in 2014. The ninth bridge Yangtze River Bridge at Huangjiahu will start construction in 2013. The tenth bridge will also be built during the period of the Twelfth Five-Year Plan (2011-2015).

CHINA SPECIALTY CEMENT

- Construction of city railway lines connecting Wuhan with other major cities of Hubei, such as Huangshi, Huanggang, Xiaogan, and Xianning (total investment of 45 billion) to be completed in 2015.

- Construction of eight Wuhan Metro Lines (total investment RMB 120 billion.)

- The first elevated light metro line in Wuhan became operational in 2004 which run through the downtown area of Hankou district. After extension work in 2010, it was increased to 29km long, covering 25 stations. Plan is to extend the line further by 10km in 2014.

- Line 2 of Wuhan metro is the first underground line connecting Wuchang city and Hankou district crossing the Yangtze River. Phase 1 started running on 28 December, 2012. An extension of another 8 stations for Line 2 is expected to complete in 2015.

- Wuhan city plans to construct the remaining 6 subway lines by 2017. Line 3 and Line 4 are expected to be operational by end of 2015.

Major commercial and residential projects:

- Construction of the Wangjiadun Central Business District in the Wuhan City

  Wuhan Wangjiadun Central Business District (武汉王家墩商务区) will be located at the central part of Hankou region. The project will have a total construction area of 14 million square meters built on a land area of 4.71 square kilometers. Construction begain in 2007 and will be completed by 2017.

The list of major projects mentioned above will fuel strong demand for construction materials and Wuhan Wuxin is well positioned to take advantage of this opportunity riding on these construction projects. Wuhan Wuxin, the newcomer achieved a stellar performance in 2012 and outshined the rest of our GGBS associate companies in China.

Against this backdrop of opportunities in urban development, Wuhan Wuxin approved the Phase II construction of another GGBS plant at a location adjacent to WISCO's steel plant complex in Wuhan city. The Phase II plant, will have a designed production capacity of 1.8 MTPA, increasing Wuhan Wuxin's production capacity to 3.0 MTPA This addition brings our associate companies' total GGBS annual production capacity in China to 9 MTPA. The Wuhan Wuxin Phase II plant is scheduled to start operation in the October 2013.

We would like to record our appreciation to Mr. Teo Ser Luck, Minister of State at the Ministry of Trade and Industry, who was so kind as to witness the signing ceremony for Wuhan Wuxin's Phase II plant on 26 April 2012 in Wuhan.

Since its inception in 2011, Wuhan Wuxin has won several accolades and financial supports from the national and local organizations. They are:

- Project Fund Award of RMB 10 million (2012) by Central Budget Fund
- Major Project Subsidy Fund Award (RMB 1.6 million) for new industries by Wuhan Municipal Economic and Information Commission
- Special Reform Experiment Fund Award (RMB 1 million) under Wuhan circular economy demonstration Zone budget plan by Wuhan Development and Reform Commission.

SPECIALTY POLYMER

In 2012, EnGro's Specialty Polymer unit, Resin & Pigment Technologies ("R&P") faced slower product off-take by ExxonMobil Chemical on the Exxtral™ grades, in which R&P serves as the toll compounder. R&P's other toll compounding business faces the current trend of the electrical and electronic industries in Singapore and neighbouring countries shrinking in terms of opportunity. Hence, R&P's sales & marketing efforts were redirected in promoting R&P's own in-house products and services in the medical, health and hygiene industries.

For R&P Laboratory, we registered an increase in income from grade development activities of Exxtral™ grades as ExxonMobil Chemical step up qualification efforts with their automotive customers. In that regard, our efforts in building up our laboratory and technical capabilities over the last few years has started to show the desired results.

To enhance R&P's laboratory service standard, effort is underway to apply and qualify for ISO17025, a quality standard that will put R&P's laboratory in the same league as any other fee-based accredited laboratories. This will not only strengthen our quality management system for our laboratory, but also shorten the grade development cycle for ExxonMobil Chemical's automotive customers.

R&P operations were also affected by the new manpower policies rolled out by the Singapore government in the early part of 2012. Having spent the last 2 years optimizing and consolidating its current operations, R&P would have to spend more resources as part of an on-going endeavour to retool, automate and improve its manufacturing systems in order to be less reliant on manpower and to serve higher value sectors in the medical, health and hygiene industries that have more stringent quality requirements. To that end, R&P is now in preparation for ISO13485 qualification, a quality management system essential in serving the medical, health & hygiene industries. R&P's past investment in its laboratory will also lend strength in supporting its thrust into these industries.

Moving forward, R&P will place more time and resources to collaborate with research institutes and other innovative companies, in order to develop products and businesses for these industries. Asia's automotive markets continue to experience high growth rates, like in China which is forecasted to roll out 17 million new cars in 2013 with a CAGR of about 7% until 2020. These markets still have a lower proportion of mid- to high-end cars when compared to the European and USA markets. R&P's automotive toll compound business serves these mid- to high-end market segments, and thus its performance depends on how these market segments develop.

The medical, health & hygiene industries will continue to grow as the economies in South East Asia continue to expand. The growth prospects of this industry is expected to be bright due to the increasing need of sophisticated and quality healthcare, growth of ageing populations and rise in medical tourism. More companies in these industries will set up new or increase in their existing manufacturing capacity in Asia, and Singapore remains an attractive destination for these companies to invest in; due to the high standards in stringent quality requirements. R&P will hereon also focus on serving the medical, health & hygiene industries.

INVESTMENTS

Venture Capital Investments

The US venture capital industry continues to consolidate with fewer VC firms left operating. However a smaller of firms were more successful in raising more funds. As a result, capital inflow into the industry remains at a healthy level to drive superior returns, and this can be seen as a vote of confidence from limited partners. Overall the industry as a whole is maintaining good pricing discipline in valuation with better quality companies invested. Against this backdrop, our active US-based VC funds continued to perform well with profitable exits in 2012 with the competition to invest in quality early stage deals remaining fiercely intense as ever. There were 49 venture-backed companies that went public with 28 currently filed with the US Stock Exchange Commission to go public, and 435 M&A deals were done in 2013.

Although the bleak economic environment continues to cast dark clouds over public markets, the long term nature of investing in technology innovations via the venture capital approach will yield superior returns as proven historically.

Investment in Property

The cooling measures implemented by the Singapore Government have dampened the overall interest for the high-end luxury property market. Sales for Turquoise were stagnated. But with limited and choice location, we remain positive that demand will rebound when the property market recovers.

The austerity measures by the Chinese Central Government to cool down the over-heated property sector also took a hit on property growth in China. However demand for quality housing continues to be resilient especially strong interest in Tier II and III cities. Our Tangshan's Nanhu South Lake Eco-city property investment with Ho Bee / Yanlord is on track. We draw on the strong fundamentals and our partners' strength and capability over the longer term in the China market.

CORPORATE SOCIAL RESPONSIBILITY

EnGro Young-Leader Scholarship

It is most heartening that all the Chinese Government officials who attended the one-year course at both NUS and NTU (M Sc Degree) on scholarships offered by EnGro over the last 5 years have invariably upon graduation given extremely high marks and evaluation for what they received out of the one year sojourn in Singapore. Their newly gained knowledge and experience have apparently proved to be valuable as seen by the new assignments given to some of these students soon after their return from Singapore. In fact, many of them have been promoted thereby allowing them to play an increasingly important role.

We are very pleased and proud to see the fruits of our endeavour in corporate social responsibility and will continue to sponsor new batches of students coming from various provinces where we have business for the sustainable development of their society.

NTU Students

In 2012, through our GGBS joint venture company - Jiangsu Huailong Materials Co. Ltd - we sponsored five young scholars from Huai'an (淮安) city, Jiangsu province, to study at Nanyang Technological University (NTU). We also introduced training programs at Singapore universities to our Chinese partners for their consideration in pursuing their further studies in Singapore.

LKY school- NUS students

In 2012, EnGro provided two postgraduate scholarships to Chinese Government officials from Shandong province. They enrolled for the Master's Degree program in Public Administration and Management (MPAM) offered by the Lee Kuan Yew School of Public Policy (LKYSPP).

Help on Cultural immersion- TPJC students and staff

EnGro not only provide opportunities for foreign talents to pursue studies in Singapore, but also have been instrumental in organizing extracurricular activities for students and staff from Singapore Tampines Junior College in their annual twinning exchange programme with Shandong Experimental High School in Jinan, Shandong Province. Since 2009, four groups of TPJC students and teaching staff have visited EnGro's Jinan GGBS plant, gaining useful knowledge and insight into how EnGro's environmentally friendly building materials help play the role of saving the planet. Besides, the visits have provided young Singaporeans with the opportunities to learn more about the Chinese culture as well as savouring some of the cultural and historical sights in the city, not to mention the authentic Shandong cuisine (鲁菜), one of the 8 main Chinese cuisines. As the Chinese say, understanding the food is the best way to understanding the culture.

Farewell gathering for NUS and NTU students from Shandong and Jiangsu on 15 Jan 2013

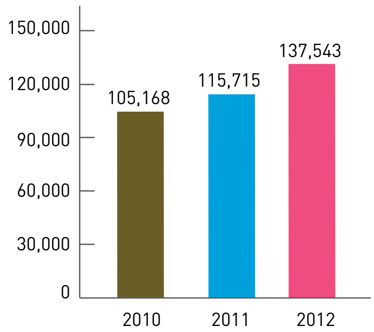
Jinan Luxin JV plant visit paid by Singapore TPJC students and staff

Partnering NParks in the Mandai Reforestation Project

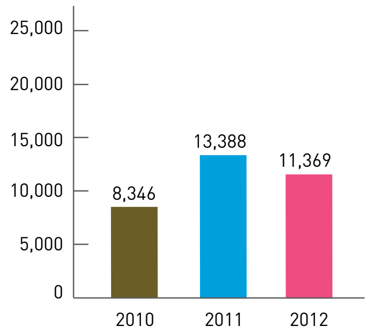
Tree planting is a direct and less complex contribution towards helping Mother Nature. EnGro planted the trees on 16 May 2012 to render our help in NParks' efforts to restore 40 hectares of Mandai forest which was affected by a storm. As part of the program, we also invited members of our close working partners to join us in the meaningful program.

THREE YEAR RESULTS AT A GLANCE

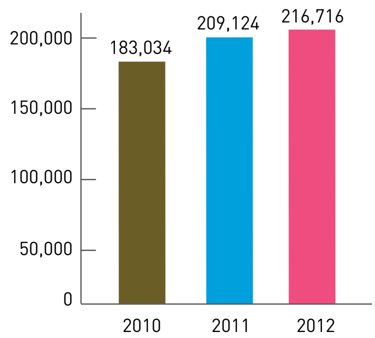
Revenue
($'000)



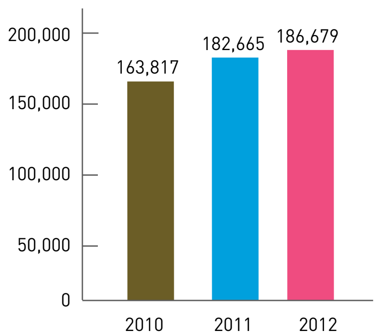
Profit Attributable to Owners
($'000)



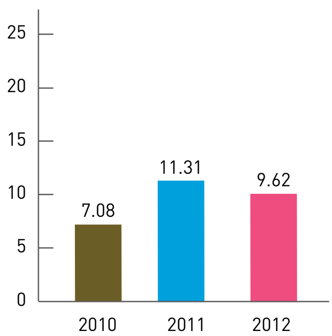
Total Asset
($'000)



Net Assets Value
($'000)

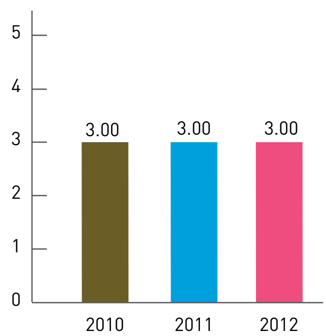


Basic Earnings per Share
(cents)



Net Asset Value per Share
(cents)

Net Dividend per Share
(cents)



FINANCIAL HIGHLIGHTS

	FY2010	FY2011	FY2012
Consolidated Statement of Comprehensive Income ($'000)			
Revenue	105,168	115,715	137,543
Profit after tax	8,034	13,132	11,328
Profit attributable to owners	8,346	13,388	11,369
Statement of Financial Position ($'000)			
Total assets	183,034	209.124	216,716
Net assets value	163,817	182,665	186,679
Per Share (Cents)			
Basic Earnings	7.08	11.31	9.62
Net asset value	138	154	158
Net dividend	3.00	3.00	3.00

WE HAVE SURMOUNTED CHALLENGES TO EMERGE STRONGER

In 2012, market conditions in Singapore and around the world remained challenging. The effects of the unresolved debt crisis in the Eurozone rippled across the world and Asian countries such as China economy began its decent towards a slowdown. Against this backdrop of challenges, our tenacious growth strategies have enabled us to emerge resilient and profitable.

Corporate Governance Report

EnGro Corporation Limited (the "Company") is committed to achieving a high standard of corporate governance within the Company and its subsidiaries (the "Group"), to promote corporate transparency and to enhance shareholder value. This report describes the Company's corporate governance processes and activities with specific reference to the Singapore Code of Corporate Governance 2005 (the "Code").

BOARD MATTERS

Principle 1 - The Board's Conduct of its Affairs

The Board's principal functions include, among others, supervising the overall management and performance of the business and affairs of the Group and approving the Group's corporate and strategic policies and direction.

Matters which are specifically reserved for the Board's approval include, among others, any material acquisitions and disposals of assets, any significant corporate matters and major undertakings (other than in the ordinary course of business). The Board dictates the strategic direction and management of the Group through quarterly review of the financial performance of the Group and the Company. In addition to establishing the limits of the discretionary powers of the officers and committees, the Board reviews the adequacy of risk management systems and internal controls. Certain functions are delegated to various board committees, namely, the Nominating Committee (the "NC"), the Audit Committee (the "AC") and the Remuneration Committee (the "RC").

The members of the Board and the respective committees are as follows:

	Board	Nominating Committee	Audit Committee	Remuneration Committee
Non-independent Directors				
Tan Cheng Gay (executive)	Chairman	–	–	–
Tan Yok Koon (executive)	Member	Member	–	–
Independent Non-executive Directors				
Ng Tat Pun	Member	-	Chairman	Member
Soh Kim Soon	Member	Chairman	Member	Member
Ronnie Teo Heng Hock	Member	Member	Member	Chairman

Corporate Governance Report

The number of Board, NC, AC and RC meetings held during the financial year ended 31 December 2012 ("FY2012') and the attendance of each Board member at those meetings were as follows:

	Board of Directors		Nominating Committee		Audit Committee		Remuneration Committee	
	Number of Meetings							
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Directors								
Tan Cheng Gay	5	5	–	–	–	–	–	–
Tan Yok Koon	5	5	1	1	–	–	–	–
Tan Choo Suan(1)	1	–	–	–	1	–	1	–
Tan Keng Boon(2)	2	2	–	–	2	2	1	1
Ronnie Teo Heng Hock(3)	5	5	1	1	4	4	2	2
Ng Tat Pun(4)	5	5	–	–	4	4	1	1
Soh Kim Soon(5)	5	5	1	1	2	2	2	2

(1) Mdm Tan Choo Suan ceased to be a director of the Company on 30 April 2012 and ipso facto ceased to be a member of the RC and the AC.
(2) Mr Tan Keng Boon ceased to be a director of the Company on 30 June 2012 and ipso facto ceased to be a Chairman of the RC and a member of the AC.
(3) Mr Ronnie Teo was appointed Director and member of the AC and RC on 5 January 2012. He was appointed Chairman of the RC and a member of the NC on 30 June 2012.
(4) Mr Ng Tat Pun was appointed a member of RC and stepped down as member of NC on 30 June 2012.
(5) Mr Soh Kim Soon was appointed a member of AC on 30 June 2012.

New directors, upon appointment, are briefed on the business and organization structure of the Company. There are update sessions to inform the directors on new legislation and/or regulations that are relevant to the Group.

The Directors are aware of the requirements in respect of disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Company, prohibition on dealings in the Company's securities and restrictions on the disclosure of price-sensitive information. Directors are also informed of regulatory changes affecting the Company.

Principle 2 - Board Composition and Guidance

The Board comprises five directors, two of whom are executive directors and three of whom are independent non-executive directors.

The Board considers that the present Board size is appropriate, taking into account the nature and scope of the Group's operation. The Board comprises directors who as a group provide core competencies, such as business and management experience, industry knowledge, financial and strategic planning experience and knowledge that are necessary and critical to meet the Group's objectives.

Where warranted, the non-executive directors meet without the presence of management or executive directors to review any matters that must be raised privately.

Principle 3 - Chairman and Chief Executive Officer

Mr Tan Cheng Gay currently fulfills the role of Chief Executive Officer (the "CEO") and Chairman of the Board (the "Chairman").

Corporate Governance Report

The Board has not adopted the recommendation of the Code to have separate directors appointed as the Chairman and the CEO. This is because the Board is of the view that there is a sufficiently strong independent element on the Board to enable independent exercise of objective judgment on corporate affairs of the Group.

The Chairman is responsible for, among others, exercising control over quality, quantity and timeliness of the flow of information between the management of the Company (the "Management") and the Board, and assisting in ensuring compliance with the Company's guidelines on corporate governance.

Principle 4 - Board Membership

Nominating Committee

The NC comprises two independent non-executive directors as well as an executive director.

The NC is guided by its Terms of Reference and is responsible for, among others, the review of all appointments and re-nomination of directors having regard to their independence, qualifications, performance and contributions.

The NC has reviewed the independence of each director for the financial year ended 31 December 2012 in accordance with the Code's definition of independence and is satisfied that more than half of the Board comprises independent directors.

The NC undertakes a vigorous process of assessing the directors' performance, taking into consideration the attendance and time commitment towards the Group. When a director has multiple board representations, the NC would review if the said director is able to and has been adequately carrying out his duty as a director of the Company.

The search and nomination process for new directors, if any, will be through contacts and recommendations that go through the normal selection process for the right candidate.

The directors who held office during the year up to the date of this report are disclosed in the Report of Directors on page 42. Details of the directors' profiles are set out on page 6 of this Annual Report.

The NC makes recommendations to the Board on the type of training and professional development required for the directors. During the year, several briefing sessions were arranged for directors to be updated on key developments of the Singapore Exchange (SGX) listing rules as well as the Code of Corporate Governance 2012.

Principle 5 - Board Performance

The NC is responsible for assessing the effectiveness and performance of the Board. The assessment parameters include the evaluation of the Board composition, size and expertise, timeliness of information flow and quality of information to the Board, Board pro-activeness as well as standards of conduct. For FY2012, the NC reviewed the performance of the board based on the aforesaid parameters.

Principle 6 - Access to Information

The members of the Board were provided with financial information, as well as relevant background information and documents relating to items of business to be discussed at a Board meeting before the scheduled meeting.

Apart from keeping the Board informed of all relevant new laws and regulations, the Company also has an on-going orientation program for non-executive Board members to familiarize and update themselves with the Group's operations.

Corporate Governance Report

The Company Secretary provides corporate secretarial support to the Board and ensures adherence to Board procedures and relevant rules and regulations which are applicable to the Company. The Company Secretary assists the Chairman by preparing meeting agendas, attending Board and Board Committee meetings and preparing minutes of board proceedings. Under the direction of the Chairman, the Company Secretary, with the support of the management staff, ensures good information flows within the Board and the Board Committees and between senior management and non-executive directors. The appointment and removal of the Company Secretary is subject to the approval of the Board.

The Board (whether individually or as a group) has, in the execution of its duties, access to independent professional advice, if necessary, at the Company's expense.

REMUNERATION MATTERS

Principle 7 – Procedures for Developing Remuneration Policies
Principle 8 – Level and Mix of Remuneration
Principle 9 – Disclosure on Remuneration

The RC comprises three independent non-executive directors.

According to the terms of reference of the RC, the functions of the RC include, among others, the setting up and implementation of formal and transparent processes by which the remuneration packages of all the executive directors (in the form of service agreements) are formulated and approved. The RC has access to outside expert advice on all remuneration matters at the Company's expense.

No director or member of the RC has been involved in deciding his own remuneration, except for providing information and documents specifically requested by the RC to assist it in its deliberations.

According to the service agreement of the CEO:

(i) the term of service shall continue until terminated by either party in accordance with the terms of the agreement;

(ii) the remuneration include, among others, a fixed salary and a variable performance bonus, which is designed to align the CEO's interests with that of the Shareholders; and

(iii) there are no onerous compensation commitments on the part of the Company in the event of an early termination of the service of the CEO.

The other executive director is paid a basic salary, overseas allowance and a variable performance bonus which is linked to his performance and the performance of the China operations. He is paid a director fee for being a member of the NC.

The Company obtained shareholders' approval in FY 2011 to implement a performance share award scheme (called the "EnGro Corporation Limited Performance Share Award Scheme") and an employee's share option scheme (called the "EnGro Corporation Limited 2011 Employees' Share Option Scheme"), where both schemes are administered by the RC. As at the date of this report, no award or share options have been granted to either the CEO or the other executive director, both of whom are entitled to participate in these two schemes subject to the rules and limits set out therein.

The non-executive directors do not have any service agreements with the Company. Save for directors' fees, which have to be approved by the Shareholders at every annual general meeting ("AGM"), the non-executive directors do not receive any other forms of remuneration from the Company.

Corporate Governance Report

The table below shows a summary of the remuneration of the directors for the year ended 31 December 2012:

	Remuneration band S$	Fees %	Salary %	Bonus %	Other Benefits %	Total %
Executive Directors						
Tan Cheng Gay	750,000 – 1,000,000	–	54	45	1	100
Tan Yok Koon	500,000 – 750,000	1	53	32	14	100
Non-executive Directors						
Ng Tat Pun	Below 250,000	100	–	–	–	100
Soh Kim Soon	Below 250,000	100	–	–	–	100
Ronnie Teo Heng Hock	Below 250,000	100	–	–	–	100
Tan Choo Suan (retired)	Below 250,000	100	–	–	–	100
Tan Keng Boon (retired)	Below 250,000	100	–	–	–	100
Key Executives						
Ho Pol Lim Eugene	250,000 to 500,000	–	49	40	11	100
Jamie Lee	250,000 to 500,000	–	60	31	9	100
Chen En Yi	Below 250,000	–	54	36	10	100
Wong Toon Hong	Below 250,000	–	69	22	9	100
Wong Chi Tsung	Below 250,000	–	64	19	17	100

The Board has not included annual remuneration report in its annual report for FY2012 (as suggested by guidance note 9.1 of the Code) as the Board is of the view that the matters which are required to be disclosed in the annual remuneration report have already been sufficiently disclosed in this Report and in the financial statements of the Company.

Save as disclosed above, there were no other employees who were immediate family members of any Director or the CEO whose remuneration exceeded S$150,000 for FY2012.

ACCOUNTABILITY AND AUDIT

Principle 10 - Accountability

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects when presenting quarterly and other price-sensitive public reports and reports to regulators (if required).

Management had provided each member of the Board with management accounts on a quarterly and monthly basis so that they will be better informed on how the Group and Company are performing. The CEO and the Group Financial Controller provide assurance to the Board on the integrity of these financial statements through a written representation.

Corporate Governance Report

Principle 11 – Risk Management and Internal Controls

During the year under review, in addition to the work carried out by external auditors and internal auditors, the Board also engaged an international accounting firm to document the framework that enables management to address the financial, operational and compliance risks of the key operating units. The process involved the identification of major risks for the Group's business units whereby the business units' key risks of financial, operational and compliance nature, as well as the countermeasures in place or required to mitigate these risks were summarized for review by the Board. The documentation provided an overview of the Group's key risks, how they are managed, the key personnel responsible for each identified risk type and the various assurance mechanisms in place.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and the documentation on the Group's key risks referred to above, reviews performed by Management, AC and the Board, the Board with the concurrence of AC is of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, were adequate as at 31 December 2012. This is in turn supported by assurance from the CEO and Group Financial Controller that:

(a) the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the company's operations and finances and are in accordance with the relevant accounting standards; and

(b) they have evaluated the effectiveness of the Company's internal controls and have discussed with the Company's external and internal auditors of their reporting points and note that there have been no known deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarise or report financial data.

Principle 12 - Audit Committee

The AC comprises three members, all of whom are independent non-executive directors.

The AC members have many years of experience in accounting and finance related matters. Therefore, the Board considers that the AC members are appropriately qualified to discharge the responsibilities of the AC.

In line with the practice of quarterly reporting, the AC met every quarter to review the quarterly financial results of the Group.

The AC has specific written terms of reference and performed the following functions:

(i) reviews and evaluates with the external auditors on their audit plan, financial results of the Group and any material non-compliance and internal control weaknesses reported by the external auditors;

(ii) monitors the scope and results of the external audit, its cost effectiveness, independence, objectivity and gives its recommendations to the Board and the Company regarding the appointment, re-appointment or removal of the external auditors;

(iii) reviews the draft quarterly and full year financial statements of the Group and the Company before submission to the Board, including announcements relating thereto, to Shareholders and the Singapore Exchange Securities Trading Limited ("SGX-ST");

Corporate Governance Report

(iv) reviews the adequacy of (a) Internal Audit ("IA") function's activities to ensure that IA has adequate resources and appropriate standing within the Company and (b) the internal audit programme and (c) ensures co-ordination between the internal auditors, external auditors and Management; and

(v) ensures that IA meets the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

In appointing the audit firms for the Group, both the AC and the Board are satisfied that the Group has complied with Rule 712, 715 and Rule 716 of the SGX-ST Listing Rules.

The AC has reviewed the non-audit services provided by the external auditors to the Group in FY2012 and is satisfied that such services would not impair the independence of the external auditors in their conduct of the statutory audit. It has also reviewed interested person transactions of the Group for FY2012 and had accordingly reported its findings to the Board.

The Group has a Whistle-Blowing Policy for the Group where employees of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective for such arrangement is to ensure independent investigation of such matters and for appropriate follow-up action. The arrangement provides for investigation to be undertaken by the Internal Auditor as the Whistleblower Investigation Officer who reports directly to the CEO or the Chairman of the AC if the concern involves the CEO.

Principle 13 - Internal Audit

The internal audit function has been outsourced to UHY Lee Seng Chan & Co which reports directly to the Audit Committee. The AC reviews and approves the annual audit plan and resources to ensure that the internal auditors have the necessary resources to adequately perform their duties.

Principles 14 and 15 - Communication with Shareholders

The Company has adopted quarterly reporting of its financial results since FY2003. Accordingly, in FY2012, quarterly financial results of the Company were published via SGXNET. The Company may also, on an ad hoc basis, hold media and analysts briefings and publish press releases of its annual financial results.

The Board is mindful of the obligation to provide timely and fair disclosure of material information in accordance with the Corporate Disclosure Policy of the SGX-ST.

All Shareholders receive the annual report and the notice of AGM (the "Notice of AGM"). The Notice of AGM is advertised in the newspapers and published via SGXNET.

The Board welcomes the views of Shareholders on matters affecting the Company, whether at Shareholders' meetings or on an ad hoc basis. At AGMs, Shareholders are given the opportunity to air their views and to ask the directors and Management questions regarding the Group.

The Chairpersons of the AC, NC and RC are also present and available to address to questions raised. In addition, the external auditors are present at AGMs to address queries, if any, on the conduct of the audit and the preparation and content of the Auditors' Report.

Corporate Governance Report

Material Contracts

Save as the service agreement entered with the CEO, no other material contracts involving the interests of the CEO, directors or controlling shareholders of the Company has been entered into by the Company and its subsidiaries, which were either subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

Internal Code On Dealings With Securities

An internal code, which complies with Rule 1207(18) of the Listing Manual of the SGX-ST, with respect to dealings in securities of the Company, has been issued to Directors and officers. The Company's Directors and officers are not allowed to deal in the Company's shares within two weeks before the announcement of its results for the first three quarters of the year. The Directors and officers are not allowed to deal in the Company's shares one month before the announcement of its full year results.

Directors and officers are not expected to deal in the Company's securities on considerations of a short-term nature. Directors and officers are required to observe insider trading provisions under the Securities and Futures Act at all times even when dealing in the Company's securities within the permitted periods. Directors of the Company are required to report all dealings to the Company Secretary.

Financial Contents

Directors' Report

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2012.

Directors

The directors in office at the date of this report are as follows:

Tan Cheng Gay
Tan Yok Koon
Ng Tat Pun
Soh Kim Soon
Ronnie Teo Heng Hock

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares and share options in the Company are as follows:

Name of director and company in which interests are held	Holdings at beginning of the year	Holdings at end of the year	Holdings at 21 January 2013
The Company			
Ordinary shares			
– direct interests held			
Tan Cheng Gay	579,750	579,750	579,750
Tan Yok Koon	366,000	366,000	366,000
Soh Kim Soon	46,500	46,500	46,500
– deemed interests held			
Tan Cheng Gay	826,000	826,000	826,000

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning or at the end of the financial year.

Except as disclosed under the "Share options" section of this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' Report

Directors' interests (cont'd)

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in notes 14 and 30 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Share options

Ssangyong Cement (Singapore) Limited 2000 Employees' Share Option Scheme (the ESOS 2000)

The Ssangyong Cement (Singapore) Limited 2000 Employees' Share Option Scheme (the ESOS 2000) of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 15 January 2001. The ESOS 2000 is administered by the Company's Remuneration Committee, comprising three directors, Ronnie Teo Heng Hock (Chairman), Soh Kim Soon and Ng Tat Pun.

Other information regarding the ESOS 2000 is set out below:

(a) Options were granted on 1 December 2006 (Option 1), 8 January 2008 (Option 2) and 30 March 2009 (Option 3).

(b) The exercise prices of the options are set at $0.75 per share (Option 1), $1.17 per share (Option 2) and $0.55 per share (Option 3).

(c) The options can be exercised after 1 December 2007 (Option 1), 8 January 2009 (Option 2) and 30 March 2010 (Option 3).

(d) The options granted shall expire on 1 December 2016 (Option 1), 8 January 2018 (Option 2) and 30 March 2019 (Option 3).

EnGro Corporation Limited 2011 Employees' Share Option Scheme (the ESOS 2011)

The EnGro Corporation Limited 2011 Employees' Share Option Scheme (the ESOS 2011) of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 27 April 2011. The ESOS 2011 is administered by the Company's Remuneration Committee, comprising three directors, Ronnie Teo Heng Hock (Chairman), Soh Kim Soon and Ng Tat Pun.

Other information regarding the ESOS 2011 is set out below:

(a) Option was granted on 18 April 2012.

(b) The exercise price of the option is set at $0.79 per share.

(c) The option can be exercised after 18 April 2013.

(d) The option granted shall expire on 18 April 2022.

Directors' Report

Share options (cont'd)

At the end of the financial year, details of the options granted under the ESOS 2000 and ESOS 2011 on the unissued ordinary shares of the Company, are as follows:

Date of grant of options	Exercise price per share	Options outstanding at 1 January 2012	Options granted	Options exercised	Options forfeited	Options outstanding at 31 December 2012	Number of option holders at 31 December 2012	Exercise period
1/12/2006	$0.75	775,000	–	(40,000)	(137,500)	597,500	5	02/12/2007 – 30/11/2016
8/1/2008	$1.17	1,000,000	–	–	(210,000)	790,000	9	09/01/2009 – 07/01/2018
30/3/2009	$0.55	225,000	–	–	(145,000)	80,000	1	31/03/2010 – 29/03/2019
18/4/2012	$0.79	–	710,000	–	(10,000)	700,000	15	19/04/2013 – 17/04/2022

The ESOS 2000 expired on 14 January 2011.

Since the commencement of both Schemes, no options have been granted to the controlling shareholders of the Company or their associates and no participant under both Schemes has been granted 5% or more of the total options available under both Schemes.

Since the commencement of both Schemes, no options have been granted to employees of the holding company or its related companies under both Schemes.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

Audit Committee

The members of the Audit Committee during the year and at the date of this report are:

Ng Tat Pun (Chairman)	Independent and non-executive director
Soh Kim Soon	Independent and non-executive director
Ronnie Teo Heng Hock	Independent and non-executive director

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee has held four meetings since the last directors' report. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

Directors' Report

Audit Committee (cont'd)

The Audit Committee also reviewed the following:

(i) effectiveness of the management of financial business risks and the reliability of management reporting;

(ii) assistance provided by the Company's officers to the internal and external auditors;

(iii) quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and

(iv) interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to Management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing the auditors for the Company, subsidiaries and significant associated companies, the Company has complied with Rules 712, 715 and 716 of the SGX Listing Manual.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Tan Cheng Gay
Director

Tan Yok Koon
Director

28 March 2013

Statement by Directors

In our opinion:

(a) the financial statements set out on pages 49 to 111 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Tan Cheng Gay
Director

Tan Yok Koon
Director

28 March 2013

Independent Auditors' Report

Members of the Company
EnGro Corporation Limited

Report on the financial statements

We have audited the accompanying financial statements of EnGro Corporation Limited ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2012, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 49 to 111.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

Members of the Company
EnGro Corporation Limited

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and the results, changes in equity and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore
28 March 2013

Statements of Financial Position

As at 31 December 2012

	Note	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Assets					
Property, plant and equipment	4	11,291	12,625	1,483	1,074
Subsidiaries	5	–	–	40,580	55,426
Associates	6	87,940	81,502	60,243	53,603
Amount due from associates	10	2,881	3,137	–	–
Other investments	7	16,448	18,440	1,275	1,334
Other financial assets	8	172	172	172	172
Non-current assets		118,732	115,876	103,753	111,609
Inventories	9	12,316	8,046	10,791	6,102
Trade and other receivables	10	48,247	31,754	49,132	34,188
Other investments	7	9,691	11,373	506	1,005
Cash and cash equivalents	11	27,730	42,075	16,965	27,043
Current assets		97,984	93,248	77,394	68,338
Total assets		216,716	209,124	181,147	179,947
Equity					
Share capital	12	84,158	84,128	84,158	84,128
Reserves	13	102,521	98,537	71,936	81,295
Equity attributable to owners of the Company		186,679	182,665	156,094	165,423
Non-controlling interests		166	207	–	–
Total equity		186,845	182,872	156,094	165,423
Liabilities					
Loans and borrowings	15	2,556	2,585	191	16
Deferred tax liabilities	16	709	661	–	–
Non-current liabilities		3,265	3,246	191	16
Loans and borrowings	15	975	1,168	8,344	7,151
Trade and other payables	17	25,108	21,461	16,518	7,357
Current tax liabilities		523	377	–	–
Current liabilities		26,606	23,006	24,862	14,508
Total liabilities		29,871	26,252	25,053	14,524
Total equity and liabilities		216,716	209,124	181,147	179,947

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2012

	Note	2012 $'000	2011 $'000
Revenue	18	137,543	115,715
Changes in inventories of finished goods and work in progress		4,490	355
Raw materials		(102,865)	(81,020)
Other income		2,131	638
Depreciation of property, plant and equipment	4	(2,231)	(1,985)
Staff costs		(12,947)	(12,479)
Other expenses		(22,216)	(19,714)
Results from operating activities		3,905	1,510
Finance income	19	1,819	5,475
Finance costs	19	(2,004)	(1,987)
Net finance income		(185)	3,488
Share of profit of associates (net of income tax)		7,896	8,159
Profit before income tax		11,616	13,157
Income tax expense	21	(288)	(25)
Profit for the year	20	11,328	13,132
Profit attributable to:			
Owners of the Company		11,369	13,388
Non-controlling interests		(41)	(256)
Profit for the year		11,328	13,132
Other comprehensive income			
Foreign currency translation differences for foreign operations		(3,333)	3,125
Foreign currency translation reserve transferred from equity to profit or loss upon disposal of a foreign subsidiary		532	–
Exchange differences on monetary items forming part of the net investment		(2,234)	281
Net change in fair value of equity securities available-for-sale financial assets transferred to profit or loss		245	1,882
Net change in fair value of equity securities available-for-sale financial assets		1,167	3,823
Other comprehensive income for the year, net of tax		(3,623)	9,111
Total comprehensive income for the year		7,705	22,243
Total comprehensive income attributable to:			
Owners of the Company		7,746	22,499
Non-controlling interests		(41)	(256)
Total comprehensive income for the year		7,705	22,243
Earnings per share			
Basic earnings per share (cents)	22	9.62	11.31
Diluted earnings per share (cents)	22	9.61	11.29

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2012

	Attributable to owners of the Company								
Group	**Share capital $'000**	**Reserve for own shares $'000**	**Share option reserve $'000**	**Foreign currency translation reserve $'000**	**Fair value reserve $'000**	**Accumulated profits $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
At 1 January 2012	84,128	–	902	(4,077)	5,231	96,481	182,665	207	182,872
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	11,369	11,369	(41)	11,328
Other comprehensive income									
Foreign currency translation differences for foreign operations	–	–	–	(3,333)	–	–	(3,333)	–	(3,333)
Foreign currency translation reserve transferred from equity to profit or loss upon disposal of a foreign subsidiary	–	–	–	532	–	–	532	–	532
Exchange differences on monetary items forming part of the net investment	–	–	–	(2,234)	–	–	(2,234)	–	(2,234)
Net change in fair value of equity securities available-for-sale financial assets transferred to profit or loss	–	–	–	–	245	–	245	–	245
Net change in fair value of equity securities available-for-sale financial assets	–	–	–	–	1,167	–	1,167	–	1,167
Total other comprehensive income	–	–	–	(5,035)	1,412	–	(3,623)	–	(3,623)
Total comprehensive income for the year	–	–	–	(5,035)	1,412	11,369	7,746	(41)	7,705
Transactions with owners of the Company, recognised directly in equity									
Contributions by and distributions to owners of the Company									
Share options exercised	30	–	–	–	–	–	30	–	30
Purchase of treasury shares	–	(261)	–	–	–	–	(261)	–	(261)
Final one-tier dividend paid of 3 cents per share in respect of year ended 31 December 2011	–	–	–	–	–	(3,547)	(3,547)	–	(3,547)
Share-based payment transactions	–	–	46	–	–	–	46	–	46
Total contributions by and distributions to owners of the Company	30	(261)	46	–	–	(3,547)	(3,732)	–	(3,732)
At 31 December 2012	84,158	(261)	948	(9,112)	6,643	104,303	186,679	166	186,845

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2012

Group	Share capital $'000	Share option reserve $'000	Foreign currency translation reserve $'000	Fair value reserve $'000	Accumulated profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
	Attributable to owners of the Company							
At 1 January 2011	84,268	902	(7,483)	(474)	86,604	163,817	463	164,280
Total comprehensive income for the year								
Profit for the year	–	–	–	–	13,388	13,388	(256)	13,132
Other comprehensive income								
Foreign currency translation differences for foreign operations	–	–	3,125	–	–	3,125	–	3,125
Exchange differences on monetary items forming part of the net investment	–	–	281	–	–	281	–	281
Net change in fair value of equity securities available-for-sale financial assets transferred to profit	–	–	–	1,882	–	1,882	–	1,882
Net change in fair value of equity securities available-for-sale financial assets	–	–	–	3,823	–	3,823	–	3,823
Total other comprehensive income	–	–	3,406	5,705	–	9,111	–	9,111
Total comprehensive income for the year	–	–	3,406	5,705	13,388	22,499	(256)	22,243
Transactions with owners of the Company, recognised directly in equity								
Contributions by and distributions to owners of the Company								
Share options exercised	75	–	–	–	–	75	–	75
Share buy-back and cancelled	(215)	–	–	–	–	(215)	–	(215)
Final one-tier dividend paid of 3 cents per share in respect of year ended 31 December 2010	–	–	–	–	(3,511)	(3,511)	–	(3,511)
Total contributions by and distributions to owners of the Company	(140)	–	–	–	(3,511)	(3,651)	–	(3,651)
At 31 December 2011	84,128	902	(4,077)	5,231	96,481	182,665	207	182,872

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Note	2012 $'000	2011 $'000
Cash flows from operating activities			
Profit before income tax		11,616	13,157
Adjustments for:			
Property, plant and equipment written off		55	–
Depreciation of property, plant and equipment	4	2,231	1,985
Dividend income	19	(1,373)	(4,005)
Equity-settled share-based payment transactions	20	46	–
Loss/(gain) on disposal of:			
– other investments	19	11	26
– property, plant and equipment	20	(18)	(123)
– subsidiary	20	17	–
– associate	20	–	228
Goodwill written off	20	–	162
Impairment losses on equity securities available-for-sale financial assets	19	245	1,882
Interest income	19	(235)	(120)
Interest expense	19	43	79
Other investment income	19	(211)	(244)
Net change in fair value of financial assets held for trading at fair value through profit or loss	19	424	(543)
Share of profit of associates, net of income tax		(7,896)	(8,159)
		4,955	4,325
Changes in working capital:			
Inventories		(4,534)	(1,073)
Trade and other receivables		(14,155)	(2,313)
Trade and other payables		4,736	4,842
Cash (used in)/generated from operating activities		(8,998)	5,781
Income tax paid		(378)	(353)
Income tax refunded		267	–
Net cash (used in)/from operating activities		(9,109)	5,428

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Note	2012 $'000	2011 $'000
Cash flows from investing activities			
Distribution from available-for-sale financial asset		4,002	4,634
Purchase of other investments		(5,544)	(3,874)
Distribution from other investment income		211	244
Investment in associate		(6,512)	(5,110)
Loan to associate		(3,710)	(4,771)
Dividends received from:			
– other investments		1,373	4,356
– associate		4,552	6,885
Interest received		235	120
Proceeds from disposal of:			
– associate		–	91
– other investments		5,019	31
– property, plant and equipment		54	150
Acquisition of:			
– property, plant and equipment		(232)	(2,003)
– subsidiary, net of cash acquired	24	–	(986)
Net cash inflow on disposal of a subsidiary	25	944	–
Net cash from/(used in) investing activities		392	(233)
Cash flows from financing activities			
Dividends paid		(3,547)	(3,511)
Deposits pledged		15	37
Interest paid		(43)	(79)
Proceeds from exercise of share options		30	75
Proceeds from short term borrowings		–	96
Share buy-back		–	(215)
Purchase of treasury shares		(261)	–
Repayment of borrowings		(417)	(375)
Payment of finance lease liabilities		(974)	(172)
Net cash used in financing activities		(5,197)	(4,144)
Net (decrease)/increase in cash and cash equivalents		(13,914)	1,051
Cash and cash equivalents at 1 January		41,450	40,148
Effect of exchange rate fluctuations on cash held		(416)	251
Cash and cash equivalents at 31 December	11	27,120	41,450

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements
Year ended 31 December 2012

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 28 March 2013.

1. Domicile and activities

EnGro Corporation Limited ("the Company") is incorporated in Singapore. The address of the Company's registered office is at 29 International Business Park, #08-05/06, Acer Building Tower B, Singapore 609923.

The financial statements of the Company as at and for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as "the Group" and individually as "Group entities") and the Group's interest in associates.

The principal activities of the Group and the Company are those relating to the manufacture and sale of cement and building materials and specialty polymers and of an investment holding company.

2. Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRS).

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Notes to the Financial Statements
Year ended 31 December 2012

2. Basis of preparation (cont'd)

2.4 Use of estimates and judgements (cont'd)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 4 – Useful lives of property, plant and equipment
- Note 4 – Impairment of property, plant and equipment
- Note 5 – Impairment of investments in subsidiaries
- Note 7 – Valuation of other investments
- Note 9 – Allowance for inventory obsolescence
- Note 26 – Impairment of trade and other receivables
- Note 26 – Financial instruments

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Notes to the Financial Statements
Year ended 31 December 2012

3. Significant accounting policies (cont'd)

3.1 Basis of consolidation (cont'd)

Business combinations (cont'd)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

If the business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at each acquisition date and any changes are taken to profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Acquisition of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Loss of control

Changes in the Group's interest in subsidiary that do not result in a loss of control are accounted for as equity transactions. Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Associates

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Notes to the Financial Statements

Year ended 31 December 2012

3. Significant accounting policies (cont'd)

3.1 Basis of consolidation (cont'd)

Associates (cont'd)

Investments in associates are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investments includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity-accounted investees, after adjustments to align the accounting policies of the equity-accounted investees with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting for subsidiaries and associates

Investments in subsidiaries and associates are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Notes to the Financial Statements

Year ended 31 December 2012

3. Significant accounting policies (cont'd)

3.2 Foreign currency (cont'd)

Foreign currency transactions (cont'd)

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of monetary items that in substance, form part of the Group's net investment in the foreign operation (see below), which are recognised in other comprehensive income; and for the differences which are recognised in other comprehensive income arising on the translation of available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss).

Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the exchange rates at the end of the reporting period. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of any part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the translation reserve in equity.

3.3 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

Notes to the Financial Statements

Year ended 31 December 2012

3. Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

Non-derivative financial assets (cont'd)

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available-for-sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and trade and other receivables, excluding prepayment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the statement of cash flows, pledged deposits are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

Notes to the Financial Statements

Year ended 31 December 2012

3. Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

Non-derivative financial assets (cont'd)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3.9), are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities.

The fair values of all quoted securities are determined by reference to their last quoted bid market price at the reporting date.

When the fair value for unquoted securities cannot be reliably measured because the variability in the range of reasonable fair value estimates is significant or that investment or probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Distributions of cash or quoted equity shares made by venture funds are recognised in the financial statements as and when they are received. Such distributions are initially treated as return of investment and are therefore offset against the cost of the investment. Any distributions received in excess of the cost of the investment are taken to profit or loss. Distributed quoted equity shares are stated at market value and any increases or decreases in carrying amount are included in comprehensive income.

Non-derivative financial liabilities

Financial liabilities for contingent consideration payable in a business combination are recognised at the acquisition date. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial liabilities for contingent consideration payable in a business combination are initially measured at fair value. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the Financial Statements

Year ended 31 December 2012

3. Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

Non-derivative financial liabilities (cont'd)

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings and trade and other payables.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own share account. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in non-distributable capital reserve.

3.4 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Notes to the Financial Statements

Year ended 31 December 2012

3. Significant accounting policies (cont'd)

3.4 Property, plant and equipment (cont'd)

Recognition and measurement (cont'd)

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land and assets under construction are not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Leasehold land	–	Over remaining lease term
Leasehold apartment	–	Over remaining lease term
Buildings and civil works	–	5% to $33\frac{1}{3}$%
Plant, machinery and equipment	–	10% to 25%
Office equipment, furniture and fittings	–	10% to 20%
Computers	–	20% to $33\frac{1}{3}$%
Motor vehicles and transport equipment	–	20%

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

Notes to the Financial Statements

Year ended 31 December 2012

3. Significant accounting policies (cont'd)

3.5 Intangible assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3.1.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the associates.

3.6 Leased assets

Leases in term of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

3.7 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments make under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets and
- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

Notes to the Financial Statements

Year ended 31 December 2012

3. Significant accounting policies (cont'd)

3.8 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.9 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Group consider a decline of 30% to be significant and a period of 7 months to be prolonged.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes to the Financial Statements

Year ended 31 December 2012

3. Significant accounting policies (cont'd)

3.9 Impairment (cont'd)

Non-derivative financial assets (cont'd)

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

Notes to the Financial Statements
Year ended 31 December 2012

3. Significant accounting policies (cont'd)

3.9 Impairment (cont'd)

Non-financial assets (cont'd)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3.10 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The proceeds received net of any directly attributable transactions costs are credited to share capital when the options are exercised.

Notes to the Financial Statements

Year ended 31 December 2012

3. Significant accounting policies (cont'd)

3.11 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Provision for restoration cost relates to costs of dismantling and removing assets and restoring the premises to its original condition as stipulated in operating lease agreements.

3.12 Revenue

Sales of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfer of risks and rewards vary depending on the individual trade terms of the sales agreement.

3.13 Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and fair value gains on financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, losses on disposal of available-for-sale financial assets, fair value losses on financial assets at fair value through profit or loss and impairment losses recognised on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

Notes to the Financial Statements

Year ended 31 December 2012

3. Significant accounting policies (cont'd)

3.14 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credit and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Notes to the Financial Statements

Year ended 31 December 2012

3. Significant accounting policies (cont'd)

3.15 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

3.16 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

3.17 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. Based on the preliminary assessment by management, none of these are expected to have a significant effect on the financial statements of the Group and the Company.

Notes to the Financial Statements

Year ended 31 December 2012

4. Property, plant and equipment

Group	Note	Leasehold land $'000	Leasehold apartment $'000	Buildings and civil works $'000	Plant, machinery and equipment $'000	Office equipment, furniture and fittings $'000	Computers $'000	Motor vehicles and transport equipment $'000	Assets under construction $'000	Total $'000
Cost										
At 1 January 2011		296	824	22,333	21,504	2,167	2,198	2,557	539	52,418
Acquisition of subsidiaries	24	–	–	–	–	3	–	516	–	519
Additions		–	17	27	854	87	25	3,980	159	5,149
Disposals/write-offs		–	–	–	(73)	–	(8)	(1,128)	–	(1,209)
Reclassification		–	–	(10)	718	–	–	–	(708)	–
Effect of movements in exchange rates		(6)	54	44	85	61	(1)	7	10	254
At 31 December 2011		290	895	22,394	23,088	2,318	2,214	5,932	–	57,131
Disposal of a subsidiary	25	(284)	–	(530)	(801)	(23)	(14)	(128)	–	(1,780)
Additions		–	–	488	595	105	36	320	–	1,544
Disposals/write-offs		–	–	(9)	(1,046)	(672)	(683)	(146)	–	(2,556)
Reclassification		–	–	–	(25)	–	–	25	–	–
Effect of movements in exchange rates		(6)	(45)	(63)	(139)	(53)	(2)	(43)	–	(351)
At 31 December 2012		–	850	22,280	21,672	1,675	1,551	5,960	–	53,988
Accumulated depreciation and impairment losses										
At 1 January 2011		165	93	20,519	17,207	1,482	1,924	2,203	–	43,593
Depreciation for the year		8	38	732	787	163	83	174	–	1,985
Disposals/write-offs		–	–	–	(43)	–	(8)	(1,128)	–	(1,179)
Effect of movements in exchange rates		(3)	8	23	50	31	(1)	(1)	–	107
At 31 December 2011		170	139	21,274	18,001	1,676	1,998	1,248	–	44,506
Disposal of a subsidiary	25	(170)	–	(386)	(664)	(18)	(13)	(110)	–	(1,361)
Depreciation for the year		4	39	295	853	153	71	816	–	2,231
Disposals/write-offs		–	–	(9)	(993)	(635)	(683)	(145)	–	(2,465)
Reclassification		–	–	–	(25)	–	–	25	–	–
Effect of movements in exchange rates		(4)	(6)	(42)	(97)	(31)	(1)	(33)	–	(214)
At 31 December 2012		–	172	21,132	17,075	1,145	1,372	1,801	–	42,697
Carrying amounts										
At 1 January 2011		131	731	1,814	4,297	685	274	354	539	8,825
At 31 December 2011		120	756	1,120	5,087	642	216	4,684	–	12,625
At 31 December 2012		–	678	1,148	4,597	530	179	4,159	–	11,291

Notes to the Financial Statements
Year ended 31 December 2012

4. Property, plant and equipment (cont'd)

Company	Buildings and civil works $'000	Plant, machinery and equipment $'000	Office equipment and furniture and fittings $'000	Computers $'000	Motor vehicles and transport equipment $'000	Assets under construction $'000	Total $'000
Cost							
At 1 January 2011	17,211	13,706	1,012	1,699	512	531	34,671
Additions	–	99	34	7	–	–	140
Disposals/write-offs	–	(50)	–	–	–	–	(50)
Reclassification	–	531	–	–	–	(531)	–
At 31 December 2011	17,211	14,286	1,046	1,706	512	–	34,761
Additions	–	318	87	25	269	–	699
Disposals/write-offs	–	(999)	(515)	(672)	(35)	–	(2,221)
At 31 December 2012	17,211	13,605	618	1,059	746	–	33,239
Accumulated depreciation and impairment losses							
At 1 January 2011	17,211	13,303	925	1,645	454	–	33,538
Depreciation for the year	–	98	44	35	22	–	199
Disposals/write-offs	–	(50)	–	–	–	–	(50)
At 31 December 2011	17,211	13,351	969	1,680	476	–	33,687
Depreciation for the year	–	139	36	27	31	–	233
Disposals/write-offs	–	(945)	(514)	(671)	(34)	–	(2,164)
At 31 December 2012	17,211	12,545	491	1,036	473	–	31,756
Carrying amounts							
At 1 January 2011	–	403	87	54	58	531	1,133
At 31 December 2011	–	935	77	26	36	–	1,074
At 31 December 2012	–	1,060	127	23	273	–	1,483

During the year, the Group acquired property, plant and equipment with an aggregate cost of $1,544,000 (2011: $5,149,000), of which $1,312,000 (2011: $2,657,000) were acquired under finance leases. The Company acquired property, plant and equipment with an aggregate cost of $699,000 (2011: $140,000), of which $250,000 (2011: Nil) were acquired under finance leases.

Notes to the Financial Statements
Year ended 31 December 2012

4. Property, plant and equipment (cont'd)

At 31 December, the net carrying amount of property, plant and equipment acquired under finance leases is as follows:

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Plant, machinery and equipment	292	50	250	32
Computers	30	161	–	–
Motor vehicles	3,230	2,950	26	36

At 31 December, the carrying amount of leasehold land pledged as security to secure bank loans is as follows:

	Group	
	2012	2011
	$'000	$'000
Leasehold land	–	120

Sources of estimation uncertainty

The costs of property, plant and equipment are depreciated on a straight-line basis over their useful lives. Management estimates the useful lives of these property, plant and equipment to be between 3 to 20 years. The Group reviews annually the estimated useful lives of property, plant and equipment based on the factors that include asset utilisation, internal technical evaluation, technological changes and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase depreciation expense and decrease non-current assets.

Notes to the Financial Statements
Year ended 31 December 2012

5. Subsidiaries

	Company 2012 $'000	Company 2011 $'000
Equity investments at cost	48,840	50,495
Impairment losses	(41,667)	(32,167)
	7,173	18,328
Loans to subsidiaries	47,251	50,924
Impairment losses	(13,844)	(13,826)
	33,407	37,098
Interest in subsidiaries	40,580	55,426

The loans to subsidiaries are non-trade in nature, unsecured and interest-free. The settlement of the amount is neither planned nor likely to occur in the foreseeable future. As the loans are in substance, a part of the entity's net investment in the subsidiaries, they are classified as non-current and stated at cost less accumulated impairment losses.

Impairment assessment

Due to continued losses and net deficit in shareholders' fund of the Specialty Polymer cash generating unit (CGU), the Company estimated the recoverable amount of its investment in the subsidiary in accordance with the accounting policy of the Group and assessed an impairment loss of approximately $9,500,000 to be charged to profit or loss for the year ended 31 December 2012. It is recorded under "operating expense" in the Company's book. The recoverable amount of the Specialty Polymer CGU is determined based on value-in-use calculation. This calculation uses cash flow projections based on financial budgets approved by management covering a seven-year period (the remaining useful life of the plant).

Key assumptions use for value-in-use calculation:

Annual growth rate (sales volume)	Discount rate
5%	8.75%

Management determined the growth rate based on its expectation for future market and the contracted volumes with its customers. The discount rates used are pre-tax and reflect specific risks relating to the Specialty Polymer CGU. No terminal value is being considered.

Source of estimation uncertainty

The Company maintains impairment losses at a level considered adequate to provide for potential non-recoverability of investments in subsidiaries and associates and loans receivable from them. The level of allowance is evaluated by the Company on the basis of factors that affect the recoverability of the investments and loans. These factors include, but are not limited to, the activities and financial position of the entities, their payment behaviour and market factors. The Company reviews and identifies balances that are to be impaired on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Company made different judgements or utilised different estimates. An increase in the Company's impairment losses would increase the Company's recorded other expenses and decrease the carrying value of interest in subsidiaries and associates.

Notes to the Financial Statements

Year ended 31 December 2012

5. Subsidiaries (cont'd)

Source of estimation uncertainty (cont'd)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Group 2012 %	2011 %
Held by the Company				
CemtecAsia (H.K.) Limited[1]	Inactive	Hong Kong	100	100
CemtecAsia (M) Sdn Bhd[2]	Manufacture and sale of construction and building materials	Malaysia	100	100
Pacific Climate Solutions Pte Ltd	Carbon consultancy services	Singapore	100	100
S3 Technologies (S) Pte Ltd	Manufacture and sale of construction and building materials	Singapore	100	100
S3 Technologies Pte Ltd	Manufacture and sale of construction and building materials	Singapore	100	100
S3 Technologies Sdn Bhd[7]	Manufacture and sale of building plasters	Malaysia	–	100
Sancem Investment Pte Ltd	Investment trading	Singapore	100	100
Shanghai S3 Building Materials Co Ltd[3]	Manufacture and sale of building materials	People's Republic of China	100	100
SsangYong Cement (S) Pte Ltd	Sale of building materials	Singapore	100	100
e-Invest Limited[2]	Investment holding	Hong Kong	100	100
Juniper Capital Ventures (Pte) Ltd	Investment holding	Singapore	100	100
SsangYong Cement Investment (S) Pte Ltd	Investment holding	Singapore	100	100
SsangYong Cement Singapore (China) Pte Ltd	Investment holding	Singapore	100	100
SsangYong LTI Pte Ltd	Investment holding	Singapore	100	100

Notes to the Financial Statements

Year ended 31 December 2012

5. Subsidiaries (cont'd)

Source of estimation uncertainty (cont'd)

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Group 2012 %	2011 %
Held by subsidiaries				
EnGro Chemicals Pte Ltd	Inactive	Singapore	100	100
MPT Pacific Technology Sdn Bhd [2]	Inactive	Malaysia	100	100
Top-Mix Concrete Pte Ltd	Manufacture and sale of concrete and other building materials	Singapore	100	100
Top-Mix Concrete (Malaysia) Sdn Bhd (formerly known as Compact Concrete Sdn Bhd) [4]	Manufacture and sale of concrete and other building materials	Malaysia	100	100
Pelopor Niaga Sdn Bhd [4]	Provision and supply of workers	Malaysia	100	100
Jointly held by the Company and subsidiaries				
Resin & Pigment Technologies Pte Ltd	Manufacture of thermosetting synthetic resin and plastic materials	Singapore	97.91	97.91
Burkill (Singapore) Pte Ltd	Inactive	Singapore	97.91	97.91
Resin & Pigment Technologies Sdn Bhd[5]	Inactive	Malaysia	97.91	97.91
Resin & Pigment Technologies (Wuxi) Co Ltd[6]	Manufacture of thermosetting synthetic resin and plastic materials	People's Republic of China	97.91	97.91

The auditors of all subsidiaries are KPMG LLP Singapore, except for the following:

(1) KT Chan and Company, Hong Kong.
(2) Other member firms of KPMG International in the respective country of incorporation.
(3) Shanghai Huiya Certified Public Accountants, China.
(4) Lim & Company, Malaysia.
(5) SQ Morrison, Malaysia.
(6) Wuxi Gong Qin CPAs Ltd, China.
(7) The subsidiary was disposed during the year.

Notes to the Financial Statements
Year ended 31 December 2012

6. Associates

	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Equity investments, at cost	54,174	47,662	45,030	38,517
Loan to an associate	15,213	15,086	15,213	15,086
Share of reserves*	18,553	18,754	–	–
Interests in associates	87,940	81,502	60,243	53,603

* Included in share of reserves are the Group's share of statutory common reserves of its associates of $9,151,000 (2011: $8,197,000) that are not distributable as cash dividends.

The loan to an associate is non-trade in nature, unsecured and interest-free. The settlement of the amount is neither planned nor likely to occur in the foreseeable future. As the loan is in substance, a part of the entity's net investment in the associate, they are classified as non-current and stated at cost less accumulated impairment losses.

Details of the significant associates are as follows:

Name of associates	Principal activities	Country of incorporation	Effective equity held by the Group 2012 %	Effective equity held by the Group 2011 %
Held by the Company				
HBS Investments Pte Ltd[1]	Investment holding	Singapore	30	30
HB Investments (China) Pte Ltd[1]	Investment holding	Singapore	20	20
Jiangsu Huailong Materials Co Ltd[2]	Manufacture and sale of specialty cement	People's Republic of China	40	40
Jinan Luxin Materials Co Ltd[2]	Manufacture and sale of specialty cement	People's Republic of China	40	40
Tangshan Tanglong Materials Co Ltd[2]	Manufacture and sale of specialty cement	People's Republic of China	40	40

Notes to the Financial Statements

Year ended 31 December 2012

6. Associates (cont'd)

Name of associates	Principal activities	Country of incorporation	Effective equity held by the Group 2012 %	Effective equity held by the Group 2011 %
Tangshan TangAng Materials Co Ltd[2]	Manufacture and sale of specialty cement	People's Republic of China	40	40
Wuhan Wuxin Materials Co Ltd [2]	Manufacture and sale of specialty cement	People's Republic of China	33	33
<u>Held by subsidiaries</u>				
VCEM Materials Co Ltd[3]	Manufacture and sale of specialty cement	South Korea	40	40
Changshu Changlong Concrete Co Ltd[4]	Manufacture and sale of building materials	People's Republic of China	40	40
Changshu Changxin Ready Mix Concrete Co Ltd[4]	Manufacture and sale of building materials	People's Republic of China	40	40
Changshu Changyin Ready Mix Concrete Co Ltd[5]	Manufacture and sale of building materials	People's Republic of China	40	40

The auditors of the associates are as follows:

(1) KPMG LLP, Singapore.

(2) For consolidation purposes, a member firm of KPMG International has performed specific audit procedures on certain significant accounts in accordance with International Standards on Auditing. For this purpose, an associated company is considered significant as defined under the Singapore Exchange Limited Listing Manual if the Group's share of its net tangible assets represents 20% or more of the Group's consolidated net tangible assets, or if the Group's share of its pre-tax profits accounts for 20% or more of the Group's consolidated pre-tax profits.

(3) Samil PricewaterhouseCoopers, South Korea.

(4) Jiangsu Xinrui Certified Public Accountants Co., Limited, China.

(5) Changshu Xinlian Certified Public Accountants Co., Limited, China.

Notes to the Financial Statements
Year ended 31 December 2012

6. Associates (cont'd)

Summary financial information for associates, not adjusted for the percentage ownership held by the Group, are as follows:

	2012 $'000	2011 $'000
Assets and liabilities		
Total assets	383,333	323,258
Total liabilities	195,149	167,486
Results		
Revenue	272,374	233,204
Net profit after taxation	22,507	20,096

7. Other investments

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Non-current investments				
Equity securities available-for-sale financial assets	16,448	18,440	1,275	1,334
Current investments				
Equity securities classified as held for trading	9,691	11,373	506	1,005

An impairment loss of $245,000 (2011: $1,882,000) in respect of available-for-sale equity securities of the Group was recognised in the profit or loss during the year.

The Group and the Company's exposure to credit and market risks and fair value information related to other investments are disclosed in note 26.

8. Other financial assets

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Club membership, at cost	238	238	238	238
Impairment losses	(66)	(66)	(66)	(66)
	172	172	172	172

Notes to the Financial Statements

Year ended 31 December 2012

9. Inventories

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Raw materials	1,564	1,835	–	–
Work in progress	28	19	–	–
Goods-in-transit	6,945	2,828	6,945	2,828
Finished goods	3,779	3,364	3,846	3,274
	12,316	8,046	10,791	6,102

As at year end, the Group's inventories were carried at cost. Included in the inventories of the Group in 2011 were raw materials of $251,000 and finished goods of $29,000 which were carried at net realisable values. The write-down of inventories to net realisable value in 2011 amounted to $69,000 for the Group.

During the year, the Group made nil allowance for inventory obsolescence (2011: $104,000) and reversed inventory obsolescence amounting to $115,000 (2011: $90,000). The write-down, allowance for and reversal of inventory obsolescence are included in cost of sales.

Source of estimation uncertainty

The Group recognises allowance on inventory obsolescence when inventory items are identified as obsolete and the allowance is charged to profit or loss. Obsolescence is based on the physical and internal condition of inventory items. Obsolescence is also established when inventory items are no longer marketable. In addition to an allowance for specifically identified obsolete inventory, estimation is made on a group basis based on the age of the inventory items. The Group believes such estimates represent a fair charge of the level of inventory obsolescence in a given year. The Group reviews on a monthly basis the condition of its inventory. An increase in the Group's allowance for obsolescence would increase the Group's recorded changes in finished goods and work in progress and decrease its inventory (current assets).

Notes to the Financial Statements
Year ended 31 December 2012

10. Trade and other receivables

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Non-current				
Amount due from associates, non-trade	2,881	3,137	–	–
Current				
Trade receivables due from				
– Subsidiaries	–	–	8,889	8,747
– Third parties	33,199	25,064	17,525	10,111
	33,199	25,064	26,414	18,858
Allowance for doubtful receivables	(557)	(475)	–	–
Net trade receivables	32,642	24,589	26,414	18,858
Non-trade receivables due from subsidiaries	–	–	4,803	8,712
Allowance for doubtful receivables	–	–	(74)	(74)
	–	–	4,729	8,638
Loan to a subsidiary	–	–	3,058	978
Loan to associates	7,638	4,055	7,638	4,055
Amount due from associates, non-trade	10	18	–	–
Deposits	448	341	34	31
Other receivables	264	614	261	7
Tax recoverable	132	399	–	246
Net non-trade receivables	8,492	5,427	15,720	13,955
Loans and receivables	41,134	30,016	42,134	32,813
Prepayments	7,113	1,738	6,998	1,375
	48,247	31,754	49,132	34,188
Loans and receivables (non-current and current)	44,015	33,153	42,134	32,813

The non-current amount due from associates pertains to dividend receivable from associates which is unsecured, interest-free and is not expected to be settled within the next twelve months.

All other outstanding balances, including loans, with subsidiaries and associates are unsecured, interest-free and repayable on demand.

The Group and the Company's exposure to credit and currency risks, and impairment losses related to trade and other receivables, are disclosed in note 26.

Notes to the Financial Statements
Year ended 31 December 2012

11. Cash and cash equivalents

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Fixed deposits	5,302	5,984	3,892	4,421
Bank balances	22,428	36,091	13,073	22,622
Cash and cash equivalents in the statement of financial position	27,730	42,075	16,965	27,043
Fixed deposits pledged	(610)	(625)		
Cash and cash equivalents in the consolidated statement of cash flows	27,120	41,450		

Fixed deposits pledged represent bank balances of certain subsidiaries pledged as security to obtain credit facilities.

The weighted average effective interest rates per annum relating to cash and cash equivalents at 31 December 2012 for the Group and the Company are 0.4% (2011: 0.1%) and 0.5% (2011: 0.3%) per annum respectively.

12. Share capital

	Group and Company			
	2012	2012	2011	2011
	No. of shares		No. of shares	
	'000	$'000	'000	$'000
Ordinary shares				
In issue at 1 January	118,233	84,128	118,418	84,268
Issue of shares under share options scheme	40	30	100	75
Share buy-back and cancelled	–	–	(285)	(215)
In issue at 31 December	118,273	84,158	118,233	84,128

All shares rank equally with regard to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

All issued shares are fully paid, with no par value.

Issue of ordinary shares

During the year, the Company issued 40,000 (2011: 100,000) ordinary shares under the Ssangyong Cement (Singapore) Limited 2000 Employees' Share Option Scheme at an exercise price of $0.75 (2011: $0.75) per ordinary share.

Notes to the Financial Statements

Year ended 31 December 2012

13. Reserves

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Foreign currency translation reserve	(9,112)	(4,077)	–	–
Fair value reserve	6,643	5,231	–	5
Share option reserve	948	902	948	902
Reserve for own shares	(261)	–	(261)	–
	(1,782)	2,056	687	907
Accumulated profits	104,303	96,481	71,249	80,388
	102,521	98,537	71,936	81,295

Foreign currency translation reserve

The foreign currency translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company, as well as foreign exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options.

Reserve for own shares

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group, which is recorded as a deduction of equity. As at 31 December 2012, the Group held 288,000 (2011: Nil) of the Company's shares.

Notes to the Financial Statements

Year ended 31 December 2012

14. Employee share options

Ssangyong Cement (Singapore) Limited 2000 Employees' Share Option Scheme (the ESOS 2000)

The Ssangyong Cement (Singapore) Limited 2000 Employees' Share Option Scheme (the ESOS 2000) of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 15 January 2001. The ESOS 2000 is administered by the Company's Remuneration Committee comprising three directors, Ronnie Teo Heng Hock (Chairman), Soh Kim Soon and Ng Tat Pun.

Other information regarding the ESOS 2000 is set out below:

(a) Options were granted on 1 December 2006 (Option 1), 8 January 2008 (Option 2) and 30 March 2009 (Option 3).

(b) The exercise prices of the options are set at $0.75 per share (Option 1), $1.17 per share (Option 2) and $0.55 per share (Option 3).

(c) The options can be exercised after 1 December 2007 (Option 1), 8 January 2009 (Option 2) and 30 March 2010 (Option 3).

(d) The options granted shall expire on 1 December 2016 (Option 1), 8 January 2018 (Option 2) and 30 March 2019 (Option 3).

EnGro Corporation Limited 2011 Employees' Share Option Scheme (the ESOS 2011)

The EnGro Corporation Limited 2011 Employees' Share Option Scheme (the ESOS 2011) of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 27 April 2011. The ESOS 2011 is administered by the Company's Remuneration Committee, comprising three directors, Ronnie Teo Heng Hock (Chairman), Soh Kim Soon and Ng Tat Pun.

Other information regarding the ESOS 2011 is set out below:

(a) Option was granted on 18 April 2012.

(b) The exercise price of the option is set at $0.79 per share.

(c) The option can be exercised after 18 April 2013.

(d) The option granted shall expire on 18 April 2022.

Notes to the Financial Statements

Year ended 31 December 2012

14. Employee share options (cont'd)

Movements in the number of share options and their related weighted average exercise prices are as follows:

	2012		2011	
	Weighted average exercise price $	No. of options '000	Weighted average exercise price $	No. of options '000
Outstanding at 1 January	0.94	2,000	0.94	2,190
Granted	0.79	710	–	–
Forfeited	0.87	(503)	1.17	(90)
Exercised	0.75	(40)	0.75	(100)
Outstanding at 31 December	0.90	2,167	0.94	2,000
Exercisable at 31 December	0.90	2,167	0.94	2,000

In 2010, the Company cancelled 4,145,000 of share options out of the erroneous grant of 4,430,000 share options to two directors, Tan Cheng Gay and Tan Yok Koon. The remaining 285,000 shares have been acquired and cancelled by the Company via a share buy-back in 2011.

Options exercised in 2012 resulted in 40,000 shares (2011: 100,000 shares) being issued at an exercise price of $0.75 (2011: $0.75) each. Options were exercised on a regular basis throughout the year. The weighted average share price during the year was $0.85 (2011: $0.83) per share.

There were 710,000 options granted during the year under its EnGro Corporation Limited 2011 Employees' Share Option Scheme. At 31 December 2012, outstanding share options granted under its Ssangyong Cement (Singapore) Limited 2000 Employees' Share Option Scheme amounted to 1,467,500 shares (2011: 2,000,000 shares) and under its EnGro Corporation Limited 2011 Employees' Share Option Scheme amounted to 700,000 shares (2011: Nil shares).

Fair value of share options and assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes formula. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Notes to the Financial Statements

Year ended 31 December 2012

14. Employee share options (cont'd)

	ESOS 2000			ESOS 2011
	Option 1	**Option 2**	**Option 3**	
Date of grant of options	**1 December 2006**	**8 January 2008**	**30 March 2009**	**18 April 2012**
Fair value at measurement date	$0.10	$0.14	$0.08	$0.15
Share price	$1.12	$1.17	$0.55	$0.79
Exercise price	$1.13	$1.17	$0.55	$0.79
Exercise price adjusted	$0.75	–	–	–
Expected volatility	19.4%	31.6%	32.6%	42.1%
Expected option life	5 years	5 years	5 years	5 years
Expected dividends	5.38%	7.64%	6.02%	6.66%
Risk-free interest rate	3.01%	2.39%	2.04%	1.53%

The expected volatility is based on the historic volatility (calculated based on the weighted average expected life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

There are no market conditions associated with the share option grants. Service conditions and non-market performance conditions are not taken into account in the measurement of the fair value of the services to be received at the grant date.

EnGro Corporation Limited 2011 Employees' Share Option Scheme (the ESOS 2011)

The EnGro Corporation Limited 2011 Employees' Share Option Scheme (the ESOS 2011) of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 27 April 2011. The ESOS 2011 is administered by the Company's Remuneration Committee, comprising three directors, Ronnie Teo Heng Hock (Chairman), Soh Kim Soon and Ng Tat Pun. There were 710,000 options granted during the year (2011: Nil) under the EnGro Corporation Limited 2011 Employees' Share Option Scheme.

Notes to the Financial Statements
Year ended 31 December 2012

15. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 26.

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Non-current liabilities				
Unsecured bank loans	–	281	–	–
Finance lease liabilities	2,556	2,304	191	16
	2,556	2,585	191	16
Current liabilities				
Secured bank loans	–	172	–	–
Unsecured bank loans	281	375	–	–
Unsecured loans from subsidiaries	–	–	8,293	7,121
Finance lease liabilities	694	621	51	30
	975	1,168	8,344	7,151
	3,531	3,753	8,535	7,167

In 2011, the secured bank loans of the Group are secured over certain leasehold land and fixed deposits pledged as disclosed in note 4 and note 11 respectively.

The loans from subsidiaries are unsecured, interest-free and repayable on demand.

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings, excluding loans from subsidiaries, are as follows:

			2012		2011	
	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
	%		$'000	$'000	$'000	$'000
Group						
SGD fixed rate						
– loan A (unsecured)	5	2013	281	281	656	656
Malaysian Ringgit (RM) fixed rate						
– loan B (secured)	3.53	2012	–	–	172	172
Finance lease liabilities	1.50 - 3.75	2011 – 2017	3,515	3,250	3,050	2,925
			3,796	3,531	3,878	3,753
Company						
Finance lease liabilities	1.50 - 3.30	2013 – 2018	265	242	53	46

Notes to the Financial Statements
Year ended 31 December 2012

15. Loans and borrowings (cont'd)

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2012		2011	
	Future minimum lease payments $'000	**Present value of payments $'000**	**Future minimum lease payments $'000**	**Present value of payments $'000**
Group				
Within one year	794	694	655	621
Between two to five years	2,721	2,556	2,183	2,098
More than five years	–	–	212	206
	3,515	3,250	3,050	2,925
Less: Future finance charges	(265)		(125)	
Present value of obligation	3,250		2,925	
Company				
Within one year	57	51	35	30
Between two to five years	208	191	18	16
	265	242	53	46
Less: Future finance charges	(23)		(7)	
Present value of obligation	242		46	

16. Deferred tax assets and liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. Movements in deferred tax assets and liabilities of the Group during the year, after appropriate offsetting, are as follows:

	At 1 January 2012 $'000	**Debited to share of profit of associates $'000**	**Withholding tax paid $'000**	**Disposal of a subsidiary $'000**	**At 31 December 2012 $'000**
Group					
Deferred tax liabilities/(assets)					
Property, plant and equipment	40	–	–	(40)	–
Withholding tax on share of associates' profits	621	324	(236)	–	709
	661	324	(236)	(40)	709

Notes to the Financial Statements
Year ended 31 December 2012

16. Deferred tax assets and liabilities (cont'd)

	At 1 January 2011 $'000	Debited to share of profit of associates $'000	Withholding tax paid $'000	At 31 December 2011 $'000
Group				
Deferred tax liabilities/(assets)				
Property, plant and equipment	40	–	–	40
Withholding tax on share of associates' profits	477	473	(329)	621
	517	473	(329)	661

The following temporary differences have not been recognised in respect of the following items:

	Group 2012 $'000	Group 2011 $'000
Unabsorbed tax losses	49,875	54,508
Unabsorbed wear and tear allowances	579	608
Deductible temporary differences	9,664	9,868
Unremitted overseas income	(30,333)	(28,129)
	29,785	36,855

The tax losses and unabsorbed wear and tear allowances at 31 December 2012 are available for carry forward and set off against future taxable income subject to agreement with the Comptroller of Income Tax and compliance with Section 37 of the Income Tax Act Chapter 134. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items in accordance with the Group's accounting policy as set out in note 3.14.

17. Trade and other payables

	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Trade payables	8,368	8,647	2,419	1,333
Advances from customers	518	502	500	500
Accrued expenses	10,929	6,690	8,962	4,296
Other payables	5,286	5,615	4,637	1,228
Provision for loss on claim	7	7	–	–
	25,108	21,461	16,518	7,357

The Group and the Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 26.

Notes to the Financial Statements
Year ended 31 December 2012

18. Revenue

Revenue of the Group represents net sales of goods billed to external customers. Transactions within the Group are eliminated.

19. Finance income and finance costs

Recognised in profit or loss

	Group	
	2012	**2011**
	$'000	**$'000**
Finance income		
Dividend income from other investments	1,373	4,005
Interest income on bank deposits	235	120
Other investment income	211	244
Net change in fair value of financial assets held for trading at fair value through profit or loss	–	543
Exchange gain	–	563
	1,819	5,475
Finance costs		
Interest expense on bank borrowings	(36)	(55)
Interest expense on finance lease liabilities	(7)	(24)
Loss on disposal of other investments	(11)	(26)
Net change in fair value of equity securities available-for-sale financial assets transferred to profit or loss		
– impairment losses on equity securities available-for-sale financial assets	(245)	(1,882)
Net change in fair value of financial assets held for trading at fair value through profit or loss	(424)	–
Exchange losses	(1,281)	–
	(2,004)	(1,987)

Notes to the Financial Statements
Year ended 31 December 2012

20. Profit for the year

The following items have been included in arriving at profit for the year:

	Group	
	2012	2011
	$'000	$'000
Allowance for doubtful receivables	97	49
Bad debts written off	–	55
Gain on disposal of property, plant and equipment	(18)	(123)
Included in staff costs:		
– contributions to defined contribution plans	763	597
Goodwill written off	–	162
Audit fees paid to:		
– auditors of the Company	402	382
– other auditors	23	88
Non-audit fees paid to:		
– auditors of the Company	74	110
Operating lease expense	1,918	1,924
(Reversal)/Allowance for inventory obsolescence	(115)	14
Loss on disposal of an associate	–	228
Loss on disposal of a subsidiary	17	–
Equity-settled share based payment	46	–

21. Income tax expense

	Group	
	2012	2011
	$'000	$'000
Current tax expense		
Current year	302	25
Over provided in prior years	(14)	–
	288	25
Reconciliation of effective tax rate		
Profit before income tax	11,616	13,157
Less: Share of profit of associates (net of income tax)	(7,896)	(8,159)
	3,720	4,998
Income tax using the Singapore tax rate of 17% (2011: 17%)	632	850
Effect of tax rates in foreign jurisdictions	68	5
Non-deductible expenses	617	727
Tax exempt income	(200)	(238)
Utilisation of deferred tax benefits previously not recognised	(1,103)	(2,042)
Unrecognised deferred tax assets	314	655
Over provided in prior years	(14)	–
Others	(26)	68
	288	25

Notes to the Financial Statements
Year ended 31 December 2012

22. Earnings per share

The calculation of basic earnings per share at 31 December 2012 was based on the profit attributable to ordinary shareholders of $11,369,000 (2011: $13,388,000), and a weighted average number of ordinary shares outstanding of 118,205,000 (2011: 118,418,000), calculated as follows:

Weighted average number of ordinary shares

		Group	
	Note	2012 No. of shares '000	2011 No. of shares '000
Issued ordinary shares at 1 January	12	118,233	118,418
Effect of share options exercised		*	*
Effect of own shares held		(28)	-
Weighted average number of ordinary shares during the year		118,205	118,418

* In 2011, the exercise of share options of 100,000 shares and the share buy-back and cancellation of 285,000 shares have no material effect on the weighted average number of ordinary shares.

In 2012, the exercise of share options of 40,000 shares has no material effect on the weighted average number of ordinary shares.

The calculation of diluted earnings per share at 31 December 2012 was based on profit attributable to ordinary shareholders of $11,369,000 (2011: $13,388,000), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 118,353,000 (2011: 118,565,000), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Group	
	2012 No. of shares '000	2011 No. of shares '000
Weighted average number of ordinary shares (basic)	118,205	118,418
Potential ordinary shares issuable under share options	148	147
Weighted average number of ordinary shares (diluted) during the year	118,353	118,565

For the purpose of calculation of the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from share options with the potential ordinary shares weighted for the period outstanding.

Notes to the Financial Statements

Year ended 31 December 2012

23. Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products or services, and are managed separately. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- Cement and building materials: Manufacture and sale of cement, ready-mix concrete and building materials.

- Specialty polymer: Manufacture and sale of thermosetting synthetic resin and plastic materials.

- Investments: Trading of equity securities and holding of investments in venture capital funds and equity securities.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning fixed deposits and interest income, interest-bearing loans, borrowings and interest expenses and income tax assets and liabilities. Inter-segment pricing is determined on an arm's length basis.

Information about reportable segments

	Cement and building materials $'000	Specialty polymer $'000	Investments $'000	Total $'000
Revenue and expenses				
2012				
External revenues, representing consolidated revenue	132,227	5,277	39	137,543
Dividend income	–	–	1,373	1,373
Reportable segment profit/(loss) before income tax	5,000	(1,923)	451	3,528
Share of profit of associates	7,588	–	308	7,896
	12,588	(1,923)	759	11,424
Interest expense				(43)
Interest income				235
Income tax expense				(288)
Profit for the year				11,328

Notes to the Financial Statements
Year ended 31 December 2012

23. Operating segments (cont'd)

	Cement and building materials $'000	Specialty polymer $'000	Investments $'000	Total $'000
Revenue and expenses				
2011				
External revenues, representing consolidated revenue	107,395	8,263	57	115,715
Dividend income	–	–	4,005	4,005
Reportable segment profit/(loss) before income tax	5,202	(3,171)	2,926	4,957
Share of profit of associates	8,069	–	90	8,159
	13,271	(3,171)	3,016	13,116
Interest expense				(79)
Interest income				120
Income tax expense				(25)
Profit for the year				13,132
Assets and liabilities				
2012				
Total assets for reportable segments	85,656	4,156	33,530	123,342
Investments in associates				87,940
Other unallocated amounts				5,434
Consolidated total assets				216,716
Total liabilities for reportable segments	27,405	861	91	28,357
Other unallocated amounts				1,514
Consolidated total liabilities				29,871
2011				
Total assets for reportable segments	79,845	4,696	36,698	121,239
Investments in associates				81,502
Other unallocated amounts				6,383
Consolidated total assets				209,124
Total liabilities for reportable segments	23,156	1,151	79	24,386
Other unallocated amounts				1,866
Consolidated total liabilities				26,252
Other segment information				
2012				
Capital expenditure	1,306	238	–	1,544
Depreciation	1,667	564	–	2,231
Impairment losses on equity securities available-for-sale financial assets	–	–	245	245
2011				
Capital expenditure	4,771	378	–	5,149
Depreciation	1,027	958	–	1,985
Impairment losses on equity securities available-for-sale financial assets	–	–	1,882	1,882

Notes to the Financial Statements
Year ended 31 December 2012

23. Operating segments (cont'd)

Reconciliation of reportable segment profit or loss

	2012 $'000	2011 $'000
Profit or loss		
Total profit or loss for reportable segments	3,528	4,957
Unallocated amounts	192	41
Share of profit of associates	7,896	8,159
Consolidated profit before income tax	11,616	13,157

Geographical Segments

The Group's operations are mainly in Singapore, Malaysia and People's Republic of China. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	Singapore $'000	Malaysia $'000	People's Republic of China $'000	Elimination $'000	Total $'000
2012					
External customers	121,732	8,016	7,795	–	137,543
Inter-segment revenue	15,030	610	–	(15,640)	–
Total revenue	136,762	8,626	7,795	(15,640)	137,543
Non-current assets	27,911	562	2,319	–	30,792
2011					
External customers	102,138	4,670	8,907	–	115,715
Inter-segment revenue	13,818	1,146	–	(14,964)	–
Total revenue	115,956	5,816	8,907	(14,964)	115,715
Non-current assets	30,738	1,029	2,607	–	34,374

Notes to the Financial Statements
Year ended 31 December 2012

24. Acquisition of subsidiaries

On 9 November 2011, the Group completed its acquisition of a 100% equity interest in Compact Concrete Sdn Bhd and Pelopor Niaga Sdn Bhd (collectively the "Compact Group") at an aggregate consideration of RM5.02 million (S$2.04 million).

The acquisition is expected to enable the Group to tap into new customers in the Peninsular of Malaysia, thereby expanding its customer base. The Group expects to be able to introduce its existing products and services to the customers of the Compact Group in the construction sector.

In the two months to 31 December 2011, the Compact Group contributed revenue of $628,000 and loss of $39,000 to the Group's results. If the acquisition had occurred on 1 January 2011, the consolidated revenue would have been $119,755,000 and consolidated profit for the year would have been $12,923,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2011.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

Fair value of identifiable assets and liabilities assumed

	Note	**$'000**
Property, plant and equipment	4	519
Inventories		22
Trade and other receivables		1,382
Cash and cash equivalents		639
Other assets		16
Income tax payable		(48)
Deferred tax liabilities		(129)
Trade and other payables		(528)
Total fair value of identifiable net assets		1,873
Goodwill		162
Consideration		2,035
Deferred consideration		(410)
Consideration paid		1,625
Less: Cash acquired		(639)
		986

Deferred consideration will be paid upon the first anniversary of the date of completion and upon satisfactory discharge of the warranties under the sale and purchase agreement.

The goodwill of $162,000 was written off to the profit or loss in 2011. No adjustments to identifiable assets acquired and liabilities assumed were made upon completion of the initial accounting of the business combination of the above subsidiary acquired in 2011.

Notes to the Financial Statements

Year ended 31 December 2012

25. Disposal of a subsidiary

During the year, the Group disposed the entire shares held in S3 Technologies Sdn Bhd, a wholly owned subsidiary. The net assets disposed and forms of consideration are shown below:

	$'000
Trade and other receivables	860
Inventories	292
Property, plant and equipment	419
Bank overdraft	(67)
Trade and other payables	(717)
Loans and borrowings	(129)
Deferred tax liabilities	(40)
Net assets disposed	618
Realisation of foreign currency translation reserve	532
Loss on disposal of a subsidiary	(17)
Sales proceeds	1,133
Consideration	1,133
Less:	
Bank overdraft disposed	67
Outstanding consideration to be received within next 12 months from date of disposal	(256)
Net cash inflow on disposal of a subsidiary (as shown in statement of cash flows)	944

The above disposed subsidiary contributed net loss of $52,000 from 1 January 2012 to the date of disposal.

Notes to the Financial Statements

Year ended 31 December 2012

26. Financial instruments

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The carrying amount of financial assets in the statement of financial position represents the Group and the Company's respective maximum exposure to credit risk, before taking into account any collateral held. The Group and the Company does not hold any collateral in respect of its financial assets.

Trade and other receivables

Concentration of credit risk relating to trade receivables is limited due to the Group's many varied customers. The Group's historical experience in the collection of trade receivables falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit, taking into account their financial position, past payment experience with the Group and available independent ratings.

Notes to the Financial Statements

Year ended 31 December 2012

26. Financial instruments (cont'd)

Credit risk (cont'd)

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

		Group		Company	
	Note	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Equity securities available-for-sale financial assets	7	16,448	18,440	1,275	1,334
Equity securities classified as held for trading	7	9,691	11,373	506	1,005
Loans and receivables	10	44,015	33,153	42,134	32,813
Cash and cash equivalents	11	27,730	42,075	16,965	27,043
Recognised financial assets		97,884	105,041	60,880	62,195

The ageing of loans and receivables at the reporting date was:

	2012		2011	
	Gross $'000	Impairment losses $'000	Gross $'000	Impairment losses $'000
Group				
Not past due	37,284	–	28,018	–
Past due 0 – 30 days	4,523	–	3,323	–
Past due 31 – 90 days	1,617	–	1,293	–
Past due 91 days	1,148	(557)	994	(475)
	44,572	(557)	33,628	(475)
Company				
Not past due	40,167	–	31,122	(74)
Past due 0 – 30 days	1,885	–	1,464	–
Past due 31 – 90 days	31	–	24	–
Past due 91 days	125	(74)	277	–
	42,208	(74)	32,887	(74)

Notes to the Financial Statements
Year ended 31 December 2012

26. Financial instruments (cont'd)

Credit risk (cont'd)

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	475	418	74	85
Impairment loss recognised	97	49	–	–
Reversal	–	–	–	(11)
Translation difference	(15)	8	–	–
At 31 December	557	475	74	74

Based on historical default rates, the Group believes that no additional impairment allowance is necessary in respect of the Group's outstanding receivables. These receivables are mainly with customers that have a good payment record with the Group.

Impairment losses

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The component of this allowance is a specific loss component that relates to individually significant exposures.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

At 31 December 2012, the Group's exposure to credit risk comprises $40,584,000 (2011: $28,719,000), $1,724,000 (2011: $1,900,000) and $1,707,000 (2011: $2,534,000) from companies in the geographic regions of Singapore, People's Republic of China and others respectively. At 31 December 2012, the Company's exposure to credit risk comprises principally receivable from Singapore companies.

At 31 December 2012, the Group's exposure to credit risk comprises $43,424,000 (2011: $32,216,000) from construction companies, $581,000 (2011: $922,000) from manufacturers and $10,000 (2011: $15,000) from others. At 31 December 2012, the Company's exposure to credit risk comprises principally receivable from construction companies.

Notes to the Financial Statements
Year ended 31 December 2012

26. Financial instruments (cont'd)

Source of estimation uncertainty

The Group maintains allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with debtors, their payment behaviour and known market factors. The Group reviews the age and status of receivables and identifies accounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgements or utilised different estimates. An increase in the Group's allowance for doubtful accounts would increase the Group's recorded operating expenses and decrease its receivables (current assets).

Cash and cash equivalents

The Group held cash and cash equivalents of $27,730,000 at 31 December 2012 (2011: $42,075,000), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institutions which are regulated.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivery cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Generally, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount	Cash flows			
		Contractual cash flows	Within 1 year	Between 2 to 5 years	More than 5 years
	$'000	$'000	$'000	$'000	$'000
Group					
2012					
Non-derivative financial liabilities					
Fixed interest rate loans	281	(281)	(281)	–	–
Finance lease liabilities	3,250	(3,515)	(794)	(2,721)	–
Trade and other payables*	24,583	(24,583)	(24,583)	–	–
	28,114	(28,379)	(25,658)	(2,721)	–

Notes to the Financial Statements
Year ended 31 December 2012

26. Financial instruments (cont'd)

Liquidity risk (cont'd)

	Carrying amount	Cash flows			
		Contractual cash flows	Within 1 year	Between 2 to 5 years	More than 5 years
	$'000	$'000	$'000	$'000	$'000
Group					
2011					
Non-derivative financial liabilities					
Fixed interest rate loans	828	(858)	(571)	(287)	–
Finance lease liabilities	2,925	(3,050)	(655)	(2,183)	(212)
Trade and other payables*	20,952	(20,952)	(20,952)	–	–
	24,705	(24,860)	(22,178)	(2,470)	(212)
Company					
2012					
Non-derivative financial liabilities					
Finance lease liabilities	242	(265)	(57)	(208)	–
Trade and other payables*	16,018	(16,018)	(16,018)	–	–
	16,260	(16,283)	(16,075)	(208)	–
2011					
Non-derivative financial liabilities					
Finance lease liabilities	46	(53)	(35)	(18)	–
Trade and other payables*	6,857	(6,857)	(6,857)	–	–
	6,903	(6,910)	(6,892)	(18)	–

* *excludes advances from customers and provision for loss on claim*

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Notes to the Financial Statements
Year ended 31 December 2012

26. Financial instruments (cont'd)

Market risk (cont'd)

Currency risk

The Group is exposed to currency risk on sales, purchases, investments and borrowings, including intercompany sales, purchases and inter-company balances that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are US dollar and China renminbi.

At 31 December, the Group and the Company's exposure to currencies, other than the respective functional currencies of Group entities, are as follows:

	US dollar $'000	China renminbi $'000
Group		
2012		
Trade and other receivables	6,499	7,122
Cash and cash equivalents	2,485	3,655
Investments	4,298	–
Trade and other payables	(76)	(9)
	13,206	10,768
2011		
Trade and other receivables	107	3,137
Cash and cash equivalents	6,381	3,921
Investments	5,155	–
Trade and other payables	(49)	(9)
	11,594	7,049
Company		
2012		
Trade and other receivables	6,432	7,895
Cash and cash equivalents	895	3,590
Investments	58	–
Loans to subsidiaries	15,995	822
Trade and other payables	(2)	–
	23,378	12,307
2011		
Trade and other receivables	63	4,423
Cash and cash equivalents	5,358	3,921
Investments	117	–
Loans to subsidiaries	19,384	856
Trade and other payables	(7)	–
	24,915	9,200

Notes to the Financial Statements

Year ended 31 December 2012

26. Financial instruments (cont'd)

Market risk (cont'd)

Sensitivity analysis

A 10% strengthening of the Singapore dollar, as indicated below, against the following currencies at 31 December would have increased/(decreased) equity and profit or loss before tax by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2011, as indicated below:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Profit or loss				
US dollar	(1,261)	(1,075)	(2,332)	(2,480)
China renminbi	(1,077)	(705)	(1,231)	(920)
Equity (non-impaired equity securities)				
US dollar	(60)	(84)	(6)	(12)

A 10% weakening of the Singapore dollar against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

There is no significant interest rate risk relating to variable rate instruments.

Equity price risk

Sensitivity analysis

For investments classified as available-for-sale financial assets, a 10% increase in the equity prices at the reporting date would have increased equity by $1,645,000 (2011: an increase of $1,844,000). For investments classified as fair value through profit or loss, the impact on profit or loss would have been an increase of $969,000 (2011: $1,137,000). The analysis is performed on the same basis for 2011. A 10% decrease in equity prices would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

Notes to the Financial Statements

Year ended 31 December 2012

26. Financial instruments (cont'd)

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, reserves, accumulated profits and non-controlling interests of the Group. The Board of Directors monitors the level of dividends to ordinary shareholders.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Accounting classifications and fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Note	Trading	Loans and receivables	Available-for-sale	Other financial liabilities	Total carrying amount	Fair value
		$'000	$'000	$'000	$'000	$'000	$'000
Group							
31 December 2012							
Cash and cash equivalents	11	–	27,730	–	–	27,730	27,730
Trade and other receivables	10	–	44,015	–	–	44,015	44,015
Available-for-sale equity securities	7	–	–	16,448	–	16,448	16,448
Financial assets classified as held for trading	7	9,691	–	–	–	9,691	9,691
		9,691	71,745	16,448	–	97,884	97,884
Unsecured bank loans	15	–	–	–	(281)	(281)	(281)
Finance lease liabilities	15	–	–	–	(3,250)	(3,250)	(3,250)
Trade and other payables	17	–	–	–	(24,583)	(24,583)	(24,583)
		–	–	–	(28,114)	(28,114)	(28,114)
31 December 2011							
Cash and cash equivalents	11	–	42,075	–	–	42,075	42,075
Trade and other receivables	10	–	33,153	–	–	33,153	33,153
Available-for-sale equity securities	7	–	–	18,440	–	18,440	18,440
Financial assets classified as held for trading	7	11,373	–	–	–	11,373	11,373
		11,373	75,228	18,440	–	105,041	105,041
Secured bank loans	15	–	–	–	(172)	(172)	(172)
Unsecured bank loans	15	–	–	–	(656)	(656)	(656)
Finance lease liabilities	15	–	–	–	(2,925)	(2,925)	(2,925)
Trade and other payables	17	–	–	–	(20,952)	(20,952)	(20,952)
		–	–	–	(24,705)	(24,705)	(24,705)

Notes to the Financial Statements
Year ended 31 December 2012

26. Financial instruments (cont'd)

	Note	Trading $'000	Loans and receivables $'000	Available-for-sale $'000	Other financial liabilities $'000	Total carrying amount $'000	Fair value $'000
Company							
31 December 2012							
Cash and cash equivalents	11	–	16,965	–	–	16,965	16,965
Trade and other receivables	10	–	42,134	–	–	42,134	42,134
Available-for-sale equity securities	7	–	–	1,275	–	1,275	1,275
Financial assets classified as held for trading	7	506	–	–	–	506	506
		506	59,099	1,275	–	60,880	60,880
Finance lease liabilities	15	–	–	–	(242)	(242)	(242)
Trade and other payables	17	–	–	–	(16,018)	(16,018)	(16,018)
		–	–	–	(16,260)	(16,260)	(16,260)
31 December 2011							
Cash and cash equivalents	11	–	27,043	–	–	27,043	27,043
Trade and other receivables	10	–	32,813	–	–	32,813	32,813
Available-for-sale equity securities	7	–	–	1,334	–	1,334	1,334
Financial assets classified as held for trading	7	1,005	–	–	–	1,005	1,005
		1,005	59,856	1,334	–	62,195	62,195
Finance lease liabilities	15	–	–	–	(46)	(46)	(46)
Trade and other payables	17	–	–	–	(6,857)	(6,857)	(6,857)
		–	–	–	(6,903)	(6,903)	(6,903)

Source of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of the Group's investments within the next financial year are discussed below.

Fair values of all quoted investments are determined with reference to their last quoted bid market prices at the reporting date.

Fair values of investments in private equity funds are derived based on latest available valuations obtained from the General Partners of the funds, which are determined with reference to net asset value or latest financing price of the funds. The valuations are adjusted for any capital contributions paid and distributions received.

Carrying amounts of unquoted equity securities are stated at cost less impairment losses when the fair values cannot be reliably measured because of variability in the range of reasonable fair value estimates is significant or that investment or probabilities of various estimates within the range cannot be reasonably assessed and used in estimating fair value.

Notes to the Financial Statements

Year ended 31 December 2012

26. Financial instruments (cont'd)

Fair value measurement recognised in the statement of financial position

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
31 December 2012				
Financial assets held for trading	8,430	1,261	–	9,691
Available-for-sale financial assets	183	481	15,784	16,448
	8,613	1,742	15,784	26,139
31 December 2011				
Financial assets held for trading	9,613	1,760	–	11,373
Available-for-sale financial assets	67	658	17,715	18,440
	9,680	2,418	17,715	29,813
Company				
31 December 2012				
Financial assets held for trading	–	506	–	506
Available-for-sale financial assets	–	–	1,275	1,275
	–	506	1,275	1,781
31 December 2011				
Financial assets held for trading	–	1,005	–	1,005
Available-for-sale financial assets	–	–	1,334	1,334
	–	1,005	1,334	2,339

There were no transfers between the levels during the current and previous years.

Notes to the Financial Statements
Year ended 31 December 2012

26. Financial instruments (cont'd)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	Available-for-sale equity securities	
	2012	2011
	$'000	$'000
Group		
At 1 January	17,715	16,619
Total losses recognised in profit or loss	(118)	(1,301)
Total gains/(losses) recognised in other comprehensive income	1,395	5,706
Purchases	1,468	1,519
Settlements	(4,002)	(4,578)
Exchange movement	(674)	(250)
At 31 December	15,784	17,715
Company		
At 1 January	1,334	1,688
Total gains recognised in profit or loss	–	875
Total losses recognised in other comprehensive income	(7)	(161)
Purchases	–	1,096
Settlements	(52)	(2,164)
At 31 December	1,275	1,334

At 31 December 2012 and 31 December 2011, the Group did not have any liabilities classified in Level 3 of the fair value hierarchy.

27. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Equity securities

The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets is determined by reference to their quoted closing bid price at the measurement date, latest percentage yield per General Partners' valuation report or latest financing price.

Notes to the Financial Statements
Year ended 31 December 2012

27. Determination of fair values (cont'd)

Non-derivative financial liabilities

Non-derivative financial liabilities are measured at fair value at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

Other financial assets and liabilities

The notional amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity.

28. Operating leases

Leases as lessee

At reporting date, the Group and the Company had operating lease commitments for future minimum lease payments under non-cancellable operating leases of warehouse, factory and office space and trucks as follows:

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Within one year	1,038	2,839	402	617
Between two to five years	1,875	4,105	334	969
More than five years	93	35	–	–
	3,006	6,979	736	1,586

Leases as lessor

The Group leases out its batching plants. The future minimum lease payments under non-cancellable leases are as follows:

	Group	
	2012 $'000	2011 $'000
Within one year	378	212
Between two to five years	662	–
	1,040	212

Notes to the Financial Statements

Year ended 31 December 2012

29. Capital commitments

During the year, the Group has commitments amounting to $3,604,000 (2011: $2,444,000) in respect of additional investments in certain private equity investments and partnership investments.

30. Related parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to 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 party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel compensation

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The directors, department heads and the chief executive officer are considered as key management personnel of the Group.

Key management personnel compensation comprised:

	Group	
	2012	**2011**
	$'000	**$'000**
Directors' fees	295	280
Short-term employee benefits		
– directors	1,431	1,476
– other management personnel	1,270	1,143
	2,996	2,899

Other related parties transactions

Other than those disclosed elsewhere in the financial statements, transactions with related parties are as follows:

In 2012, purchases of finished goods by the Company from an associate amounted to $5,993,000 (2011: $8,020,000).

During the year, the Group had the following transactions with Ho Bee Cove Pte Ltd, a company in which a substantial shareholder of the Company has interest in.

Notes to the Financial Statements
Year ended 31 December 2012

30. Related parties (cont'd)

Other related parties transactions (cont'd)

	2012 $'000	2011 $'000
Dividends received	1,000	4,000

During the year, the Group had granted a loan of $1,329,000 (2011: $2,271,000) to HBS Investments Pte Ltd. There was no repayment of loan by HBS Investment Pte Ltd during the year.

In 2012, the Group granted a loan of $127,000 (2011: $2,500,000) to HB Investments (China) Pte Ltd. There was no repayment of loan by HB Investments (China) Pte Ltd during the year.

In 2012, the dividends received from associates amounted to $4,296,000 (2011: $7,650,000).

31. Subsequent events

After the reporting date, the Directors proposed the following dividends which have not been provided for in the financial statements:

	Group and Company	
	2012 $'000	2011 $'000
Final one-tier dividend proposed of 3 cents per share (2011: 3 cents per share)	3,540	3,547

Notes to the Financial Statements
Year ended 31 December 2012

Supplementary Information
(SGX-ST Listing Manual disclosure requirements)

1. Directors' Remuneration – Group and Company

The number of directors in each of the remuneration bands are as follows:

	Number of directors	
	2012	**2011**
$750,001 to $1,000,000	1	1
$500,001 to $750,000	1	1
$250,001 to $500,000	–	–
Below $250,000	5	4
Total	7	6

2. Interested Person Transactions

The aggregate value of transactions entered into by the Group with interested persons and their affiliates, as defined in the SGX Listing Manual, are as follows:

Interested person	**Aggregate value of all transactions (excluding transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual) $'000**	**Aggregate value of all transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual $'000**
HBS Investments Pte Ltd		
Loan	1,329	–
HB Investments (China) Pte Ltd		
Loan	127	–

HBS Investments Pte Ltd and HB Investments (China) Pte Ltd are companies in which the Company has a 30% and 20% interest respectively. A controlling shareholder of the Company also has an interest in HBS Investments Pte Ltd and HB Investments (China) Pte Ltd.

Statistics of Shareholdings

As at 18 March 2013

Share Capital

Issued & fully paid-up	:	$84,158,328.50
Class of shares	:	Ordinary shares
Voting rights excluding treasury shares	:	one vote per ordinary share
Number of issued shares excluding treasury shares	:	117,877,500
Number of treasury shares	:	395,000
Percentage of treasury shares	:	0.34%

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	182	8.70	46,243	0.04
1,000 - 10,000	1,410	67.40	5,505,992	4.67
10,001 - 1,000,000	490	23.42	25,525,430	21.65
1,000,001 and above	10	0.48	86,799,835	73.64
Total	**2,092**	**100.00**	**117,877,500**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	Afro-Asia International Enterprises Pte Limited	44,463,000	37.72
2	Afro Asia Shipping Co Pte Ltd	14,270,500	12.11
3	UOB Kay Hian Pte Ltd	13,164,010	11.17
4	Chua Wee Keng	5,058,000	4.29
5	DBS Nominees Pte Ltd	2,388,775	2.03
6	United Overseas Bank Nominees (Pte) Ltd	1,769,550	1.50
7	Morph Investments Ltd	1,580,500	1.34
8	Tan Choo Suan	1,419,000	1.20
9	Performance Investment Pte Ltd	1,404,000	1.19
10	Zen Property Management Pte Ltd	1,282,500	1.09
11	OCBC Nominees Singapore Private Limited	880,000	0.75
12	New Town Development Pte Ltd	826,000	0.70
13	Kwok Hae Meng	712,250	0.60
14	Son Fong Meng	706,000	0.60
15	Citibank Nominees Singapore Pte Ltd	620,000	0.53
16	Tan Choo Hoon @ Tan Cheng Gay	579,750	0.49
17	Maybank Kim Eng Securities Pte Ltd	554,050	0.47
18	CIMB Securities (Singapore) Pte Ltd	541,250	0.46
19	Lim Cher Khiang	528,137	0.45
20	Phillip Securities Pte Ltd	520,960	0.44
	TOTAL	**93,268,232**	**79.13**

Note: The percentages are computed based on 117,877,500 ordinary shares (excluding 395,000 shares held as treasury shares) as at 18 March 2013.

Shareholding Held in the Hands of Public

Based on the information available to the Company as at 18 March 2012, 44.24% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the SGX-ST Listing Manual has been complied with.

Statistics of Shareholdings

As at 18 March 2013

Substantial Shareholders

as shown in the Company's Register of Substantial Shareholders as at 18 March 2013

Name of Substantial Shareholder	Direct Interest No. of Shares	Deemed Interest No. of Shares	Note	Total Number of Shares	% of Issued Share Capital
Tan Choo Suan	1,419,000	60,137,500	(1) & (8)	61,556,500	52.22
Chua Thian Poh	165,000	46,045,500	(2)	46,210,500	39.20
Ng Noi Hinoy	300,000	45,910,500	(3)	46,210,500	39.20
Ho Bee Holdings (Pte) Ltd	–	45,745,500	(4)	45,745,500	38.81
Tan Choo Pin	25,500	44,463,000	(5)	44,488,500	37.74
Ng Giok Oh	–	15,674,500	(6)	15,674,500	13.30
Afro-Asia International Enterprises Pte. Limited	44,463,000	–		44,463,000	37.72
Afro Asia Shipping Co Pte Ltd	14,270,500	1,404,000		15,674,500	13.30
The Estate of the late Tan Kiam Toen, deceased	–	60,137,500	(7)	60,137,500	51.02

Notes:

Mr Chua Thian Poh is deemed to have an interest in the shareholdings of Mdm Ng Noi Hinoy and vice versa by virtue of their relationship as husband and wife. By virtue of Section 7 of the Singapore Companies Act, Cap 50, Mr Chua Thian Poh and Mdm Ng Noi Hinoy are deemed to have an interest in the shares owned by Ho Bee Holdings (Pte) Ltd.

(1) This represents Mdm Tan Choo Suan's deemed interest of 60,137,500 shares held in the name of the following:-
(a) 44,463,000 shares held by Afro-Asia International Enterprises Pte. Limited;
(b) 14,270,500 shares held by Afro Asia Shipping Co Pte Ltd; and
(c) 1,404,000 shares held by Performance Investment Pte Ltd;

(2) This represents Mr Chua Thian Poh's deemed interest of 46,045,500 shares held in the name of the following:-
(a) 45,745,500 shares held by Ho Bee Holdings (Pte) Ltd; and
(b) 300,000 shares held by his spouse through a nominee.

(3) This represents Mdm Ng Noi Hinoy's deemed interest of 45,910,500 shares held in the name of the following:-
(a) 45,745,500 shares held by Ho Bee Holdings (Pte) Ltd; and
(b) 165,000 shares held by her spouse.

(4) This represents Ho Bee Holdings (Pte) Ltd's deemed interest of 45,745,500 shares held in the name of the following:-
(a) 44,463,000 shares held by Afro-Asia International Enterprises Pte. Limited; and
(b) 1,282,500 shares held by Zen Property Management Pte Ltd.

(5) This represents Mdm Tan Choo Pin's deemed interest of 44,463,000 shares held in the name of Afro-Asia International Enterprises Pte. Limited by virtue of the provisions under Section 7 of the Companies Act, Cap 50.

(6) This represents Mdm Ng Giok Oh's deemed interest of 15,674,500 shares held in the name of the following:-
(a) 14,270,500 shares held by Afro Asia Shipping Co Pte Ltd; and
(b) 1,404,000 shares held by Performance Investment Pte Ltd.

(7) This represents the Estate's deemed interest of 60,137,500 shares held in the name of the following:-
(a) 44,463,000 shares held by Afro-Asia International Enterprises Pte. Limited;
(b) 14,270,500 shares held by Afro Asia Shipping Co Pte Ltd; and
(c) 1,404,000 shares held by Performance Investment Pte Ltd;

The Estate's notification of deemed interest on 29 December 2010 was objected to by Mr Tan Yok Koon, an executive director of the Company, and Mdm Tan Choo Pin, a substantial shareholder of the Company (both siblings to Mdm Tan Choo Suan, the sole executrix of the Estate) on 30 December 2010 on the basis that there is a dispute as to the beneficial interest in the shares concerned, which is currently before the High Court. On 10 January 2011, Mr Tan Cheng Gay, Chairman and Chief Executive Officer of the Company and sibling to Mdm Tan Choo Suan, also lodged his objection with the Company on similar grounds.

(8) Mdm Tan Choo Suan's claim to direct interest in 1,419,000 shares and deemed interest in 60,137,500 shares in the Company are subject to dispute by her siblings, namely Tan Cheng Gay, Tan Yok Koon, Tan Choo Pin and Tan Chin Hoon, and this is presently the subject matter of Suit 570.

The percentages are computed based on 117,877,500 ordinary shares (excluding 395,000 shares held as treasury shares) as at 18 March 2013.

Notice of Annual General Meeting

ENGRO CORPORATION LIMITED
(Company Registration No.: 197302229H)
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of EnGro Corporation Limited (the "Company") will be held at 25 International Business Park, German Centre, 5th Floor, Munich Room, Singapore 609916 on Monday, 29 April 2013 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2012 and the Reports of the Directors and Auditors thereon. **(Resolution 1)**

2. To declare a final tax-exempt (1-tier) dividend of 3 cents per ordinary share for the financial year ended 31 December 2012. **(Resolution 2)**

3. (a) To re-elect the following Directors who are retiring pursuant to Articles 87 and 94 of the Company's Articles of Association:-

   (i) Mr Ng Tat Pun (retiring under Article 87) **(Resolution 3)**
   (ii) Mr Soh Kim Soon (retiring under Article 87) **(Resolution 4)**

   Mr Ng Tat Pun and Soh Kim Soon will, upon re-election as Directors of the Company, remain as a Chairman and member of the Audit Committee respectively and both will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

4. To re-appoint Messrs KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

AS Special Business

5. To approve the payment of Directors' fees of S$295,450 for the financial year ended 31 December 2012 (2011: S$280,000). **(Resolution 6)**

6. To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6.1 Authority to allot and issue shares under the Ssangyong Cement (Singapore) Limited 2000 Employees' Share Option Scheme (the "ESOS 2000")

"That authority be and is hereby given to the Directors to allot and issue from time to time such number of ordinary shares in the Company as may be required to be issued pursuant to the exercise of options under ESOS 2000, provided always that the aggregate number of shares to be issued pursuant to the ESOS 2000 shall not exceed fifteen per centum (15%) of the total issued shares in the capital of the Company excluding treasury shares, from time to time." **(Resolution 7)**

Notice of Annual General Meeting

6.2 Share Issue Mandate

"That pursuant to Section 161 of the Companies Act, Chapter 50 and the Listing Rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors to:-

(A) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise, and /or

(ii) make or grant offers, agreements or options (collectively "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(a) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) of the Company (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) of the Company (as calculated in accordance with sub-paragraph (b) below);

(b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) of the Company at the time this Resolution is passed, after adjusting for:-

(i) new shares arising from the conversion or exercise of any convertible securities;

(ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with the provisions of the Listing Manual of the SGX-ST; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares;

(c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

Notice of Annual General Meeting

(d) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier; or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments."

(Resolution 8)

6.3 Authority to grant options and to allot and issue shares under with the EnGro Corporation Limited 2011 Employees' Share Option Scheme (the "ESOS 2011")

"That authority be and is hereby given to the Directors of the Company to offer and grant options in accordance with the provisions of the ESOS 2011 and to allot and issue from time to time such number of ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of options under the ESOS 2011, whether granted during subsistence of this authority or otherwise, provided always that the aggregate number of new shares to be allotted and issued pursuant to the ESOS 2011 and other share based schemes of the Company (which shall include the ESOS 2000 and the EnGro Performance Share Award Scheme) shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time." **(Resolution 9)**

6.4 Authority to issue shares under the EnGro Performance Share Award Scheme (the "EnGro PSA Scheme")

"That authority be and is hereby given to the Directors of the Company to allot and issue from time to time such number of fully paid-up shares as may be required to be allotted and issued pursuant to the vesting of awards under the EnGro PSA Scheme, whether granted during subsistence of this authority or otherwise, provided always that the aggregate number of shares to be allotted and issued pursuant to the EnGro PSA Scheme and other share based schemes (including the ESOS 2000 and ESOS 2011) of the Company shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time." **(Resolution 10)**

6.5 Renewal of the Share Purchase Mandate

"That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "Act"), the exercise by the directors of all the powers of the Company to purchase or otherwise acquire from time to time issued ordinary shares in the capital of the Company (the "Shares"), not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by the directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:-

(i) on-market purchases (each a "Market Purchase") on the Singapore Securities Trading Limited (the "SGX-ST"); and/or

(ii) off-market purchases (each an "Off-Market Purchase") effected in accordance with any equal access scheme(s) as may be determined or formulated by the directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act,

Notice of Annual General Meeting

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Purchase Mandate");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the directors pursuant to the Share Purchase Mandate may be exercised by the directors at any time and from time to time during the period commencing from the date of the passing of this Ordinary Resolution, and expiring on the earlier of:-

(i) the date on which the next annual general meeting of the Company is held; or

(ii) the date by which the next annual general meeting of the Company is required by law to be held; or

(iii) the date on which the purchases of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(c) in this Resolution:-

"Prescribed Limit" means 10% of the total number of issued ordinary shares of the Company as at the date of the passing of this Resolution, unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the total number of issued ordinary shares of the Company shall be taken to be the number of issued ordinary shares of the Company as altered (excluding any treasury shares that may be held by the Company from time to time). Any Shares which are held as treasury shares will be disregarded for the purpose of computing the 10% limit;

"Relevant Period" means the period commencing from the date on which the last annual general meeting was held and expiring on the date the next annual general meeting is held or required by law to be held, whichever is the earlier, after the date of this Resolution; and

"Maximum Price" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) not exceeding:-

(i) in the case of a Market Purchase, 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price,

where:-

"Average Closing Price" means the average of the closing market prices of a Share over the last 5 Market Days ("Market Day" being a day on which the SGX-ST is open for securities trading), on which transactions in the Shares were recorded, before the day on which the Market Purchase was made or, as the case may be, before the date of making an announcement by the Company of an offer for an Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant 5 Market Days; and

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things as they and/or he may consider necessary, desirable, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution."

(Resolution 11)

7. To transact any other business that may properly be transacted at an Annual General Meeting.

Notice of Annual General Meeting

NOTICE OF BOOK CLOSURE DATE FOR DIVIDEND

NOTICE IS ALSO HEREBY GIVEN that, subject to the approval of shareholders being obtained at the Annual General meeting of the Company for the payment of the final tax-exempt (1-tier) dividend, the Share Transfer Books and the Register of Members of the Company will be closed on 8 July 2013 for the preparation of dividend warrants. Duly completed transfers received by the Company's Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 5 July 2013 will be registered to determine shareholders' entitlement to the proposed dividend. The final tax-exempt (1-tier) dividend of 3 cents per ordinary share for the financial year ended 31 December 2012, if approved at the Annual General Meeting, will be paid on 26 July 2013.

By Order of the Board

Joanna Lim
Company Secretary

12 April 2013

STATEMENT PURSUANT TO ARTICLE 57(3) OF THE COMPANY'S ARTICLES OF ASSOCIATION

The effect of the resolutions under the heading "Special Business" in this Notice of Annual General Meeting are:-

Ordinary Resolution 6
Resolution 6 is to approve the payment of Directors' fees for the financial year ended 31 December 2012.

Ordinary Resolution 7
Resolution 7 proposed in item 6.1 above, if passed, will authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares in the Company pursuant to the exercise of options granted under the ESOS 2000. Note that the ESOS 2000 was at the end of its 10 year duration and discontinued on 15 January 2011. However, subsisting options granted prior to that date are not affected by the discontinuation and remain exercisable in accordance with the rules of the ESOS 2000. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

Notice of Annual General Meeting

Ordinary Resolution 8

Resolution 8 proposed in item 6.2 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to issue shares and convertible securities in the Company. The number of shares and convertible securities that the Directors may issue under this Resolution would not exceed 50% of the total number of issued shares (excluding treasury shares) of the Company at the time of the passing of this Resolution. For issue of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed 20% of the total number of issued shares (excluding treasury shares) of the Company. The aggregate number of shares which may be issued shall be based on the total number of issued shares (excluding treasury shares) of the Company at the time that Ordinary Resolution 8 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Ordinary Resolution 8 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

Ordinary Resolution 9

Resolution 9 proposed in item 6.3 above, if passed, will authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to grant options under the ESOS 2011 which was approved at the Extraordinary General Meeting of the Company on 27 April 2011 and to allot and issue shares upon the exercise of such options granted under the ESOS 2011 in accordance with the rules of the ESOS 2011. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

Ordinary Resolution 10

Resolution 10 proposed in item 6.4 above, if passed, will authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares in the Company pursuant to the vesting of awards under the EnGro PSA Scheme which was approved at the Extraordinary General Meeting of the Company on 27 April 2011 in accordance with the rules of the EnGro PSA Scheme. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company

Ordinary Resolution 11

Resolution 11 proposed in item 6.5 above, if passed, will empower the Directors of the Company to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to 10% of the total number of issued shares (excluding treasury shares) in capital of the Company at the Maximum Price. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial statements of the Company and its subsidiaries for the financial year ended 31 December 2012 are set out in greater detail in the Addendum in relation to the proposed renewal of the Share Purchase Mandate.

Notes:

1) A member of the Company entitled to attend and vote at the Meeting may appoint not more than two proxies to attend and vote in his/her stead.

2) A proxy need not be a member of the Company.

3) If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

4) The instrument appointing a proxy must be deposited at the registered office of the Company at 29 International Business Park, #08-05/06 Acer Building Tower B, Singapore 609923 not later than 48 hours before the time appointed for holding the Meeting.

This page has been intentionally left blank.

This page has been intentionally left blank.

IMPORTANT
1. For investors who have used their CPF monies to buy EnGro Corporation Limited's shares, this Annual Report 2012 is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to vote should contact their CPF Approved Nominees.

ENGRO CORPORATION LIMITED
(Company Registration No.: 197302229H)
(Incorporated in the Republic of Singapore)

PROXY FORM

*I / We, ______________________________

of ______________________________

being *a member/members of EnGro Corporation Limited (the "Company"), hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholding(s) (%)

*and/or

or failing whom, the Chairman of the Meeting, as *my/our *proxy/proxies to vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting ("AGM") of the Company to be held at 25 International Business Park, German Centre, 5th Floor, Munich Room, Singapore 609916 on Monday, 29 April 2013 at 10.00 a.m. and at any adjournment thereof. The *proxy is/proxies are to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/their discretion, as *he/they will on any other matter arising at the Meeting:-

	Ordinary Resolutions	For	Against
1.	To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2012 and the Reports of the Directors and the Auditors thereon. **(Resolution 1)**		
2.	To declare a final tax-exempt (1-tier) dividend of 3 cents per ordinary share for the financial year ended 31 December 2012. **(Resolution 2)**		
3.	To re-elect of Mr Ng Tat Pun (Retiring under Article 87). **(Resolution 3)**		
4.	To re-elect of Mr Soh Kim Soon (Retiring under Article 87). **(Resolution 4)**		
5.	To re-appoint Messrs KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**		
6.	To approve the payment of Directors' fees of S$295,450 for the financial year ended 31 December 2012 (2011: S$280,000). **(Resolution 6)**		
7.	To authorize Directors to allot and issue shares pursuant to the exercise of options granted under Ssangyong Cement (Singapore) Limited 2000 Employees' Share Option Scheme (ESOS 2000). **(Resolution 7)**		
8.	To authorise the Directors to allot and issue shares pursuant to the Share Issue Mandate. **(Resolution 8)**		
9.	To authorize Directors to grant options and to allot and issue shares under EnGro Corporation Limited 2011 Employees' Share Option Scheme (ESOS 2011). **(Resolution 9)**		
10.	To authorize Directors to issue shares under the EnGro PSA Scheme. **(Resolution 10)**		
11.	To renew the Share Purchase Mandate. **(Resolution 11)**		

Please indicate with a tick [√] in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of the Meeting.

Dated this ________ day of __________________________ 2013

Total Number of Shares Held

....
Signature(s) of Member(s) / Common Seal
** Delete where applicable*

Notes:-

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.
2. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
4. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.
5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 29 International Business Park, #08-05/06 Acer Building Tower B, Singapore 609923 not later than 48 hours before the time set for the Annual General Meeting.
6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time set for the Annual General Meeting.

Fold along this line

Affix Postage
Stamp Here

The Company Secretary
ENGRO CORPORATION LIMITED
29 International Business Park
#08-05/06 Acer Building Tower B
Singapore 609923

Fold along this line

EnGro Corporation Limited

29 International Business Park
#08-05/06 Acer Building Tower B
Singapore 609923

Telephone: +65 6561 7978
Facsimile: +65 6561 9770

Company no. 197302229H