



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

UNAUDITED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2017

1(a) CONSOLIDATED INCOME STATEMENT FOR THE SECOND QUARTER ENDED 30 JUNE 2017

	GROUP					
	2Q2017	2Q2016	Change	1H2017	1H2016	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	36,533	39,198	(6.8)	73,889	74,436	(0.7)
Changes in inventories of finished goods and work-in-progress	3,911	4,058	(3.6)	(204)	901	n.m.
Raw materials	(33,190)	(33,054)	(0.4)	(59,203)	(56,328)	(5.1)
Gain on disposal of property, plant and equipment	69	351	(80.3)	27	411	(93.4)
Gain on disposal of investments	-	2,993	n.m.	-	3,475	n.m.
Investment income	1	-	n.m.	1	118	(99.2)
Interest income	39	620	(93.7)	91	651	(86.0)
Dividend income	79	108	(26.9)	120	167	(28.1)
Other income	560	631	(11.3)	1,037	1,458	(28.9)
Exchange loss	(572)	(659)	13.2	(1,326)	(1,794)	26.1
Reversal of allowance for doubtful debts and bad debts recovered, net	173	121	43.0	241	142	69.7
Depreciation of property, plant and equipment	(1,110)	(1,190)	6.7	(2,163)	(2,177)	0.6
Amortisation of intangible assets	(24)	(6)	n.m.	(48)	(8)	n.m.
Impairment loss on available-for-sale financial assets	(106)	(749)	85.8	(405)	(1,067)	62.0
Net change in fair value of financial assets at fair value through profit or loss	(959)	140	n.m.	(447)	(1,177)	62.0
Staff costs	(2,342)	(3,807)	38.5	(5,741)	(7,379)	22.2
Rental expenses	(667)	(761)	12.4	(1,313)	(1,528)	14.1
Other expenses	(4,204)	(4,624)	9.1	(8,579)	(9,049)	5.2
Interest expense	(72)	(142)	49.3	(154)	(224)	31.3
(Loss)/ profit before share of profit of associates and joint ventures	(1,881)	3,228	n.m.	(4,177)	1,028	n.m.
Share of profit of associates and joint ventures, net of tax	2,924	1,818	60.8	3,836	1,438	n.m.
Profit/ (loss) before tax	1,043	5,046	(79.3)	(341)	2,466	n.m.
Tax expense	(86)	(391)	n.m.	(7)	(588)	n.m.
Profit/ (loss) for the period	957	4,655	(79.4)	(348)	1,878	n.m.
Attributable to:						
Owners of the Company	880	4,511	(80.5)	(413)	1,698	n.m.
Non-controlling interests	77	144	(46.5)	65	180	(63.9)
Profit/ (loss) for the period	957	4,655	(79.4)	(348)	1,878	n.m.

n.m. - not meaningful

1(b) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2017

	GROUP					
	2Q2017 \$'000	2Q2016 \$'000	Change %	1H2017 \$'000	1H2016 \$'000	Change %
Profit/ (loss) for the period	957	4,655	(79.4)	(348)	1,878	n.m.
Other comprehensive income:						
Items that are or maybe reclassified subsequently to profit or loss:						
Foreign currency translation differences for foreign operations	150	(3,612)	n.m.	(1,246)	(5,192)	(76.0)
Exchange differences on monetary items forming part of the net investment in foreign operations	(581)	(23)	n.m.	(1,965)	(1,882)	(4.4)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	106	(2,244)	n.m.	405	(2,408)	n.m.
Net change in fair value of available-for-sale financial assets	(346)	(455)	n.m.	(509)	(1,898)	(73.2)
Other comprehensive income for the period, net of tax	(671)	(6,334)	89.4	(3,315)	(11,380)	(70.9)
Total comprehensive income for the period	286	(1,679)	n.m.	(3,663)	(9,502)	(61.5)
Total comprehensive income attributable to:						
Owners of the Company	207	(1,679)	n.m.	(3,700)	(9,599)	(61.5)
Non-controlling interests	79	-	n.m.	37	97	(61.9)
Total comprehensive income for the period	286	(1,679)	n.m.	(3,663)	(9,502)	(61.5)

n.m. - not meaningful

1(c) EARNINGS PER ORDINARY SHARE

	GROUP		GROUP	
	2Q2017 Cents	2Q2016 Cents	1H2017 Cents	1H2016 Cents
Earnings/ (loss) per ordinary shares attributable to equity holders of the Company:				
(i) Based on weighted average number of ordinary shares in issue	0.74	3.80	(0.35)	1.43
(ii) On a fully diluted basis	0.74	3.80	(0.35)	1.43

1(d) **STATEMENTS OF FINANCIAL POSITION**

	GROUP		COMPANY	
	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016
	\$'000	\$'000	\$'000	\$'000
<u>ASSETS</u>				
Property, plant and equipment	14,623	14,250	2,602	2,760
Subsidiaries	-	-	52,524	54,475
Intangible assets	509	425	139	131
Associates and joint ventures	103,051	101,096	60,555	60,555
Other investments	17,055	17,742	1,217	1,217
Other assets	79	97	78	97
Amounts due from associates and a joint venture	1,012	1,037	-	-
Loan to a subsidiary	-	-	4,940	5,059
Deferred tax assets	85	29	-	-
Non-current assets	136,414	134,676	122,055	124,294
Other investments	24,132	21,717	-	-
Inventories	11,376	10,132	4,896	5,114
Trade and other receivables	46,039	47,964	48,952	49,012
Cash and cash equivalents	24,610	39,393	12,246	20,363
Current assets	106,157	119,206	66,094	74,489
TOTAL ASSETS	242,571	253,882	188,149	198,783
<u>EQUITY</u>				
Share capital	85,270	85,270	85,270	85,270
Reserves	127,316	133,938	84,798	90,112
Equity attributable to owners of the Company	212,586	219,208	170,068	175,382
Non-controlling interests	160	123	-	-
Total equity	212,746	219,331	170,068	175,382
<u>LIABILITIES</u>				
Loans and borrowings	5,724	6,919	104	244
Deferred tax liabilities	853	756	-	-
Non-current liabilities	6,577	7,675	104	244
Loans and borrowings	2,248	3,633	12,531	13,775
Trade and other payables	20,794	22,881	5,446	9,382
Current tax liabilities	206	362	-	-
Current liabilities	23,248	26,876	17,977	23,157
TOTAL LIABILITIES	29,825	34,551	18,081	23,401
TOTAL EQUITY AND LIABILITIES	242,571	253,882	188,149	198,783

ANALYSIS OF STATEMENTS OF FINANCIAL POSITION

Compared to 31 December 2016, other investments increased by \$1.7 million due to additional investment of \$5.2 million, partially offset by disposal, cash distribution and fair value changes during 2Q2017.

Trade and other receivables decreased by \$1.9 million largely due to the reclassification of \$3.3 million payment in transit for investment, offset by increase in trade receivables for Specialty Polymer due to higher revenue.

Loans and borrowings decreased by \$2.6 million, attributed to repayment of short-term borrowings and finance lease liabilities.

1(e) **GROUP BORROWINGS**

	As at 30 Jun 2017 \$'000	As at 31 Dec 2016 \$'000
Amount repayable in one year		
Secured	2,248	2,360
Unsecured	-	1,273
	2,248	3,633
Amount repayable after one year		
Secured	5,724	6,919
Unsecured	-	-
	5,724	6,919
Total	7,972	10,552

Details of any collateral

- a) The Group's banking facilities are unsecured
- b) The hire purchase facilities of the Group are secured by the Company and its subsidiaries' plant and machinery and motor vehicles.

1(f) **NET ASSET VALUE**

	GROUP		COMPANY	
	2Q2017	2Q2016	2Q2017	2Q2016
	\$	\$	\$	\$
Net asset value per ordinary share at end of the financial period	1.79	1.78	1.43	1.47

2 **CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

	GROUP	
	2Q2017	2Q2016
	\$'000	\$'000
Cash flows from operating activities		
Profit before tax	1,043	5,046
Adjustments for:		
Amortisation of intangible assets	24	6
Depreciation of property, plant and equipment	1,110	1,190
Dividend income	(79)	(108)
Gain on disposal of:		
- available-for-sale financial assets	-	(2,993)
- property, plant and equipment	(69)	(351)
Impairment loss on available-for-sale financial assets	106	749
Interest expense	72	142
Interest income	(39)	(620)
Net change in fair value of financial assets at fair value through profit or loss	959	(140)
Share of profit of associates and joint ventures, net of tax	(2,924)	(1,818)
	<u>203</u>	<u>1,103</u>
Changes in working capital:		
Inventories	(1,069)	(3,915)
Trade and other payables	(1,951)	(3,496)
Trade and other receivables	333	73
Cash used in operations	<u>(2,484)</u>	<u>(6,235)</u>
Tax paid	(111)	(193)
Net cash used in operating activities	<u>(2,595)</u>	<u>(6,428)</u>
Cash flows from investing activities		
Dividends received from:		
- other investments	63	108
- associates and joint ventures	-	1,176
Interest received	39	63
Investment in a joint venture	-	(312)
Proceeds from disposal of:		
- financial assets fair value through profit or loss	169	3,441
- property, plant and equipment	69	569
- other assets	40	-
Purchase of available-for-sale financial assets	(875)	(371)
Purchase of property, plant and equipment	(689)	(551)
Net cash (used in)/ generated from investing activities	<u>(1,184)</u>	<u>4,123</u>
Cash flows from financing activities		
Dividends paid	(2,964)	(2,968)
Interest paid	(72)	(142)
Proceeds from trust receipts	-	6,434
Proceeds from exercise of share options	39	-
Repayment of finance lease liabilities	(706)	(1,021)
Net cash (used in)/ generated from financing activities	<u>(3,703)</u>	<u>2,303</u>
Net decrease in cash and cash equivalents	(7,482)	(2)
Cash and cash equivalents at beginning of the period	32,104	38,038
Effect of exchange rate fluctuations on cash held	(12)	(180)
Cash and cash equivalents at end of the period	<u>24,610</u>	<u>37,856</u>

2 **CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2017 (cont'd)**

ANALYSIS OF CONSOLIDATED STATEMENT OF CASH FLOWS

Net cash used in operating activities in 2Q2017 was \$2.6 million, attributed to the changes in working capital.

Net cash used in investing activities of \$1.2 million in 2Q2017 was due to the purchase of plant and equipment and investment in available-for-sale financial assets, which was partially offset by the proceeds from the disposal of investments.

Net cash used in financing activities in 2Q2017 of \$3.7 million was attributed to dividend payment, repayment of short-term borrowing and finance lease liabilities.

The cash and cash equivalents as at end of 2Q2017 was \$24.6 million, \$13.2 million lower than 2Q2016.

3 **STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

	Share capital	Capital reserve	Reserve for own shares	Share option reserve	Foreign currency translation reserve	Fair value reserve	Accumulated profits	Total	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group										
At 1 April 2016	85,270	(45)	-	154	(320)	8,315	122,185	215,559	159	215,718
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	4,511	4,511	144	4,655
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	-	-	(3,468)	-	-	(3,468)	(144)	(3,612)
Exchange differences on monetary items forming part of the net investment in foreign operations	-	-	-	-	(23)	-	-	(23)	-	(23)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	-	-	-	(2,244)	-	(2,244)	-	(2,244)
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	(455)	-	(455)	-	(455)
Total comprehensive income	-	-	-	-	(3,491)	(2,699)	-	(6,190)	(144)	(6,334)
Total comprehensive income for the period	-	-	-	-	(3,491)	(2,699)	4,511	(1,679)	-	(1,679)
Transactions with owners, recognised directly in equity										
Distributions to owners										
Final one-tier dividend declared of 2.5 cents per share	-	-	-	-	-	-	(2,968)	(2,968)	-	(2,968)
Total transactions with owners	-	-	-	-	-	-	(2,968)	(2,968)	-	(2,968)
At 30 June 2016	85,270	(45)	-	154	(3,811)	5,616	123,728	210,912	159	211,071
At 1 April 2017	85,270	(45)	(116)	133	(1,514)	5,049	126,527	215,304	81	215,385
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	880	880	77	957
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	-	-	148	-	-	148	2	150
Exchange differences on monetary items forming part of the net investment in foreign operations	-	-	-	-	(581)	-	-	(581)	-	(581)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	-	-	-	106	-	106	-	106
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	(346)	-	(346)	-	(346)
Total other comprehensive income	-	-	-	-	(433)	(240)	-	(673)	2	(671)
Total comprehensive income for the period	-	-	-	-	(433)	(240)	880	207	79	286
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Final one-tier dividend declared of 2.5 cents per share	-	-	-	-	-	-	(2,964)	(2,964)	-	(2,964)
Issue of treasury shares under share option scheme	-	3	44	(8)	-	-	-	39	-	39
Total transactions with owners	-	3	44	(8)	-	-	(2,964)	(2,925)	-	(2,925)
At 30 June 2017	85,270	(42)	(72)	125	(1,947)	4,809	124,443	212,586	160	212,746

3 **STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2017 (cont'd)**

	Share capital \$'000	Capital reserve \$'000	Reserve for own shares \$'000	Share option reserve \$'000	Accumulated profits \$'000	Total equity \$'000
Company						
At 1 April 2016	85,270	(45)	-	154	92,200	177,579
Total comprehensive income for the period						
Profit for the period	-	-	-	-	157	157
Total comprehensive income for the period	-	-	-	-	157	157
Transactions with owners, recognised directly in equity						
Distributions to owners						
Final one-tier dividend declared of 2.5 cents per share	-	-	-	-	(2,968)	(2,968)
Total transactions with owners	-	-	-	-	(2,968)	(2,968)
At 30 June 2016	85,270	(45)	-	154	89,389	174,768
At 1 April 2017	85,270	(45)	(116)	133	87,980	173,222
Total comprehensive income for the period						
Loss for the period	-	-	-	-	(229)	(229)
Total comprehensive income for the period	-	-	-	-	(229)	(229)
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Final one-tier dividend declared of 2.5 cents per share	-	-	-	-	(2,964)	(2,964)
Issue of treasury shares under share option scheme	-	3	44	(8)	-	39
Total transactions with owners	-	3	44	(8)	(2,964)	(2,925)
At 30 June 2017	85,270	(42)	(72)	125	84,787	170,068

3(a) CHANGES IN COMPANY'S SHARE CAPITAL

Changes in share capital since the end of the previous period reported on:

	<u>Number of Shares</u>
Issued share capital of the Company (excluding treasury shares) as at 31 December 2016	<u>118,568,300</u>
Issued share capital of the Company (excluding treasury shares) as at 30 June 2017	<u>118,623,300</u>

There were 79,200 treasury shares held by the Company as at 30 June 2017 (30 June 2016: Nil), which has been excluded in the number of issued ordinary shares stated above.

As at 30 June 2017, options to subscribe to 875,000 ordinary shares remained unexercised (30 June 2016: 1,087,500 ordinary shares).

3(b) TOTAL NUMBER OF ISSUED SHARES EXCLUDING TREASURY SHARES

	<u>As at 30 Jun 2017</u>	<u>As at 31 Dec 2016</u>
Total number of issued shares excluding treasury shares	<u>118,623,300</u>	<u>118,568,300</u>

3(c) TREASURY SHARES

	<u>Number of shares for the quarter ended</u>	
<u>Group and Company</u>	<u>30 Jun 2017</u>	<u>30 Jun 2016</u>
As at beginning of the quarter	129,200	-
Treasury shares transferred on exercise of the share option	<u>(50,000)</u>	<u>-</u>
As at end of the quarter	<u>79,200</u>	<u>-</u>

4 AUDIT

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

5 AUDITORS' REPORT

Not applicable.

6 ACCOUNTING POLICIES

Other than the adoption of the new and revised Financial Reporting Standards (FRS) which took effect on 1 January 2017, 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 2016.

7 CHANGES IN ACCOUNTING POLICIES

There are no changes to the accounting policies.

8 REVIEW OF GROUP PERFORMANCE

The Group's revenue for 2Q 2017 declined by 6.8% to \$36.5 million from the \$39.2 million reported in 2Q 2016. Specialty Polymer business which enjoyed good revenue growth during the period has helped to cushion the impact of softer market demand from the Integral Cement and Ready-Mix Concrete segment.

Our China joint ventures reported another quarter of improved performance, attributed to the recovery of selling price as a result of a reduction of overcapacity in cement industry. The consolidated Group profit of \$0.9 million for 2Q 2017 is however lower than the \$4.5 million reported for the same period of 2016 due primarily to an impairment loss in our Investment segment resulting from a weaker USD and lower performance from the Integral Cement and Ready-Mix Concrete business.

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

Actual results were in line with prospect statement made in 1Q2017 announcement.

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.

Based on the advance estimates released by the Ministry of Trade and Industry on 14 July 2017, the construction sector contracted by 5.6% on a year-on-year basis in the second quarter, weighed down by a weakness in both private and public sector projects.

With stronger demand from the public sector expected in the second half of this year, we expect that this will support the construction industry and benefit our Integral Cement and Ready-Mix Concrete business. Smaller decline in private residential property prices and the drop in unsold stocks reported recently are among the signs that the property market might be close to bottoming out.

Our China joint ventures have benefited from the stable economic growth in China. In 2Q 2017, the Chinese economy grew 6.9% exceeding market expectation and moving closer to its full year target of 6.5% growth. In line with the central government's efforts to reduce overcapacity and raise the standard of cement specification, the production of lower grade cement has stopped. This has resulted in higher selling price of cement and GGBS. Barring unforeseen circumstances, we are optimistic that our China joint ventures will continue to contribute positively to the overall performance of the Group.

11 DIVIDENDS

(a) Current financial period reported on

No

(b) Corresponding period of the immediately preceding financial year

No

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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

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

13 INTERESTED PERSON TRANSACTIONS

The Company does not have a shareholders' mandate for interested person transactions.
There are no interested person transactions conducted during the 2nd quarter of financial year 2017.

14 UNDERTAKINGS PURSUANT TO RULE 720 (1)

The Company confirms that the undertakings under Rule 720(1) of the SGX-ST Listing Manual have been obtained from all its directors and executive officers.

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 2017 to be false or misleading in any material aspect.

On behalf of the Board of Directors

TAN CHENG GAY
Chairman and CEO

TAN YOK KOON
Director

BY ORDER OF THE BOARD

Joanna Lim
Company Secretary
8 August 2017