



ENGRO CORPORATION LIMITED
(Incorporated in the Republic of Singapore)
Co. Reg. No. 197302229H

UNAUDITED SECOND QUARTER FINANCIAL STATEMENT AND RELATED ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2012

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

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group			Group		
	2Q12 S\$'000	2Q11 S\$'000	% Change	YTD12 S\$'000	YTD11 S\$'000	% Change
Continuing operations						
Revenue	32,540	29,906	8.8	62,474	57,071	9.5
Changes in inventories of finished goods and work-in-progress	(1,735)	(887)	95.6	(4,096)	(1,853)	n.m.
Raw materials	(21,075)	(20,398)	3.3	(39,594)	(38,000)	4.2
Gain/ (Loss) on disposal of property, plant and equipment	-	123	n.m.	(1)	123	n.m.
Investment income and Gain on disposal of investments	137	84	63.1	137	146	(6.2)
Interest income	78	21	n.m.	149	43	n.m.
Dividend income	1,128	4,129	(72.7)	1,164	4,164	(72.0)
Other income	224	100	n.m.	526	191	n.m.
Exchange gain/ (loss)	575	(940)	n.m.	(502)	(1,142)	(56.0)
Allowance for doubtful receivables and bad debts written off	-	-	n.m.	-	(19)	n.m.
Depreciation of property, plant and equipment	(587)	(480)	22.3	(1,116)	(949)	17.6
Write-back for impairment/ (Impairment losses) on investments	17	(711)	n.m.	17	(894)	n.m.
Net change in fair value of financial assets held for trading	(303)	201	n.m.	421	14	n.m.
Staff costs	(3,432)	(3,213)	6.8	(6,486)	(5,921)	9.5
Rental expenses	(489)	(467)	4.7	(975)	(952)	2.4
Other expenses	(5,341)	(4,312)	23.9	(9,814)	(7,913)	24.0
Interest expenses	(12)	(18)	(33.3)	(28)	(38)	(26.3)
Profit before share of profit of associates	1,725	3,138	(45.0)	2,276	4,071	(44.1)
Share of profit of associates (net of tax)	3,166	2,136	48.2	3,256	2,580	26.2
Profit from ordinary activities before taxation	4,891	5,274	(7.3)	5,532	6,651	(16.8)
Income tax (expense)/ credit	(37)	23	n.m.	(91)	(3)	n.m.
Net profit for the period ended	4,854	5,297	(8.4)	5,441	6,648	(18.2)
Attributable to:						
Equity holders of the Company	4,865	5,355	(9.2)	5,461	6,767	(19.3)
Non-controlling interests	(11)	(58)	(81.0)	(20)	(119)	(83.2)
Net profit for the period ended	4,854	5,297	(8.4)	5,441	6,648	(18.2)

n.m. - not meaningful

Note: Figures for prior year has been re-presented to conform with current year's presentation.

Statement of Comprehensive Income

	Group			Group		
	2Q12 S\$'000	2Q11 S\$'000	% Change	YTD12 S\$'000	YTD11 S\$'000	% Change
Net profit for the period ended	4,854	5,297	(8.4)	5,441	6,648	(18.2)
Other comprehensive income:						
Exchange differences on translation of financial statements of foreign subsidiaries and associates	222	(22)	n.m.	(1,250)	(363)	n.m.
Exchange differences on monetary items forming part of net investment	(1)	(296)	(99.7)	(527)	(952)	(44.6)
Net change in fair value of equity securities available for sale	72	2,415	(97.0)	552	4,315	(87.2)
Other comprehensive income/ (loss) for the period, net of tax	293	2,097	(86.0)	(1,225)	3,000	n.m.
Total comprehensive income for the period	5,147	7,394	(30.4)	4,216	9,648	(56.3)
Total comprehensive income attributable to:						
Equity holders of the Company	5,158	7,452	(30.8)	4,236	9,767	(56.6)
Non-controlling interests	(11)	(58)	(81.0)	(20)	(119)	(83.2)
	5,147	7,394	(30.4)	4,216	9,648	(56.3)

n.m. - not meaningful

Note: Figures for prior year has been re-presented to conform with current year's presentation.

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

	Group		Company		Group	Company
	30.06.2012 S\$'000	31.12.2011 S\$'000	30.06.2012 S\$'000	31.12.2011 S\$'000	% Change	% Change
Non-current assets						
Property, plant and equipment	11,892	12,625	1,287	1,074	(5.8)	19.8
Subsidiaries	-	-	55,894	55,426	0.0	0.8
Associates	83,487	81,502	53,603	53,603	2.4	0.0
Amount due from associates	3,137	3,137	-	-	0.0	0.0
Other investments	18,671	18,440	1,322	1,334	1.3	(0.9)
Other financial assets	172	172	172	172	0.0	0.0
	117,359	115,876	112,278	111,609	1.3	0.6
Current assets						
Inventories	3,903	8,046	2,070	6,102	(51.5)	(66.1)
Trade and other receivables	39,545	31,754	41,480	34,188	24.5	21.3
Other investments	11,540	11,373	-	1,005	1.5	(100.0)
Cash and cash equivalents	38,193	42,075	24,846	27,043	(9.2)	(8.1)
	93,181	93,248	68,396	68,338	(0.1)	0.1
Total assets	210,540	209,124	180,674	179,947	0.7	0.4
Equity						
Share capital	84,128	84,128	84,128	84,128	0.0	0.0
Reserves	102,780	98,537	82,037	81,295	4.3	0.9
Equity attributable to equity holders of the Company	186,908	182,665	166,165	165,423	2.3	0.4
Non-controlling interests	187	207	-	-	(9.7)	0.0
Total equity	187,095	182,872	166,165	165,423	2.3	0.4
Non-current liabilities						
Loans and borrowings	3,071	2,585	1	16	18.8	(93.8)
Deferred tax liabilities	800	661	-	-	21.0	0.0
	3,871	3,246	1	16	19.3	(93.8)
Current liabilities						
Trade and other payables	18,344	21,461	7,453	7,357	(14.5)	1.3
Loans and borrowings	851	1,168	7,055	7,151	(27.1)	(1.3)
Current tax liabilities	379	377	-	-	0.5	0.0
	19,574	23,006	14,508	14,508	(14.9)	0.0
Total liabilities	23,445	26,252	14,509	14,524	(10.7)	(0.1)
Total equity and liabilities	210,540	209,124	180,674	179,947	0.7	0.4

n.m. - not meaningful

Note: Figures for prior year has been re-presented to conform with current year's presentation.

Explanatory Notes to Balance Sheet

Shareholders' equity of the Group rose from S\$182.9 million to S\$187.1 million. The S\$4.2 million increase was attributable to current year profit of S\$5.5 million, gain in fair value of equity securities of S\$0.5million partially offset by foreign currency translation losses of S\$1.8 million.

Total assets for the Group amounted to S\$210.5 million as at 30 June 2012, representing S\$1.4 million or 0.7% increase in the asset base of S\$209.1 million as at 31 December 2011.

Included in the assets of the balance sheet as at 30 Jun 2012, net assets of S\$0.6 million belong to a subsidiary S3 Technologies Sdn Bhd which the Group had entered into a sales and purchase agreement to dispose off the subsidiary with a completion date on 12 July 2012. The net assets comprised of non-current assets of S\$0.4 million, current assets of S\$1.1 million offset by non-current liabilities of S\$0.1 million and current liabilities of S\$0.8 million.

Non Current Assets

Increase in associates by S\$2.0 million arose from higher share of profits, net of tax of S\$3.3 million offset by foreign currency translation loss of S\$1.3 million.

Current Assets

Inventories fell by S\$4.1m mainly due to lower inventory holding by the Company in end of June 2012 as compared to 31 December 2011 coupled with delay of goods arrivals.

Trade and other receivables rose by S\$7.8 million mainly due to loan to associates of S\$2.8 million, increase in prepayment for shipments of S\$3.7 million and higher sales generated from our Singapore Integral Cement/ Ready-mix business.

Current Liabilities

Decrease in trade and other payables were resulted from a reclassification of S\$1.0 million payable for the purchase of trucks in 2011 to finance lease liabilities upon obtaining financing and lower accrued expenses due to settlement of services performed by sub-contractors for a China subsidiary of S\$1.9 million.

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

Amount repayable in one year or less, or on demand

As at 30.06.2012		As at 31.12.2011	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
476	375	793	375

Amount repayable after one year

As at 30.06.2012		As at 31.12.2011	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
2,978	93	2,304	281

Details of any collateral

The Group's banking facilities are secured by :

- a) a legal charge on a subsidiary's freehold land and building with a carrying amount of S\$0.1 million,
- b) fixed deposits amounting to S\$0.6 million,
- c) the hire purchase facilities of the Group are secured by the Company and its subsidiaries' plant and machinery and motor vehicles.

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

	Group	
	2Q12 S\$'000	2Q11 S\$'000
Operating activities		
Profit before income tax	4,891	5,274
Adjustments for:		
Write back for inventory obsolescence	-	(91)
Property, plant and equipment written off	7	-
Depreciation of property, plant and equipment	587	480
Dividend income	(1,128)	(4,129)
(Write back) of impairment loss/ impairment loss on investments	(17)	711
Interest expense	12	18
Interest income	(78)	(21)
Loss/ (Gain) on disposal of investments	1	(1)
Gain on disposal of property, plant & equipment	-	(123)
Net change in fair value of financial assets held for trading	303	(201)
Share of profit of associates (net of tax)	(3,166)	(2,136)
Operating profit/ (loss) before working capital changes	1,412	(219)
Changes in working capital:		
Inventories	1,800	1,242
Trade and other payables	(683)	(580)
Trade and other receivables	(4,982)	(2,155)
Cash used in operations	(2,453)	(1,712)
Income tax paid	(19)	-
Net cash used in operating activities	(2,472)	(1,712)
Investing activities		
Distribution from other investments	1,712	765
Dividends received	1,128	4,129
Interest received	78	21
Loan to associates	(510)	756
Proceeds from disposal of other investments	3,514	2
Proceeds from disposal of property, plant and equipment	1	144
Purchase of other investments	(3,260)	-
Purchase of property, plant and equipment	(94)	(524)
Net cash from investing activities	2,569	5,293
Financing activities		
Deposits pledged	10	11
Interest paid	(12)	(18)
Proceeds/ (Repayment) of short term borrowings	2	(43)
Proceeds from issue of shares under share options scheme	-	75
Share-based payment transactions	7	-
Repayment of finance leases	(166)	(39)
Repayment of long term borrowings	(94)	-
Net cash used in financing activities	(253)	(14)
Net (decrease)/ increase in cash and cash equivalents	(156)	3,567
Cash and cash equivalents at beginning of period	37,721	36,392
Effect of exchange fluctuations on cash held	7	(94)
Cash and cash equivalents at end of period	37,572	39,865

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

Comprising:

Fixed deposits	8,761	7,402
Bank balances	<u>29,432</u>	<u>33,117</u>
	38,193	40,519
Deposits pledged	<u>(621)</u>	<u>(654)</u>
	<u>37,572</u>	<u>39,865</u>

Explanatory Notes to Cash Flow Statement

The Group reported a decrease in cash and cash equivalents of S\$0.2 million for the quarter ended 2Q 2012 as compared to the increase of S\$3.6 million for the quarter ended 2Q 2011.

This was mainly attributable by a decrease in cash flows generated from investing activities by S\$2.7 million, higher net cash used in operating activities and financing activities by S\$0.8 million and S\$0.2 million respectively.

Lower cash flow generated from investing activities was due to more loans to associates of S\$1.3 million and lower dividend received from a property investment associate of S\$3.0 million, offset by net increased from investment in equity securities of S\$1.2 million and lower acquisition of property, plant and equipment of S\$0.4 million.

Higher net cash used in financing activities arose from repayment of leases of vehicles.

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

	Share capital S\$'000	Share option reserve S\$'000	Foreign currency translation reserve S\$'000	Fair value reserve S\$'000	Accumulated profit/ (loss) S\$'000	Total attributable to equity holders of the parent S\$'000	Non- controlling interests S\$'000	Total equity S\$'000
Group								
At 1 April 2011	84,268	902	(8,480)	1,426	88,017	166,133	402	166,535
Total comprehensive income for the period								
Net profit for the period	-	-	-	-	5,355	5,355	(58)	5,297
Other comprehensive income								
Exchange differences on translation of financial statements of foreign subsidiaries and associates	-	-	(22)	-	-	(22)	-	(22)
Exchange differences on monetary items forming part of net investment	-	-	(296)	-	-	(296)	-	(296)
Net change in fair value of equity securities available for sale	-	-	-	2,415	-	2,415	-	2,415
Total other comprehensive income	-	-	(318)	2,415	-	2,097	-	2,097
Total comprehensive income for the period	-	-	(318)	2,415	5,355	7,452	(58)	7,394
Contributions by and distributions to owners								
Issue of shares under share option scheme	75	-	-	-	-	75	-	75
Total transactions with owners	75	-	-	-	-	75	-	75
At 30 June 2011	84,343	902	(8,798)	3,841	93,372	173,660	344	174,004
At 1 April 2012	84,128	902	(6,075)	5,711	97,077	181,743	198	181,941
Total comprehensive income for the period								
Net profit for the period	-	-	-	-	4,865	4,865	(11)	4,854
Other comprehensive income								
Exchange differences on translation of financial statements of foreign subsidiaries and associates	-	-	222	-	-	222	-	222
Exchange differences on monetary items forming part of net investment	-	-	(1)	-	-	(1)	-	(1)
Net change in fair value of equity securities available for sale	-	-	-	72	-	72	-	72
Total other comprehensive income	-	-	221	72	-	293	-	293
Total comprehensive income for the period	-	-	221	72	4,865	5,158	(11)	5,147
Contributions by and distributions to owners								
Share-based payment transaction	-	7	-	-	-	7	-	7
Total transactions with owners	-	7	-	-	-	7	-	7
At 30 June 2012	84,128	909	(5,854)	5,783	101,942	186,908	187	187,095

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

Company	Share capital S\$'000	Share option reserve S\$'000	Fair value reserve S\$'000	Accumulated profit/ (loss) S\$'000	Total equity S\$'000
At 1 April 2011	84,268	902	166	68,227	153,563
Total comprehensive income for the period					
Net profit for the period	-	-	-	4,898	4,898
Other comprehensive income					
Net change in fair value of equity securities available for sale	-	-	1,084	-	1,084
Total other comprehensive income	-	-	1,084	-	1,084
Total comprehensive income for the period	-	-	1,084	4,898	5,982
Contributions by and distributions to owners					
Issue of shares under share option scheme	75	-	-	-	75
Total transactions with owners	75	-	-	-	75
At 30 June 2011	84,343	902	1,250	73,125	159,620
At 1 April 2012	84,128	902	5	79,582	164,617
Total comprehensive income for the period					
Net profit for the period	-	-	-	1,546	1,546
Other comprehensive income					
Net change in fair value of equity securities available for sale	-	-	(5)	-	(5)
Total other comprehensive income	-	-	(5)	-	(5)
Total comprehensive income for the period	-	-	(5)	1,546	1,541
Contributions by and distributions to owners					
Share-based payment transaction	-	7	-	-	7
Total transactions with owners	-	7	-	-	7
At 30 June 2012	84,128	909	-	81,128	166,165

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

The Company did not hold any treasury shares at 30 June 2012 (30 June 2011 : Nil).

There have been no changes to the issued share capital of the Company since the end of the previous period reported on, up to 30 June 2012.

	<u>Number of Shares</u>	<u>Amount S\$'000</u>
Issued share capital of the Company as at 30 June 2012 and 31 March 2012	118,232,500	84,128

As at 30 June 2012, options to subscribe to 2,287,500 ordinary shares remained unexercised (30 June 2011: 2,000,000 ordinary shares).

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

	<u>As at 30 Jun 2012</u>	<u>As at 31 Dec 2011</u>
Total number of issued shares	118,232,500	118,232,500

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

Not applicable.

2 Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard).

These figures have not been audited or reviewed by the Company's auditors.

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

Not applicable.

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

Other than the adoption of the new and revised Financial Reporting Standards (FRS) which took effect from current year, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as compared with the audited financial statements for the financial year ended 31 December 2011.

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

The adoption of the new and revised FRSs is assessed to have no material impact on the results of the Group and of the Company for the financial year ending 31 December 2012.

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

Profit per ordinary share for the period based on operating profit after tax attributable to members of the company after deducting any provision for preference dividends:-

- (i) Based on weighted average number of ordinary shares in issue
- (ii) On a fully diluted basis

Group			
2Q12	2Q11	YTD12	YTD11
4.11 cents	4.52 cents	4.62 cents	5.71 cents
4.11 cents	4.50 cents	4.62 cents	5.70 cents

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

Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on

Group		Company	
30.06.2012	31.12.2011	30.06.2012	31.12.2011
S\$1.58	S\$1.54	S\$1.41	S\$1.40

Net asset value per ordinary share is computed based on 118,232,500 ordinary shares as at 30 June 2012 (31 December 2011: 118,232,500 ordinary shares).

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

(a) Revenue

The Group recorded a 8.8% increase in revenue to S\$32.5 million in 2Q2012 compared to S\$29.9 million in 2Q2011. The improvement was primarily from our Singapore Integral Cement/Ready-mix Concrete business.

(b) Profitability

Profit declined by 8.4% to S\$4.9 million in 2Q2012 compared to S\$5.3 million in 2Q2011 which were due to the following:

- i) Lower dividend income received from a property investee company of S\$3.0 million.
- ii) Increase operating costs in freight, maintenance, utilities and staff cost by S\$0.1 million and a one-time management fee to a property investee company of S\$0.7 million.
- iii) Lower fair valuation of financial assets held for trading by S\$0.5 million.

The above decline was mitigated by the following favourable factors:

- i) Improved gross profit due to better sales from Singapore Integral Cement/Ready-mix Concrete business by S\$1.1 million.
- ii) Absence of impairment losses of S\$0.7 million as no additional provision was deemed necessary in 2Q2012.
- iii) Revaluation gain on USD denominated assets by S\$1.5 million, and
- iv) Higher share of profits from associates by S\$1.0 million.

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

Not applicable.

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

The construction industry in Singapore is expected to remain buoyant as the Government has announced plans to double the MRT network over the next decade and to construct of a 35km deep tunnels for power cables. Furthermore, the HDB building program, which will add 25,000 new flats to the market this year alone, and steady demand from the private construction sector, will provide steady support for our building products.

The slowdown in China's economy has resulted in a margin squeeze. However, demand for our GGBS in China has remained healthy with the support of its public housing program and several mega infrastructure projects. The Government has also indicated its intention to resume expansion of its national railway projects from the second half of the year and the spinoff will provide further impetus to the construction industry. Our Wuhan Wuxin joint venture is starting to contribute to the Group profit as planned and we expect our Specialty Cement business to continue to generate profit for the Group.

The Group will continue to focus on improving operational efficiency and to build scale to improve margins.

11 Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on ? None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year ? None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable.

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

No dividend has been declared/recommendeded for the current financial period.

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

Interested person transactions conducted during 2nd quarter of financial year 2012:

Name of Interested Person	Aggregate value of all interested person transactions during the quarter under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual)
	2Q12
	S\$'000
Loan to an associated company	
- HBS Investments Pte Ltd	510

No IPT mandate has been obtained from shareholders.

CONFIRMATION BY THE BOARD

We, TAN CHENG GAY and TAN YOK KOON being two of the Directors of EnGro Corporation Limited (the "Company"), do hereby confirm on behalf of the Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the period ended 30 June 2012 to be false or misleading in any material respect.

On behalf of the Board of Directors

TAN CHENG GAY
Chairman and CEO

TAN YOK KOON
Director

BY ORDER OF THE BOARD

Tan Cheng Gay
Chairman and CEO
10 August 2012