ENGRO
BUILDING SUSTAINABILITY

# GROWTH IN TURBULENT TIMES

**EnGro Corporation Limited**
Annual Report 2011

## REGISTERED OFFICE

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## AUDITORS

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## PARTNER-IN-CHARGE

Low Hon Wah
(with effect from FY2011)

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ENGRO

BUILDING SUSTAINABILITY

EnGro has been a provider of superior building materials for nearly 40 years, involved in shaping the landscapes of countries across 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.

**Cover:**
**"Exuberance"** : acrylic on canvas by Anna Nightingale, Malta.

OVER THE YEARS, OUR FIRM BELIEF IN CHAMPIONING AND CREATING A SUSTAINABLE FUTURE HAS RECEIVED REGIONAL RECOGNITION. NOW, MORE THAN EVER, WE ARE CONVINCED OF THE IMPORTANCE OF DEVELOPING THE EXHILARATING FIELD OF GREEN –

A FIELD WHICH OPENS UP A FUTURE FILLED WITH EXCITING IMPONDERABLES AND INFINITE POSSIBILITIES.

- Specialty Cement
- Specialty Polymer
- Investments

# CHAIRMAN'S MESSAGE

10%

INCREASE IN GROUP TURNOVER

The Group's turnover for the year ended 31 December 2011 increased by 10 per cent to S$115.7 million compared to 2010.

64%

INCREASE IN NET PROFIT

The consolidated net profit after tax for the year was S$13.1 million, a 64 per cent improvement.

## FINANCIAL REVIEW

In 2011, EnGro saw its core business gaining strength both in Singapore and overseas amidst global economic uncertainty.

The Group's turnover for the year ended 31 December 2011 increased by 10 per cent to S$115.7 million compared to 2010. The consolidated net profit after tax for the year was S$13.1 million, a 64 per cent improvement. Our GGBS business grew steadily in line with plan and the GGBS operations in China continued to break new ground. The improved result was derived from the Singapore integral cement and ready-mix concrete business as well as specialty cement business in China.

The Board is recommending a first and final dividend of 3 cent per share declared for FY2011, subject to shareholders' approval at the Annual General Meeting of the Company to be held on 30 April 2012.

## MACRO ECONOMY OVERVIEW

According to the International Monetary Fund (IMF), the global economy is still faced with downside risks posed by possible sovereign insolvency in the EU, while the slow economic recovery in the US could potentially dampen Asian economic growth including China which is already experiencing a slow down.

China is faced with the threat of a possible EU recession and weak economic recovery in the US and it has to combat social and political pressures by introducing structural reforms to sustain economic growth. From the latest published figures, economic growth in China has slowed down due to a combined effect of controlled growth for the domestic economy and a fall in exports resulting from the deterioration of the developed economies. Although inflation in China appears to be under control, GDP growth is forecast at 7.5 per cent in 2012, marginally below the magical 8 per cent that Premier Wen Jia Bao had tried to uphold after the Lehman Brothers crisis. It is expected that the pro domestic growth policy will

# CHAIRMAN'S MESSAGE

be adopted to offset its over dependence on exports over the last twenty years. Soft landing of the Chinese economy is expected to lead to a change in economic policy favouring moderate growth to support economic sustainability.

Singapore could not escape from the global economic uncertainty. The impact began to be felt from second quarter of 2011, which led to a slowdown in the manufacturing sector as reported in January 2012, evidenced by a dip of 8.8 per cent year-on-year.

## CONTINUOUS EFFORT IN BUILDING SUSTAINABILITY

Per the latest figures released by Building and Construction Authority ("BCA"), the number of Green Mark certified buildings has reached the 1,000 mark. Green Mark, being a mandatory requirement governing new buildings and retrofitting of existing buildings, continues to boost demand for green materials such as low-carbon Green Cement and high-performance ready-mix concrete. Our Green products which were certified with the Singapore Green Labelling scheme since 2007 are now also certified with the **Singapore Green Building Product ("SGBP")** labelling scheme administered by the Singapore Green Building Council ("SGBC"). We are glad to inform that the newly attained SGBP accreditation enables EnGro products to qualify for more points under BCA's Green Mark scheme. In addition, our cost-effective, low-carbon products adopted in several prestigious projects offer superior performance compared to conventional materials and is regarded as an ideal material for stringent geo-technical treatment.

Pushing ahead with the endorsement on **"BUILDING SUSTAINABILITY"** to be the DNA of the Group, EnGro has implemented the new standard ISO 14064 and is recognized as one of the pioneer companies in Singapore to have done so. This ISO verification provides a solid foundation and framework for EnGro to quantify, monitor and report greenhouse gas ("GHG") emissions. EnGro will be completing the adoption of ISO 14001 for our subsidiaries by first half of 2012.

Continuing our emphasis on "carbon metrics" as the most consistent and transparent means of differentiating our green products from those that claim to be green yet not truly green, last year, EnGro completed its latest independent carbon footprint assessment for all its low-carbon products based on a life-cycle assessment approach. Coupled with the ISO 14064 company level GHG assessment, EnGro has demonstrated that it does not believe in merely paying lip-service and is truly committed on addressing the impact of carbon emissions on our environment. Since 2009, EnGro has taken a step further in promoting "carbon neutrality" as an ideal green standard in building a greener society in the future to benefit future generations.

## BUSINESS REVIEW

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

In 2011, the Singapore economy declined to 4.9 per cent growth due to the contraction in the electronics cluster and slower growth in the precision engineering and chemical clusters. The surge in biomedical manufacturing output was able to partially offset the decline of these clusters. For 2012, MTI projects a further drop in growth to between 1.0 to 3.0 per cent.

The construction demand increased by 16 per cent from \$27.6 billion in 2010 to \$32 billion in 2011, backed by several public sector projects and new MRT lines. For 2012, the total construction demand is projected to soften to between \$21 billion and \$27 billion, 60 per cent of which will be from public sector construction.

In support of the national dream of developing a truly Green City, we continue to steer our subsidiary, Top-Mix Concrete as the premier producer of Green Concrete working closely with developers and professional builders who appreciate and believe in "Green". In this regard, we are glad to inform that our DuraCrete concrete recently garnered Singapore's latest green credential, that is, the

# CHAIRMAN'S MESSAGE

**China has pledged to reduce its carbon intensity by 17 per cent by 2015 and the government has correspondingly introduced new measures and new standards to align with such goal. Such measures and standards in support of Green will benefit our low-carbon and energy efficient GGBS (Specialty Cement) business in China.**

Singapore Green Building Product label, which allows projects to score more points by using products with such credentials.

DuraCrete has gained recognition as the choice Green Concrete. The projects that call for DuraCrete include the Tuas View Extension, MOE's school projects, Hyflux's Tuas Desalination Plant and Zoological Garden Singapore's River Safari Theme Park.

**b) Specialty Cement Operations**

Our joint venture with Wuhan Iron & Steel Corporation ("WISCO") completed the construction of a 1.2 million tons GGBS facility in Wuhan City just before the end of 2011. Trial operations commenced in January 2012. This latest joint venture in Wuhan is strategically located in the centre of Hubei province to capitalize on the **Rise of Central China (中部崛起)** – an emerging economic zone, earmarked under the 12$^{th}$ Five-Year Plan to replicate the proven success of the 3 coastal economic zones. We are confident that our Wuxin joint venture will contribute to the Company's bottom line in 2012.

Jinan Luxin in Shandong, is about to complete the construction of its fourth production line, which will add to a total capacity to 2.4 million tons. The Jinan Luxin's expansion and Wuhan Wuxin's new facility allow our GGBS associates in China and South Korea to hit a combined 7.1 million tons annual capacity by mid-2012.

The China economy has slowed down faster than expected in Q4 2011. It is likely to decelerate further in the second half of 2012. We believe the slowdown is a healthy recess for the China government to address the excesses in key industries and to correct the overbuilt situation in some places. As seen in the past, the Chinese government has always been vigilant to react in order to maintain economic balance. It is expected that appropriate measures will be introduced timely to achieve balanced growth in the medium to long-term.

China's economy is considered by many to be still fundamentally sound. The urbanization program will continue to bolster growth in the 2$^{nd}$, 3$^{rd}$ and 4$^{th}$ tier cities, where all our GGBS associates are strategically located in anticipation of demand. Demand for GGBS will steadily increase due to its green status, despite the short-term economic hiccup. Under the 12$^{th}$ Five-Year Plan, China has emphasized that it will focus on the quality, rather than speed, of growth. China's Premier Wen has highlighted the need to rationalize resources versus investment to strive for a balanced economic growth and a harmonious society.

China in pledging to reduce its carbon intensity by 17 per cent by 2015 has correspondingly set new standards fortified by new measures to ensure that this target will be met. Coupled with the acceleration of the **"recycling economy" (循环经济)** program and the R&D results on new technology undertaken in China thus far, we look to future years with much confidence and continue to be optimistic of the overall long term growth for our Speciality Cement thrust in China.

**c) Specialty Polymer**

Our specialty polymer compounding business suffered from short term setback in demand, but the good news is that our subsidiary Resin & Pigment ("R&P") recently

# CHAIRMAN'S MESSAGE

renewed a multi-year contract with ExxonMobil Chemical. As ExxonMobil Chemical continues to make inroads into Asia's burgeoning automotive industry, in countries such as China and India, and as part of ExxonMobil's global supply chain to produce the Exxtral$^{TM}$ grades, R&P's role in this respect for ExxonMobil Chemical is expected to improve from 2012.

R&P is gearing itself towards strengthening its technical capabilities to meet the growing Asia demand for new product development and higher value markets such as demand from the medical industry. The Company is also building its own in-house brand of products under the Rayprene and Rayllene brands to meet the needs of multiple sectors.

**d) Investment**

Overheating in Singapore residential property sector prompted Singapore government to introduce cooling measures in December 2011 to check residential property price escalation. The high end residential market was most affected, with sales stagnating in 2011. This has affected our plan to sell our Torquoise units under our joint venture with Ho Bee.

Construction of phase 1 of our property investment with Yanlord / Ho Bee in Hebei province's **Tangshan South Lake Eco-City (唐山南湖生态城)** is progressing as planned amidst measures implemented by the China government to curb real estate speculation as well as to bring property prices down to more affordable levels.

In 2011, the U.S. venture capital ("VC") industry experienced more IPO activity and M&A exits. Riding on this buoyancy, we see signs that point to the VC industry recovery, as "early stage" investment has increased. Our fund managers are working closely with the portfolio management teams to ensure their business models and revenue growth are well positioned for exits when the opportunity arises. We are cautiously optimistic that our venture capital portfolio of active funds will continue to appreciate over time.

## PROSPECT

In Singapore, we expect increased demand for our building material to follow through the popularity of the Green Cement and Concrete products.

Amidst extreme uncertainties in the global economy causing major players to hold back major investment decision making, there is the risk of a protracted slowdown in the global economy and global trade flows that would lead to a stagflation in coming years. Despite the slowdown in China, we remain cautiously optimistic in pursuing our growth in our GGBS business on the backdrop of China economy having a soft landing.

With China focusing on the quality of its GDP growth as partial substitution to the export drive, China continues to be the place where we continue to grow our specialty cement (GGBS) and property development business.

## ACKNOWLEDGEMENT

In appreciation of the good performance in 2011, I would like 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. Although we are approaching a period of global uncertainties, as always, we continue to execute our plans with cautious optimism to ensure EnGro's profitability will be sustained in 2012 and 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.

**Ng Tat Pun**
**Director**

Mr Ng was appointed in 2002 and is an independent non-executive Director. He serves as Chairman of the Audit Committee and is a member of the Nominating Committee. Mr Ng has more than 35 years of experience in the Banking and Finance industry, having served in senior positions with both foreign and local banks.

Mr Ng currently serves as the Chairman of the Board of Directors of SP Chemicals Holdings Ltd. He also serves as an independent director and Audit committee member of of Thai Beverage Public Company Ltd.

**Soh Kim Soon**
**Director**

Mr Soh was appointed as Director in 2002 and is an independent non-executive Director. He serves as Chairman of the Nominating Committee and is a member of the Remuneration Committee. Mr Soh is currently Chairman of ORIX Investment And Management Private Limited and ORIX Leasing Singapore Limited. He also serves on the boards of Juniper Capital Ventures (Pte) Ltd, Frasers Centrepoint Asset Management Ltd and NTUC Income Insurance Cooperative Limited. He was previously Senior Managing Director of DBS Bank where he worked for more than 29 years.

**Tan Keng Boon**
**Director**

Mr Tan was appointed as Director in 1997 and is an independent non-executive Director. He serves as Chairman of the Remuneration Committee and is a member of the Audit Committee. Mr Tan is the Chief Executive of Seavi Advent Venture Management Pte Ltd and also serves on the boards of other private and publicly listed companies, including Ho Bee Investment Ltd.

**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.

**Tan Choo Suan**
**Director**

Dr. Tan was appointed in 2003 as a non-independent, non-executive Director. She serves as a member of the Audit Committee and Remuneration Committee. Following a career in academia and The World Bank, Dr. Tan started Advanced Strategies Consultancy Limited in Hong Kong in 1993 to be more directly involved in Asia's economic growth and development. In recent years, Dr. Tan has shifted her attention from her consultancy work to work relating to Afro-Asia Shipping Company Limited that was founded by her late father Tan Kiam Toen and of which she is currently Chairman and Managing Director. She is also a director of Afro-Asia International Enterprises Pte. Ltd.

Dr. Tan is related to Mr. Tan Cheng Gay.

**Mr. Ronnie Teo Heng Hock**
**Director**

Mr Ronnie Teo Heng Hock was appointed as Director in January 2012 and is a member of the Audit Committee and Remuneration 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. He is also an Advisor to Tecity Management Pte Ltd, an investment holding company with varied interests in equities, mining, hospitality and real estate.

# MANAGEMENT TEAM

## SINGAPORE CEMENT & RMC OPERATIONS

**Eugene Ho**
**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 the major RMC companies.

**Chua Chee Kian**
**Plant Manager**

Mr Chua joined the Company in 1996 and was promoted to position of Plant Manager in August 2009.

## SPECIALTY CEMENT OPERATIONS

**Dr. Chen En Yi**
**General Manager, Specialty Cement**

Dr Chen joined the Company in 1996 and is a member of China business 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**
**Manager, Business Development (China)**

Dr Lim joined the Company in February 2004 and is a member of 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**
**Managing Director, Resin & Pigment Technologies Pte Ltd**

Mr Wong currently oversees the business and operations of both the Singapore and China (Wuxi) plants. He is a member of EnGro's investment team.

**Alex Tan**
**General Manager, Resin & Pigment Technologies Pte Ltd**

Alex Tan founded R&P in 1989, and currently oversees the business and operations of R&P's China (Wuxi) plant.

## HQ HEAD OF DEPARTMENT

**Jamie Lee**
**Group Financial Controller**

Ms Lee joined the company in 2009. She 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**
**Manager, Strategic Business Unit**

Mr Wong joined the Company in 1994. He supports the CEO's Office and is responsible for the GGBS 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**
**Manager, Knowledge Management**

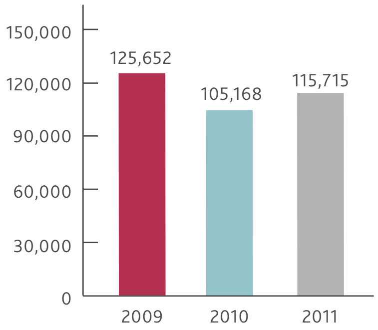
Mr Loh joined the Company in 2000 as the Internal Auditor. He currently heads the Group's Knowledge Management department and helps to oversee the Group's dry mix subsidiary companies. In addition, Mr Loh is also leading the Group's green initiative programs. His prior experiences include reviewing internal controls, co-ordination and review of the statutory and corporate reporting, and financial analysis for a range of industries.

**Ong Soo Teng**
**Assistant Human Resource Manager**

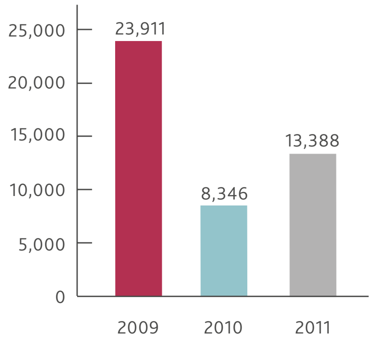
Ms Ong oversees the human resource function for the Group. Her prior experiences include regional human resource experience working for multinational companies in the telecommunication, pharmaceutical and engineering industries.

# 3 YEAR RESULTS AT A GLANCE

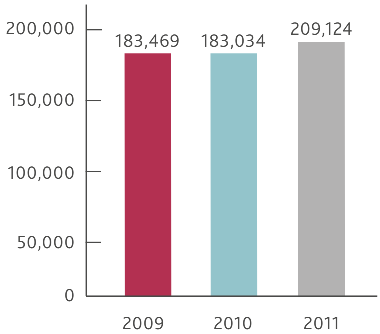
### Revenue
($'000)



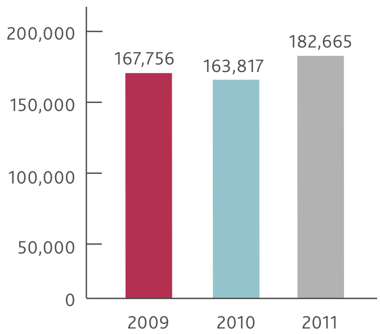

### Profit attributable to owners
($'000)



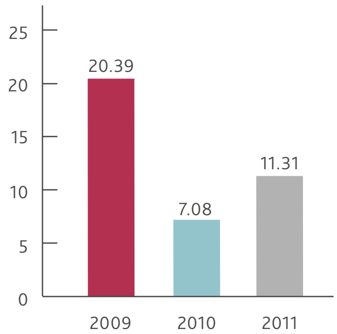

### Total Asset
($'000)



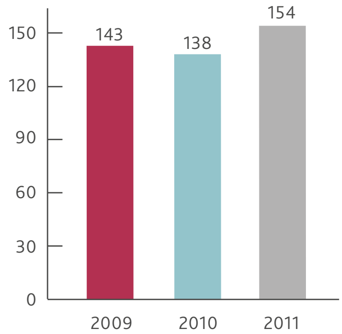

### Net Assets Value
($'000)




### Basic Earnings per Share
(cents)




### Net Asset Value per Share
(cents)




### Net Dividend per Share
(cents)

# GROUP FINANCIAL HIGHLIGHTS

| | FY2009 | FY2010 | FY2011 |
|---|---|---|---|
| **Consolidated Statement of Comprehensive Income ($'000)** | | | |
| Revenue | 125,652 | 105,168 | 115,715 |
| Profit after tax | 23,609 | 8,034 | 13,132 |
| Profit attributable to owners | 23,911 | 8,346 | 13,388 |
| **Statement of Financial Position ($'000)** | | | |
| Total assets | 183,469 | 183,034 | 209,124 |
| Net assets value | 167,756 | 163,817 | 182,665 |
| **Per Share (Cents)** | | | |
| Basic Earnings | 20.39 | 7.08 | 11.31 |
| Net asset value | 143 | 138 | 154 |
| Net dividend | 5.00 | 3.00 | 3.00 |

# GREEN INITIATIVES

Pursuant to our believe in Green, we continue to see an increase in capacity building of our Green Cement (i.e. GGBS) production in China, and concurrently we are securing other prestigious green label accreditations in recognition of EnGro's green effort.

## Eco-Labeling

The use of low-carbon ground granulated blastfurnace slag (GGBS) enables our range of blended cement products to be low carbon when compared to the conventional Ordinary Portland Cement (OPC). Hence, it was no surprise to us that in 2011 our low-carbon range of blended cements was recognized by the Singapore Green Building Council ("SGBC") with the **Singapore Green Building Product ("SGBP)** label accreditation. The SGBP accreditation bestowed was up to the highest rating of "3 ticks" or "Excellent" rating signifying the eco-friendly achievement of some of our low-carbon range of blended cements. These high ratings lend support to our customers to score the highest points accorded by the latest BCA Green Mark scheme.

**EnGro Blended Cement Product and Green Concrete containing GGBS**

| Brand | SGBP Rating |
|---|---|
| DuraCrete | √√√ (Excellent) |
| P197-4S | √√√ (Excellent) |
| P4246S | √√√ (Excellent) |
| P4246 | √√√ (Excellent) |
| P197A | √√ (Good) |
| P197B | √√ (Good) |

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## CARBON FOOTPRINT ASSESSMENT

## Using Carbon Footprint to Promote Low-Carbon Material Use

In 2011, we engaged A*STAR's Singapore Institute of Manufacturing Technology ("SIMTech") to quantify the greenhouse gas (GHG) emissions occurring at each stage of the life cycle of our products within the specified system boundaries - "Cradle-to-Gate". The carbon footprint quantification was conducted on the basis of the life cycle assessment standard, **ISO 14040/44**, and the product carbon footprint assessment guideline **PAS 2050**.

# GREEN INITIATIVES

**In 2010, EnGro initiated Friends of Building Sustainability ("FBS") to help our peers understand and be updated with the sustainability trend. This independent platform enables practitioners from different industries to exchange information, experience and new ideas in the adoption of Green.**

CARBON
NEUTRAL

PILOT ADOPTER OF
ISO 14064

Friends of
Building
Sustainability

The assessment results will enable EnGro to develop better understanding on the true emission sources in our manufacturing processes and operating activities. Based on the findings of this study, EnGro will improve upon the carbon footprint of the current production through better resources efficiency and promote the corporate social responsibility to our stakeholders and shareholders.

### Pilot Adopter of ISO 14064 Standard

EnGro participated in the pilot project supported by the Singapore Manufacturers Association (SMa) and Spring Singapore to encourage companies to adopt and implement greenhouse gas emission reporting standards aligned with the reporting methodology found in the ISO 14064-1:2006. Being the **pilot adopter to implement ISO 14064,** EnGro undertakes the organizational accounting and reporting of value chain Greenhouse Gas (GHG) emissions related to our Singapore based operations.

### Green Alliance

In 2010, EnGro initiated **Friends of Building Sustainability ("FBS")** to help our peers understand and be updated with the sustainability trend. This independent platform enables practitioners from different industries to exchange information, experience and new ideas in the adoption of green.

FBS with the support of Singapore Chinese Chamber of Commerce & Industry (SCCCI) jointly organized a seminar that discussed how cost effective low-carbon building materials could meet the growing needs of Singapore. The seminar aimed to spread the message that green materials such as Green Steel and Green Concrete are viable alternatives to the conventional building materials for use in public and private green building projects.

# INTEGRAL SINGAPORE CEMENT & READY MIX CONCRETE

ENGRO
BUILDING SUSTAINABILITY

**In year 2011, green cement not only gained awareness cum strong market acceptance, it had leap-frog with increased sales of more than 40 percent used in the general construction market.**

11
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**

VCEM™
BUILDING DURABILITY

**GREEN CONCRETE**

DuraCrete™

**BLENDED CEMENT**

P4246S
P4246
P197A
P197B
P197-4S

**ULTRA FINE SLAG POWDER**

P8000

**DRY MIX POWDER**

Prime Screed
Prime Mix
Smartcote 50

## Moving into a challenging Year 2012

After a strong growth in 2010, the Singapore economy registered 4.9 per cent growth in 2011, a decline of 19.4 per cent compared to 2010. The spillover effect has resulted in the building sector's demand to increase by 16 per cent to $32 billion. This is about 7 per cent higher than the upper range of BCA's $24 to 30 billion forecast. Total public sector construction demand rebounded by 78 per cent year-on-year to $15.2 billion in 2011, up from $8.5 billion in 2010. Growth was largely driven by a remarkable increase in public housing and civil engineering work such as the MRT Downtown Line Stage 3 contracts.

Based on BCA's latest Development Plans Survey conducted as well as taking into account factors including the likely tender price movement and recent market developments, BCA forecasts that total construction demand in 2012 is likely to register a slight decline of between $21 and $27 billion.

The public sector demand is expected to be the key driver for construction industry in 2012, contributing about 60 per cent of the total construction demand of between $13 and $15 billion. The support is expected to come from the continued strong public housing developments, as well as construction demand for institutional buildings and civil engineering projects. Given the anticipated slowdown in Singapore economy, BCA projects private sector construction demand to soften to between $8 and $12 billion in 2012, reflecting a more cautious sentiment adopted by private developers amid heightened global uncertainties.

The year 2011 proved to be a good year for our Singapore Cement business as total sales grew by 3.5 per cent year-on-year compared to year 2010. In year 2011, green cement not only gained awareness cum strong market acceptance, it had leap-frog with increased sales of more than 40 per cent used in the general construction market. Growth in sales to key ready-mix concrete customers contributed significantly to EnGro's sales growth. Coupled with sales to our subsidiary, Top-Mix Concrete, which also witnessed increased sales by 10 per cent.

# INTEGRAL SINGAPORE CEMENT & READY MIX CONCRETE

TOP-MIX DURABLE CONCRETE

1. NPark's Gardens By The Bay in Marina Bay
2. Hyflux Desalination Plant in Tuas

# INTEGRAL SINGAPORE CEMENT & READY MIX CONCRETE

## In year 2011, EnGro successfully launched P197-4S, a high slag blast-furnace cement (HSBFC) for geo-technical solution and waste management projects. The more commonly used blended cement, P197A (with 20% of GGBS content), has also seen a breakthrough in penetrating into the precast market and applied by precast companies in precast components

1. Concrete pouring at night for SembCorp Marine's Integrated New Yard Facility project at Tuas extension view
2. Fraser Centrepoint's 8@Woodleigh project

The green initiative driven by BCA resulted in many government authorities like Ministry of Education (MOE), Land Transport Authority (LTA) and Jurong Town Corporation (JTC) specifying the use of Ground Granulated Blast-furnace Slag (GGBS) and / or Portland Blast-furnace Cement (PBFC) to replace Ordinary Portland Cement (OPC) in the construction of their respective projects namely schools, MRT, roads, and sewerage projects.

In year 2011, EnGro successfully launched P197-4S, a high slag blast-furnace cement (HSBFC) for geo-technical solution and waste management projects. The more commonly used blended cement, P197A (with 20% of GGBS content), has also seen a breakthrough in penetrating into the precast market and applied by precast companies in precast components used in the new ITE headquarter and ITE college central projects.

Riding on EnGro's commitment towards building sustainability, Top-Mix Concrete has been able to perform in parallel by securing position as sole supply of DuraCrete and PBFC concrete to the largest desalination plant in Singapore which is being build in Tuas under the Design, Build, Own, Operate (DBOO) concept by Hyflux Ltd. As one of the leading players of green concrete, Top-Mix Concrete has also extended its supply of DuraCrete to SembCorp Marine's Intergrated New Yard Facility (Phase 1) project located at Tuas View Extension.

In line with EnGro's green initiatives, Top-Mix Concrete has further extended the use of green concrete via its DuraCrete supply to private condominium projects such as CDL's Livia Phase II and Fraser Centrepoint's 8@Woodleigh. Specification for using GGBS and green concrete has been accepted among the consultants and local authorities. With the acceptance of MOE specifying the use of green concrete in its school construction projects, Top-Mix Concrete was able to secure various primary and secondary school upgrading projects.

# INTEGRAL SINGAPORE CEMENT & READY MIX CONCRETE

HDB's Punggol 21 Project

CDL's The Livia Condominium


Redevelopment of Overseas Union House building

BUILDING DURABILITY

## TOTAL GGBS PRODUCTION CAPACITY IN NORTH ASIA

# 7.1

## MILLION TONS P.A

- Tangshan - 1.8 million tons p.a
- Jinan - 2.4 milllion tons p.a. by 2012
- Huai'an - 1.2 million tons p.a.
- Wuhan - 1.2 million tons p.a.
- Incheon - 0.5 million tons p.a.

# SPECIALTY CEMENT : JINAN LUXIN MATERIALS COMPANY LIMITED

Jinan Luxin GGBS joint venture production plant

Jinan city maintained a healthy and steady economic growth in 2011, registering a GDP of RMB 440.6 billion, an increase of 10.5 per cent year-on-year. Investment in fixed assets hit RMB 185 billion, representing a growth of 18 per cent over that of 2010 GDP per capita is RMB 64,331 (equivalent to USD 9,960) while disposable income of urban residents increased by 14 per cent, compared with 2010, and reached RMB 28,866 per capita (equivalent to USD 4,555).

The Beijing-Shanghai High-Speed Railway operations is witnessing a daily passenger flow of 100,000 people into Jinan causing a tremendous change as tourism flourishes and more investments are pouring in. Jinan plans to invest a total of RMB 350 billion over the next 10 years to build a 55-square-kilometer urban complex surrounding the high-speed railway station at the western part of Jinan. This urban complex will house around 600,000 people when completed. A cultural center and an exhibition center are also under construction. The urban development at west Jinan is part of a comprehensive, integrated and coordinated urban and rural planning program aimed to elevate Jinan to one of the most bustling metropolises in China.

Against this backdrop, our Jinan joint venture ("JV") did well in 2011 with both production and sales surpassing the design capacity of 1.8 million tpa. This good performance was achieved despite hefty increase in raw material cost plus new capacity of 3 million tons brought in by competitors around Jinan area.

However, to take full control of the slag churned out by our JV partner Jinan Steel, a fourth production line of 600,000 tons will be operational in Q2 2012. Due to the measures introduced to cool down the residential property market coupled with the moderation of major infrastructure construction, the challenging environment will pose challenges to the management of Jinan JV in 2012. Notwithstanding the margin squeeze as envisaged, the company is cautiously optimistic that the demand will be strong enough for the JV to produce and sell 2.3 million tons of GGBS in 2012, thus enabling the JV to perform satisfactorily through scale, new product development and exploring new business opportunities for future growth.

# SPECIALTY CEMENT:
# TANGSHAN TANGLONG/TANG-ANG MATERIALS COMPANY LIMITED


**2012 will see China adopting a more prudent fiscal and monetary policy; nonetheless, we remain cautiously optimistic in view of the launch of several state major infrastructural projects.**

A pretty promising start has been seen in the first year of the 12th Five-Year Plan period for Tangshan city as it registered a significant progress in 2011 by achieving an estimated GDP of RMB540 billion, an increase of 11.3 per cent over that of 2010. The GDP per capita of Tangshan is RMB 71,626 (equivalent to USD 11,090).

Tangshan government initiated a "2 poles + 3 regions" strategy ("两极三带" 沿海与内陆联动发展战略) to strengthen the linkage between the inlands and coastal areas, where one of the "2 poles" refers to the Cao Fei Dian (曹妃甸) development area (including Cao Fei Dian industrial area, Nan Pu (南堡) development area, Tang Hai Xian (唐海县) and Cao Fei Dian eco-city); while the other "pole" refers to the city central development areas (including Lu North District, Lu South District, Kai Ping District, Gu Zhi District and the high-tech industrial area). The "3 regions" comprises the coastal economic region (沿海经济带), the inland plain (平原经济带) economic region and Shan Qian economic region (山前经济带).

# SPECIALTY CEMENT:
# TANGSHAN TANGLONG/TANG-ANG MATERIALS COMPANY LIMITED

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1. Tangshan Tanglong (Tang-Ang) Board of Directors meeting
2, 3. Tangshan Tanglong GGBS production plant

During the $12^{th}$ Five-Year Plan period, Tangshan's minimum increase in GDP is set at 11 per cent (RMB724.6 billion), but with an ambition to achieve a 12.5 per cent increase (RMB774.9 billion). By the end of the $12^{th}$ Five-Year Plan, GDP of Tangshan, fiscal and budget revenues will be increased to 25 per cent, 23 per cent and 20 per cent in Hebei province compared to the $11^{th}$ Five-Year Plan period.

However, infrastructure and building constructions of China are already slowing down, a result of a series of measures introduced to cool the economy to a stable growth, the effect of which began to be felt by the construction industry in the second half of 2011, with industries such as steel, cement and other building materials having been affected. This potentially may translate into a softer demand for GGBS in 2012. 2012 will see China adopting a more prudent fiscal and monetary policy; nonetheless, we remain cautiously optimistic in view of the launch of several state major infrastructural projects.

Tanglong and Tang-Ang, recognized as a leading supplier of quality GGBS both locally and overseas, is expected to continue to stand out among competitors, 2012 will be a challenging year, but Tanglong and Tang-Ang are committed to deliver satisfactory performance.

# SPECIALTY CEMENT:
# JIANGSU HUAILONG MATERIALS COMPANY LIMITED

As 2012 offers both opportunities and challenges, Huailong JV targets itself to run capacity of 1.2 million tons. Relying on the strength of our partner Huai'an Iron & Steel Co. ("HuaiGang") and the expertise of EnGro in the application of GGBS, Huailong JV is all set to be a supplier to more green building projects in Huai'an.

# SPECIALTY CEMENT:
# JIANGSU HUAILONG MATERIALS COMPANY LIMITED

Jiangsu Hualong Board of Directors meeting


Top 100 Building Materials Companies with
High Growth Potential of China


Top 500 Building Materials Companies of China

Huai'an, a key city identified by the Chinese Central government for the Northern Jiangsu Province, is undergoing rapid urban re-development. In recent years, specialty steels, information technology, new materials, and property development, among others, had contributed to the remarkable economic growth of Huai'an city.

By the end of the 12th Five-Year Plan period, the municipal industrial sales will exceed RMB 800 billion spearheaded by the service industry, emerging industry and high-tech industry. Each of these industries is expected to generate RMB 100 billion.

Huai'an will expedite its central city construction in preparation for the next China Provincial Games. Construction work consist of building inter-city railways such as the Suqian-Huai'an Railway (宿淮铁路), Lian-Huai-Yang-Zhen Railway (连淮扬镇铁路), Xuzhou-Huai'an Railway (徐淮铁路), and Ning-Huai Railway (宁淮铁路) which form part of Huai'an short to long-term railway plan during the 12th Five-Year Plan period until 2030. Upon completion of these inter-city railways, Huai'an will be transformed into an important logistic hub with easy access to road, air, rail and waterways within Northern Jiangsu Province. We expect these projects to boost the demand for building materials and benefit our JV company in time to come. In 2011, Huailong JV hit its new milestone by producing 1.18 million tons of GGBS, a 100% increase over that of its first year operation in 2007.

Huailong is pround to received  the accreditation of the Top 100 Building Materials Companies with High Growth Potential of China in 2011 from China Building Materials Enterprise Management Association as recognition of our efforts in advocating sustainability business model with dedication towards green, low-carbon building and eco-friendly environment projects. Moreover, Huailong JV has also been selected as one of the Top 500 Building Materials Companies of China in 2011.

As 2012 offers both opportunities and challenges, Huailong JV targets itself to run capacity of 1.2 million tons. Relying on the strength of our partner Huai'an Iron & Steel Co. ("HuaiGang") and the expertise of EnGro in the application of GGBS, Huailong JV is all set to be a supplier to more green building projects in Huai'an.

# SPECIALTY CEMENT: WUHAN WUXIN MATERIALS COMPANY LIMITED

The construction of Wuhan JV's production lines were completed towards end of last year and a trial run was carried out on 31st December 2011. After further testing and fine-tuning, the two 600,000 tpa production lines are expected to go full steam from Q2 2012 onwards.


The construction of Wuhan JV's production lines were completed towards end of last year and a trial run was carried out on 31st December 2011. After further testing and fine-tuning, the two 600,000 tpa production lines are expected to go full steam from Q2 2012 onwards.

A very important consideration when deciding on our investment in Wuhan was the **"Rise of Central China"** (中部崛起) policy, which aims to ensure central China catches up with coastal development. Wuhan, provincial capital of Hubei, is both a cultural and economic centre in central China. Backed by a rich historical background, it has a solid industrial foundation covering more than 33 major industries. The city has witnessed rapid economic expansion in recent years. In 2011, Wuhan GDP reached RMB 670 billion (12 per cent growth over 2010) to become one of the top 10 sub-provincial cities with GDP exceeding RMB500 billion.

Wuhan has witnessed rapid urbanization in the past few years and the pace will be sustained for many years to come, providing a solid demand for construction materials. This augurs well for our durable and eco-friendly building materials which is required by key infrastructural projects, bridges and tunnels under the Yangtze River, plus metro lines and other tunnels under the city. With this favorable outlook and landscape, Wuxin JV shall perform to meet its target especially when GGBS is expected to fetch relatively good prices in the Wuhan metropolis and nearby reachable cities; again the waterways along Yangtze River will play to its advantage. We share with our shareholders the following information which lend support to the confidence we hold in Wuxin JV.

# SPECIALTY CEMENT:
# WUHAN WUXIN MATERIALS COMPANY LIMITED

1. Wuhan Wuxin JV Board of Directors meeting
2. Wuhan Wuxin GGBS production plant silos
3. Wuhan Wuxin plant's main production building

## Key projects in Wuhan:

- The construction of the **$4^{th}$ ring road** is in progress. This road is 143 km in length with investment of RMB 40.8 billion; the design speed for the two-way 6-lane expressway is 100 km per hour. The second phase of project will kick-off in 2012 with an investment of RMB 28 billion and construction will last for 4 years.

- **6-lake connecting project:** The total investment in Wuhan's water infrastructure during the $12^{th}$ Five-Year Plan period will be RMB 33.14 billion; Six lakes including Dong Hu (东湖) and Nan Hu (南湖), and Jin Yin Hu (金银湖) are to be linked together; About 105km of water channels, pipes and canals are to be built; during the $12^{th}$ Five-Year Plan period, the drainage system of Wuhan will undergo improvement works.

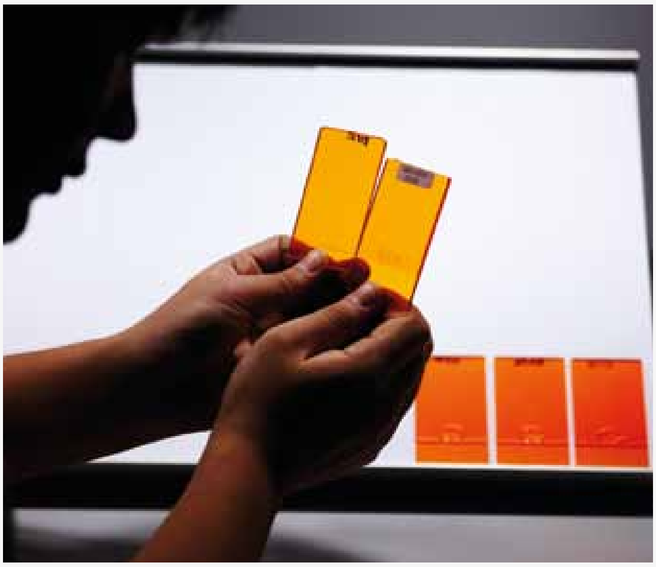
- **Subway construction:** 13 subway lines with a total length of 560 km have been planned in Wuhan; such a Metro network will connect 3 towns of Wuhan; Total investment is RMB12 billion and a new subway line will be put into service every year from 2012 onwards.

- **606-Meter High Building:** The third highest building in the world is under construction and as its name implies is 606 meters in height with a built-up area of 300 $km^2$; with an investment of RMB30 billion.

Due to the strategic location and the speed of growth in Wuhan to catch up with the coastal region, we are confident of Wuxin JV contributing in future years. Being one of the pioneers in the Wuhan GGBS market, we believe we can capitalize on the first-mover advantage.

# SPECIALTY POLYMER

**We will continue our efforts in product development, especially in building deeper vertical knowledge for various industrial needs. We have also started a new initiative to explore new businesses that may be complementary to our core business.**



2011 was a year focused in consolidating our operations. We made substantial improvements in tightening and improving our operation procedures, which will set us in better stead as we expand our business with ExxonMobil Chemical in producing their Exxtral™ grades, as well as for our other business.

We also made substantial progress in upgrading our laboratory and technical capabilities. Collectively, ExxonMobil Chemical and R&P recognize the importance of having a strong and well-trained technical team and a well equipped laboratory as pre-requisites in supporting the perpetual grade development activities at the major automotive OEMs. Although this will take time to build but when this is done well, it will cut down the grade development cycle, improve competitiveness, and build a strong sales pipeline for ExxonMobil Chemical, hence for R&P as well.

While the general market sentiments was somewhat dampened by the situation in Europe, with fears of a possible global recession, the demand from most of our customers was somewhat less affected. Moving forward, if the Europe situation is contained, we see stronger growth ahead in the automotive industry for the Exxtral™ grades that we currently serve as toll compounder for ExxonMobil Chemical. However, opportunities in the electronic & electrical sector in Singapore and the neighboring regions continue to shrink. As such, our future emphasis is to look at addressing higher value sectors, such as medical & healthcare, food, oil & gas industries that may require our services and products, and identifying the right customers that we can serve from Singapore.

Our efforts in product development have also culminated in two new product lines, Rayllene and Rayprene, in polypropylene and TPE respectively; which we hope to market to various industries. We will continue our efforts in product development, especially in building deeper vertical knowledge for various industrial needs. We have also started a new initiative to explore new businesses that may be complementary to our core business.

# INVESTMENTS



1. Turquoise condominium in Sentosa Cove
2,3. Tangshan Southlake Eco-city project

## Venture Capital Investments

While the USA Venture capital industry continues to consolidate, venture-backed liquidity has been good with some achieving billion-dollar initial public offering ("IPO") valuation since Google in 2004. There were 52 venture-backed companies who went IPO with 60 currently filed for an IPO with the US Stock Exchange Commission (SEC), and 429 acquisitions were done. Fund raising continued to be difficult and was also concentrated in the hands of a few selected top-tier VC funds. This augurs well for the whole industry as pricing discipline will be enforced on well-founded start-ups with good business models.

We continue to receive a positive inflow of distribution income as our existing VC funds ride on this liquidity trend. Fund managers in our active funds continued to be successful investing in well-positioned start-ups as the economy recovers. We are optimistic that our venture capital portfolio will continue to appreciate over time.

## Investment in Property

EnGro's stake in Ho Bee Cove continued to generate dividends this year. However the cooling measures introduced by the Singapore government such as additional buyer's stamp duties and seller's stamp duties have effectively led to a slow down in the high end property market which resulted in stagnant sales for Turquoise. We foresee it will take some time to stabilize before pick up of interest for the remaining unsold units of Turquoise.

Construction of phase 1 of our property investment in Tangshan with Yanlord / Ho Bee, in Hebei province's Tangshan South Lake Eco-City ("唐山南湖生态城") has progressed according to schedule. The Chinese government's efforts addressing real estate speculation and curb raising property prices have seen a drop in demand for residential property. Our sales office is targeting to launch by mid 2012 to showcase our branding and properties while we continue to monitor the market closely to achieve best results and effective marketing.

# CORPORATE SOCIAL RESPONSIBILITY

Mandai Reforestation Project

In our attempt to educate EnGro's stakeholders and business associates, we see it as part of our duty towards **BUILDING SUSTAINABILITY** to instill a sense of obligation towards the environment in whatever we do in order to balance the impact of our business activities with the dire needs of our dear planet which over the years have suffered much deterioration at the expense of modern development.

GARDEN CITY FUND

## Partnering Garden City Funds in the Mandai Reforestation Project

Tree planting is a direct contribution towards helping Mother Nature, yet most easily taken for granted. In our attempt to educate EnGro's stakeholders and business associates, we see it as part of our duty towards **BUILDING SUSTAINABILITY** to instill a sense of obligation towards the environment in whatever we do in order to balance the impact of our business activities with the dire needs of our dear planet which over the years have suffered much deterioration at the expense of modern development. Hence, in December 2011, EnGro decided to contribute towards Garden City Fund's Mandai Reforestation Project under the Plant-A-Tree Programme to render our help to restore estimated 40 hectares of Mandai forest which was affected by a storm in early 2011. Actual planting of the trees by EnGro will take place in 2012.

# CORPORATE SOCIAL RESPONSIBILITY

**We see this as augmenting the Chinese saying of "Chinese carp leaping over the dragon's gate" (鲤鱼跳龙门) and having seen such results taking place, we continue sponsoring new batches of students to give the other students a chance at the "dragon's gate" too.**

## EnGro Young-Leader Scholarship

Many of the students we sponsored found it fruitful to have attended the one-year course at our local universities which is custom-tailored to equip them with the fundamentals as well as insights gained from their less than one-year stay in Singapore to perhaps one day find use to help flourish their motherland.

We continue to keep in touch with the students that we have sponsored in the past and through correspondence and meetings with them when we travel to China, it gives us a feeling of gratification knowing that they are now doing well in their respective vocations and some have moved on to better pastures in their careers. We see this as augmenting the Chinese saying of "Chinese carp leaping over the dragon's gate" (鲤鱼跳龙门) and having seen such results taking place, we continue sponsoring new batches of students to give the other students a chance at the "dragon's gate" too.

## NTU Students

In 2011, 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 if they desire to pursue their further studies in Singapore.

## LKY school- NUS students

In 2011, EnGro provided three postgraduate scholarships to Chinese government officials: one from Jinan (济南) city, Shandong province, and the other two from Wuhan (武汉) city in Hubei 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).

## "Safety First" emphasis for the well being of our employees

As a thoroughbred cement and concrete operations pioneer, great emphasis is placed on the safety of our employees at all our operational locations.

We believe that a safe and healthy business is also a productive and profitable business. When accidents occur at workplaces, workers and their families suffer. Employers also suffer loss of business and profitability. Workplace deaths, injuries, and illnesses are expensive for businesses. Hence, we believe that investing in Workplace Safety and Health ("WSH") makes good business sense. It increases productivity, enhances corporate image and makes a positive statement about the values of the enterprise and good WSH standards contribute to our company's competitiveness.

In 2011, EnGro and its subsidiary company Top-Mix Concrete Pte Ltd ("Top-Mix") received the bizSAFE Level 3 Certification from the Workplace Safety and Health Council. With the attainment of this safety accreditation, we will continue our efforts to ensure the highest necessary safety standards within the Group.

# REGIONAL FOOTPRINT

# CORPORATE STRUCTURE

**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

ENGRO

## 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 Huailong Materials Co Ltd
- 33.33% Wuhan Wuxin Materials Co Ltd
- 40% VCEM Materials Co Ltd

**RMC**

- 100% Top-Mix Concrete Pte Ltd
- 100% Compact Concrete 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% Cemtec Asia (M) Sdn Bhd
- 100% S3 Technologies 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 Investments Pte Ltd
- 30% Parliament View Developments Limited
- 20% HB Investments (China) Pte Ltd
- 10% Ho Bee Cove Pte Ltd

# CORPORATE GOVERNANCE REPORT

EnGro Corporation Limited (the "Company") is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (the "Group"). 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

**The Board's Conduct of its Affairs**
**(Principle 1)**

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 | – | – |
| Tan Choo Suan (non-executive) | Member | – | Member | Member |
| **Independent and Non-executive Directors** | | | | |
| Ng Tat Pun | Member | Member | Chairman | – |
| Soh Kim Soon | Member | Chairman | – | Member |
| Tan Keng Boon | Member | – | Member | Chairman |
| Ronnie Teo Heng Hock | Member | – | Member | Member |

The number of Board, NC, AC and RC meetings held during the financial year ended 31 December 2011 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 | 4 | 4 | - | - | - | - | - | - |
| Tan Yok Koon | 4 | 4 | 1 | 1 | - | - | - | - |
| Tan Choo Suan | 4 | 2 | - | - | 4 | 2 | 2 | 1 |
| Ng Tat Pun | 4 | 4 | 1 | 1 | 4 | 4 | - | - |
| Soh Kim Soon | 4 | 4 | 1 | 1 | - | - | 2 | 2 |
| Tan Keng Boon | 4 | 4 | - | - | 4 | 4 | 2 | 2 |

# CORPORATE GOVERNANCE REPORT

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.

**Board Composition and Balance**
**(Principle 2)**

The Board comprises seven directors, two of whom are executive directors, four of whom are independent and non-executive directors and one of whom is non-executive director.

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.

**Chairman and Chief Executive Officer**
**(Principle 3)**

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

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.

**Board Membership**
**(Principle 4)**

**Nominating Committee**

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 2011 ("FY2011") in accordance with the Code's definition of independence and is satisfied that half of the Board comprises independent directors.

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 to cast its net as wide as possible 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 41. Details of the directors' profiles are set out on page 8 of this Annual Report.

# CORPORATE GOVERNANCE REPORT

**Board Performance**
**(Principle 5)**

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 FY2011, the NC reviewed the performance of the board based on the above parameters.

**Access to Information**
**(Principle 6)**

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 programme for non-executive Board members to familiarize and update themselves with the Group's operations.

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 replacement of the Company Secretary is a Board reserved matter.

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**

**Remuneration Committee**
**(Principle 7, 8 and 9)**

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.

# CORPORATE GOVERNANCE REPORT

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 Nominating Committee. In FY2011, the Company also completed a share buy-back of 285,000 shares which were thereafter cancelled to rectify the erroneous grant of share options to him, details of which were set out in last year's annual report. The Company obtained shareholders' approval in FY2011 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"). As at the date of this report, no awards nor 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.

The table below shows a summary of the remuneration of the directors for the year ended 31 December 2011:

| | **Remuneration band**[1] | **Fees** | **Salary** | **Bonus** | **Other benefits** | **Total** |
|---|---|---|---|---|---|---|
| | **S$** | **%** | **%** | **%** | **%** | **%** |
| **Executive Directors** | | | | | | |
| Tan Cheng Gay | 750,000 to 1,000,000 | – | 51 | 47 | 2 | 100 |
| Tan Yok Koon | 500,000 to 750,000 | 1 | 54 | 30 | 15 | 100 |
| **Non-executive Directors** | | | | | | |
| Tan Choo Suan | Below 250,000 | 100 | – | – | – | 100 |
| Ng Tat Pun | Below 250,000 | 100 | – | – | – | 100 |
| Soh Kim Soon | Below 250,000 | 100 | – | – | – | 100 |
| Tan Keng Boon | Below 250,000 | 100 | – | – | – | 100 |
| **Key Executives** | | | | | | |
| Ho Pol Lim Eugene | 250,000 to 500,000 | – | 53 | 39 | 8 | 100 |
| Chen En Yi | Below 250,000 | – | 58 | 35 | 7 | 100 |
| Wong Toon Hong | Below 250,000 | – | 74 | 19 | 7 | 100 |
| Jamie Lee | Below 250,000 | – | 62 | 32 | 6 | 100 |
| Wong Chi Tsung | Below 250,000 | – | 70 | 18 | 12 | 100 |

[1] Includes salaries, fees, bonuses and the value of benefits in kind, earned during the year from the Group by directors and key executives of the Company

The Board has not included annual remuneration report in its annual report for FY2011 (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 FY2011.

# CORPORATE GOVERNANCE REPORT

**ACCOUNTABILITY AND AUDIT**

**Accountability**
**(Principle 10)**

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.

**Audit Committee**
**(Principle 11)**

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 SGX-ST;

(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 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 FY2011 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 FY2011 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.

# CORPORATE GOVERNANCE REPORT

**Internal Controls**
**(Principle 12)**

The Company's external auditors, KPMG LLP carry out, in the course of their statutory audit, a review of the effectiveness of the Company's relevant internal controls over financial reporting annually to the extent of their scope as laid out in their audit plan. Material non-compliance and weaknesses are reported to the AC. The management follows up on these recommendations.

Generally, the risks are exposure to credit, liquidity, market, interest rate and foreign currency risks arising in the normal course of the Group's business. The details of the Group's exposure to financial risk and methods used by management to control such risks are summarized on Note 25 under Notes to financial statements.

Based on the information and reports provided by the internal and the external auditors, the Board of Directors and the Audit Committee have reviewed the adequacy of the Group's internal controls that address the Group's financial, operational and compliance risks. Based on the review conducted, the Board of Directors with the concurrence of the Audit Committee are of the opinion that, in the absence of any evidence to the contrary, the system of internal controls in place are adequate in meeting the current scope of the Group's business operations.

**Internal Audit**
**(Principle 13)**

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.

**COMMUNICATIONS WITH SHAREHOLDERS**
**(Principle 14 and 15)**

The Company has adopted quarterly reporting of its financial results with effect from FY2003. Accordingly, in FY2011, 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.

**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.

# CORPORATE GOVERNANCE REPORT

**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

## Year ended 31 December 2011

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 2011.

### DIRECTORS

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

Tan Cheng Gay
Tan Yok Koon
Tan Choo Suan
Ng Tat Pun
Soh Kim Soon
Tan Keng Boon
Ronnie Teo Heng Hock (Appointed on 5 January 2012)

### 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 2012** |
|---|---|---|---|
| **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 |
| Tan Choo Suan | 1,419,000 | 1,419,000 | 1,419,000 |
| Soh Kim Soon | 46,500 | 46,500 | 46,500 |
| Tan Keng Boon | 30,000 | 30,000 | 30,000 |
| - deemed interests held | | | |
| Tan Cheng Gay | 826,000 | 826,000 | 826,000 |
| Tan Choo Suan | 60,137,500 | 60,137,500 | 60,137,500 |
| Tan Keng Boon | 15,000 | 15,000 | 15,000 |

# DIRECTORS' REPORT

Year ended 31 December 2011

## DIRECTORS' INTERESTS (CONT'D)

By virtue of Section 7 of the Act, Tan Choo Suan is deemed to have interest in all the related corporations of the Company, at the beginning and at the end of the financial year.

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 companies, 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.

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in notes 14 and 29 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 company 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, Tan Keng Boon (Chairman), Tan Choo Suan and Soh Kim Soon.

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), 7 January 2018 (Option 2) and 29 March 2019 (Option 3).

At the end of the financial year, details of the options granted under the ESOS 2000 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 2011 | Options granted | Options exercised | Options forfeited | Options outstanding at 31 December 2011 | Number of option holders at 31 December 2011 | Exercise period |
|---|---|---|---|---|---|---|---|---|
| 1/12/2006 | $0.75 | 875,000 | – | (100,000) | – | 775,000 | 9 | 02/12/2007 – 01/12/2016 |
| 8/1/2008 | $1.17 | 1,090,000 | – | – | (90,000) | 1,000,000 | 15 | 09/01/2009 – 07/01/2018 |
| 30/3/2009 | $0.55 | 225,000 | – | – | – | 225,000 | 3 | 31/03/2010 – 29/03/2019 |

# DIRECTORS' REPORT

Year ended 31 December 2011

## SHARE OPTIONS (CONT'D)

The ESOS 2000 expired on 14 January 2011.

*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 four directors, Tan Keng Boon (Chairman), Tan Choo Suan, Soh Kim Soon and Ronnie Teo Heng Hock.

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 |
| Tan Choo Suan | Non-independent and non-executive director |
| Tan Keng Boon | 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.

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).

# DIRECTORS' REPORT

Year ended 31 December 2011

## AUDIT COMMITTEE (CONT'D)

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 our auditors for the Company, subsidiaries and significant associated companies, we have complied with Rules 712 and 715 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*

30 March 2012

# STATEMENT BY DIRECTORS

## Year ended 31 December 2011

In our opinion:

(a) the financial statements set out on pages 47 to 106 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 2011 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*

30 March 2012

# 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 2011, 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 47 to 106.

*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.

*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 2011 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**
30 March 2012

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2011

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2011 | 2010 | 2011 | 2010 |
| | | $'000 | $'000 | $'000 | $'000 |
| **Assets** | | | | | |
| Property, plant and equipment | 4 | 12,625 | 8,825 | 1,074 | 1,133 |
| Subsidiaries | 5 | – | – | 55,426 | 50,185 |
| Associates | 6 | 81,502 | 70,502 | 53,603 | 45,993 |
| Amount due from associates | 10 | 3,137 | 2,373 | – | – |
| Other investments | 7 | 18,440 | 17,464 | 1,334 | 1,688 |
| Other financial assets | 8 | 172 | 172 | 172 | 172 |
| **Total non-current assets** | | 115,876 | 99,336 | 111,609 | 99,171 |
| | | | | | |
| Inventories | 9 | 8,046 | 6,951 | 6,102 | 4,231 |
| Trade and other receivables | 10 | 31,754 | 26,584 | 34,188 | 33,513 |
| Other investments | 7 | 11,373 | 9,352 | 1,005 | – |
| Cash and cash equivalents | 11 | 42,075 | 40,811 | 27,043 | 29,889 |
| **Total current assets** | | 93,248 | 83,698 | 68,338 | 67,633 |
| **Total assets** | | 209,124 | 183,034 | 179,947 | 166,804 |
| | | | | | |
| **Equity** | | | | | |
| Share capital | 12 | 84,128 | 84,268 | 84,128 | 84,268 |
| Reserves | 13 | 98,537 | 79,549 | 81,295 | 69,295 |
| **Equity attributable to owners of the Company** | | 182,665 | 163,817 | 165,423 | 153,563 |
| **Non-controlling interests** | | 207 | 463 | – | – |
| **Total equity** | | 182,872 | 164,280 | 165,423 | 153,563 |
| | | | | | |
| **Liabilities** | | | | | |
| Loans and borrowings | 15 | 2,585 | 154 | 16 | 46 |
| Deferred tax liabilities | 16 | 661 | 517 | – | – |
| **Total non-current liabilities** | | 3,246 | 671 | 16 | 46 |
| | | | | | |
| Trade and other payables | 17 | 21,461 | 16,501 | 7,357 | 7,755 |
| Loans and borrowings | 15 | 1,168 | 1,234 | 7,151 | 5,440 |
| Current tax liabilities | | 377 | 348 | – | – |
| **Total current liabilities** | | 23,006 | 18,083 | 14,508 | 13,195 |
| **Total liabilities** | | 26,252 | 18,754 | 14,524 | 13,241 |
| **Total equity and liabilities** | | 209,124 | 183,034 | 179,947 | 166,804 |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

| | Note | 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| Revenue | 18 | 115,715 | 105,168 |
| Changes in inventories of finished goods and work-in-progress | | 355 | (727) |
| Raw materials | | (81,020) | (79,419) |
| Other income | | 638 | 358 |
| Depreciation of property, plant and equipment | 4 | (1,985) | (1,920) |
| Staff costs | | (12,479) | (11,376) |
| Other expenses | | (19,714) | (18,079) |
| Finance income | 19 | 5,475 | 11,791 |
| Finance costs | 19 | (1,987) | (5,240) |
| Share of profit of associates (net of income tax) | | 8,159 | 7,337 |
| **Profit before income tax** | | 13,157 | 7,893 |
| Income tax (expense)/credit | 21 | (25) | 141 |
| **Profit for the year** | 20 | 13,132 | 8,034 |
| | | | |
| **Profit attributable to:** | | | |
| Owners of the Company | | 13,388 | 8,346 |
| Non-controlling interests | | (256) | (312) |
| **Profit for the year** | | 13,132 | 8,034 |
| | | | |
| **Earnings per share** | | | |
| Basic earnings per share (cents) | 22 | 11.31 | 7.08 |
| Diluted earnings per share (cents) | 22 | 11.29 | 7.00 |
| | | | |
| **Other comprehensive income** | | | |
| Foreign currency translation differences for foreign operations | | 3,125 | (1,810) |
| Exchange differences on monetary items forming part of the net investment | | 281 | (3,156) |
| Net changes in fair value of equity securities available-for-sale financial assets | | 5,705 | (2,121) |
| Net changes in fair value of equity securities available-for-sale financial assets transferred to profit or loss | | – | 31 |
| **Other comprehensive income for the year, net of income tax** | | 9,111 | (7,056) |
| **Total comprehensive income for the year** | | 22,243 | 978 |
| | | | |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | 22,499 | 1,290 |
| Non-controlling interests | | (256) | (312) |
| **Total comprehensive income for the year** | | 22,243 | 978 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

| 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 changes in fair value of equity securities available-for-sale financial assets | – | – | – | 5,705 | – | 5,705 | – | 5,705 |
| 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 |
| **Contributions by and distributions to owners of the Company** | | | | | | | | |
| Share options exercised | 75 | – | – | – | – | 75 | – | 75 |
| Share buy-back | (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 CHANGES IN EQUITY

**Year ended 31 December 2011**

| | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **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** |
| At 1 January 2010 | 83,654 | 832 | (2,517) | 1,616 | 84,171 | 167,756 | 775 | 168,531 |
| **Total comprehensive income for the year** | | | | | | | | |
| Profit for the year | – | – | – | – | 8,346 | 8,346 | (312) | 8,034 |
| **Other comprehensive income** | | | | | | | | |
| Foreign currency translation differences for foreign operations | – | – | (1,810) | – | – | (1,810) | – | (1,810) |
| Exchange differences on monetary items forming part of the net investment | – | – | (3,156) | – | – | (3,156) | – | (3,156) |
| Net changes in fair value of equity securities available-for-sale financial assets | – | – | – | (2,121) | – | (2,121) | – | (2,121) |
| Net changes in fair value of equity securities available-for-sale financial assets transferred to profit or loss | – | – | – | 31 | – | 31 | – | 31 |
| Total other comprehensive income | – | – | (4,966) | (2,090) | – | (7,056) | – | (7,056) |
| **Total comprehensive income for the year** | – | – | (4,966) | (2,090) | 8,346 | 1,290 | (312) | 978 |
| **Contributions by and distributions to owners of the Company** | | | | | | | | |
| Share options exercised | 614 | – | – | – | – | 614 | – | 614 |
| Final one-tier dividend paid of 3 cents per share in respect of year ended 31 December 2009 | – | – | – | – | (3,548) | (3,548) | – | (3,548) |
| Special one-tier dividend paid of 2 cents per share in respect of year ended 31 December 2009 | – | – | – | – | (2,365) | (2,365) | – | (2,365) |
| Value for employee services received for issue of share options | – | 70 | – | – | – | 70 | – | 70 |
| Total contributions by and distributions to owners of the Company | 614 | 70 | – | – | (5,913) | (5,229) | – | (5,229) |
| At 31 December 2010 | 84,268 | 902 | (7,483) | (474) | 86,604 | 163,817 | 463 | 164,280 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

| | Note | 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | 13,157 | 7,893 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 4 | 1,985 | 1,920 |
| Dividend income | 19 | (4,005) | (9,956) |
| Equity settled share-based payment transactions | 20 | – | 70 |
| Loss/(gain) on disposal of: | | | |
| - equity securities available-for-sale financial assets | 19 | 26 | (143) |
| - property, plant and equipment | 20 | (123) | 142 |
| - associate | 20 | 228 | 10 |
| Goodwill written off | 20 | 162 | – |
| Impairment losses on equity securities available-for-sale financial assets | 19 | 558 | 2,865 |
| Interest income | 19 | (120) | (49) |
| Interest expense | | 79 | 138 |
| Net changes in fair value of derivatives | 19 | (5) | 5 |
| Net changes in fair value of financial assets held for trading at fair value through profit or loss | 19 | (543) | (1,051) |
| Net changes in fair value of equity securities available-for-sale financial assets transferred to profit or loss | | | |
| - gain on disposal of equity securities available-for-sale financial assets | 19 | – | (82) |
| - impairment loss on equity securities available-for-sale financial assets | 19 | 1,324 | 113 |
| Share of profit of associates (net of income tax) | | (8,159) | (7,337) |
| | | 4,564 | (5,462) |
| Changes in working capital: | | | |
| Inventories | | (1,073) | 1,180 |
| Trade and other receivables | | (2,308) | (6,190) |
| Trade and other payables | | 4,842 | 4,490 |
| Cash generated from/(used in) operations | | 6,025 | (5,982) |
| Income tax (paid)/recovered | | (353) | 587 |
| **Net cash from/(used in) operating activities** | | 5,672 | (5,395) |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

| | Note | 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Distribution from other investments | | 760 | 442 |
| Investment in associates | | (5,110) | – |
| Loan to associates | | (4,771) | (15,748) |
| Dividends received | | 11,241 | 17,188 |
| Interest received | | 120 | 49 |
| Proceeds from disposal of: | | | |
| - associate | | 91 | 79 |
| - other investments | | 31 | 1,941 |
| - property, plant and equipment | | 150 | 2,556 |
| Acquisition of: | | | |
| - property, plant and equipment | | (2,003) | (2,203) |
| - subsidiary (net of cash acquired) | 24 | (986) | – |
| Repayment of loan received from associates | | – | 5,964 |
| **Net cash (used in)/from investing activities** | | (477) | 10,268 |
| | | | |
| **Cash flows from financing activities** | | | |
| Dividends paid | | (3,511) | (5,913) |
| Deposits pledged | | 37 | (28) |
| Interest paid | | (79) | (138) |
| Proceeds from exercise of share options | | 75 | 614 |
| Proceeds from short term borrowings | | 96 | 26 |
| Share buy-back | | (215) | – |
| Repayment of long term borrowings | | (375) | (1,069) |
| Payment of finance lease liabilities | | (172) | (169) |
| **Net cash used in financing activities** | | (4,144) | (6,677) |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | 1,051 | (1,804) |
| Cash and cash equivalents at 1 January | | 40,148 | 42,116 |
| Effect of exchange rate fluctuations on cash held | | 251 | (164) |
| **Cash and cash equivalents at 31 December** | 11 | 41,450 | 40,148 |

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 30 March 2012.

## 1 DOMICILE AND ACTIVITIES

EnGro Corporation Limited ("the Company") is incorporated in the Republic of Singapore and has its registered office 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 2011 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 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 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 2011

## 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 and residual values 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 25 – Impairment of trade and other receivables
- Note 25 – Financial instruments

2.5 Changes in accounting policies

**(i) Measurement of non-controlling interests in business combination**

From 1 January 2011, the Group applied the amendments to FRS 103 *Business Combinations* resulting from the *Improvements to FRSs 2010* in measuring, at the acquisition date, non-controlling interests that are not present ownership interests and do not entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Such non-controlling interests are now measured at fair value (see note 3.1).

Previously, the Group has elected on a transaction-by-transaction basis whether to measure non-controlling interests that are not present ownership interests and do not entitle holders to proportionate share of the acquiree's net assets on liquidation 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 change in accounting policy has been applied prospectively to new business combinations occurring on or after 1 January 2010 and has no material impact on earnings per share.

**(ii) Identification of related party relationships and related party disclosures**

From 1 January 2011, the Group applied the revised FRS 24 *Related Party Disclosures* (2010) to identify parties that are related to the Group and to determine the disclosures to be made on transactions and outstanding balances, including commitments, between the Group and its related parties. FRS 24 (2010) improved the definition of a related party in order to eliminate inconsistencies and ensure symmetrical identification of relationships between two parties.

The adoption of FRS 24 (2010) has not resulted in additional parties being identified as related to the Group. Transactions and outstanding balances, including commitments, with related parties for the current and comparative years have been appropriately disclosed in note 29 to the financial statements.

The adoption of FRS 24 (2010) affects only the disclosures made in the financial statements. There is no financial effect on the results and financial position of the Group for the current and previous financial years. Accordingly, the adoption of FRS 24 (2010) has no impact on earnings per share.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 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, except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Basis of consolidation

***Business combinations***

Business combinations are accounted for using the acquisition method 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 consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in 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.

Any contingent consideration payable is recognised at fair value at the acquisition date. 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.

For 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, the Group elects on a transaction-by-transaction basis whether to measure them 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. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

***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.

***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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

***Associates (cont'd)***

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 that interest, including any long-term investments, is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation 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 investee 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 statements 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.

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 available-for-sale equity instruments and monetary items that in substance form part of the Group's net investment in a foreign operation (see below), which are recognised in other comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currency

***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 closing rate. 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 (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 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 are considered to form part of a net investment in a foreign operation. These are recognised in other comprehensive income, and are presented in the translation reserve in equity.

3.3 Financial instruments

***Non-derivative financial instruments***

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

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

Financial assets and liabilities are offset and the net amount presented in the statements 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 2011

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

***Non-derivative financial instruments (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.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

*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 are recognised in profit or loss.

*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, 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.

*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 3.8) and foreign currency differences on available-for-sale monetary items (see note 3.2), 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 and debt securities.

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

***Non-derivative financial instruments (cont'd)***

*Available-for-sale financial assets (cont'd)*

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.

***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.

***Derivative financial instruments and hedging activities***

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

*Non-trading derivatives*

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

***Intra-group financial guarantees***

Financial guarantees are financial instruments issued by the Group that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantees is transferred to profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

***Depreciation***

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the 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.

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

| | | |
|---|---|---|
| Leasehold land | - | 2% |
| Leasehold apartment | - | 5% |
| Buildings and civil works | - | 5% to 33⅓% |
| Plant, machinery and equipment | - | 10% to 25% |
| Office equipment, furniture and fittings | - | 10% to 20% |
| Computers | - | 20% to 33⅓% |
| 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.

3.5 Intangible assets

***Goodwill***

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets and represents the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Intangible assets (cont'd)

***Goodwill (cont'd)***

- if the business combination is achieved in stages, the fair value of the 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.

***Subsequent measurement***

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, 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 equity-accounted investee.

3.6 Leases

***When entities within the Group are lessees of a finance lease***

Leases in 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.

Leased assets are depreciated over the shorter of the lease term and their useful lives. Lease payments are apportioned between finance expense and 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.

***When entities within the Group are lessees of an operating lease***

Where the Group has the use of assets under operating leases, 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.

***Determining whether an arrangement contains a lease***

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

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 2011

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 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.

3.8 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 date 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 had 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.

*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 2011

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 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 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 amount 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. 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 CGU. 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.

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 amount of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 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 vesting 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.

3.10 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.11 Revenue

***Goods sold***

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 persuasive evidence exists, that the 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.

***Government grants***

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

*Jobs Credit Scheme*

Cash grants received from the government in relation to the Jobs Credit Scheme are recognised as income upon receipt.

### 3.12 Finance income and 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 changes in the fair value of financial assets at fair value through profit or loss, gains on the remeasurement to fair value of any pre-existing interest in an acquiree and gains on hedging instruments that are recognised in 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, unwinding of the discount on provisions and contingent consideration, losses on disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables), and losses on hedging instruments that are recognised in profit or loss.

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 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 2011

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 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 amount 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 to the extent that it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

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 the temporary differences 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 the ordinary course of business, there are many transactions and calculations for which the ultimate tax treatment is uncertain. Therefore, the Company recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when the Company believes that certain positions may not be fully sustained upon review by tax authorities, despite the Company's belief that its tax return positions are supportable. The Company 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 multifaceted judgments about future events. New information may become available that causes the Company 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.

3.14 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 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

**3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.15 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 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.

3.16 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 2011, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 4 PROPERTY, PLANT AND EQUIPMENT

| Group | Note | Leasehold land | Leasehold apartment | Buildings and civil works | Plant, machinery and equipment | Office equipment, furniture and fittings | Computers | Motor vehicles and transport equipment | Assets under construction | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cost** | | | | | | | | | | |
| At 1 January 2010 | | 291 | 832 | 22,179 | 21,848 | 2,126 | 2,190 | 2,632 | 80 | 52,178 |
| Additions | | – | 461 | 330 | 538 | 107 | 53 | 175 | 539 | 2,203 |
| Disposals/write-offs | | – | (425) | (140) | (864) | (54) | (47) | (231) | – | (1,761) |
| Reclassification | | – | – | – | (38) | 38 | – | – | – | – |
| Transfer | | – | – | – | 76 | – | – | – | (76) | – |
| Effect of movements in exchange rates | | 5 | (44) | (36) | (56) | (50) | 2 | (19) | (4) | (202) |
| At 31 December 2010 | | 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 |
| **Accumulated depreciation and impairment losses** | | | | | | | | | | |
| At 1 January 2010 | | 153 | 166 | 19,862 | 17,170 | 1,369 | 1,856 | 2,315 | – | 42,891 |
| Depreciation for the year | | 8 | 30 | 763 | 687 | 161 | 111 | 160 | – | 1,920 |
| Disposals/write-offs | | – | (96) | (90) | (654) | (35) | (45) | (225) | – | (1,145) |
| Reclassification | | – | – | – | 29 | 9 | – | (38) | – | – |
| Effect of movements in exchange rates | | 4 | (7) | (16) | (25) | (22) | 2 | (9) | – | (73) |
| At 31 December 2010 | | 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 |
| **Carrying amount** | | | | | | | | | | |
| At 1 January 2010 | | 138 | 666 | 2,317 | 4,678 | 757 | 334 | 317 | 80 | 9,287 |
| At 31 December 2010 | | 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 |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 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 2010 | 17,211 | 13,667 | 1,012 | 1,647 | 512 | – | 34,049 |
| Additions | – | 39 | – | 52 | – | 531 | 622 |
| At 31 December 2010 | 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 |
| | | | | | | | |
| **Accumulated depreciation and impairment losses** | | | | | | | |
| At 1 January 2010 | 17,211 | 13,247 | 882 | 1,587 | 403 | – | 33,330 |
| Depreciation for the year | – | 56 | 43 | 58 | 51 | – | 208 |
| At 31 December 2010 | 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 |
| | | | | | | | |
| **Carrying amount** | | | | | | | |
| At 1 January 2010 | – | 420 | 130 | 60 | 109 | – | 719 |
| At 31 December 2010 | – | 403 | 87 | 54 | 58 | 531 | 1,133 |
| At 31 December 2011 | – | 935 | 77 | 26 | 36 | – | 1,074 |

During the year, the Group acquired property, plant and equipment with an aggregate cost of $5,149,000 (2010: $2,203,000), of which $2,657,000 (2010: Nil) were acquired under finance leases.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

As at 31 December, the net carrying amount of property, plant and equipment acquired under finance leases are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Plant, machinery and equipment | 50 | 473 | 32 | 38 |
| Computers | 161 | 191 | – | – |
| Motor vehicles | 2,950 | 162 | 36 | 57 |

As at 31 December, the carrying amount of property, plant and equipment pledged as security to secure bank loans are as follows:

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Leasehold land | 120 | 131 |

Due to continued losses of the Specialty Polymer business unit, the Group estimated the recoverable amount of the plant and equipment held by the Specialty Polymer business unit in accordance with the accounting policy in note 3.8 and concluded that no impairment loss is required to be made.

*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.

## 5 SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Equity investments, at cost | 50,495 | 45,895 |
| Impairment losses | (32,167) | (32,167) |
| | 18,328 | 13,728 |
| Loans to subsidiaries | 50,924 | 50,272 |
| Impairment losses | (13,826) | (13,815) |
| | 37,098 | 36,457 |
| Interest in subsidiaries | 55,426 | 50,185 |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 5 SUBSIDIARIES (CONT'D)

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.

Due to continued losses and net deficit in shareholders' fund of certain subsidiaries, the Company estimated the recoverable amounts of its investments in certain subsidiaries in accordance with the accounting policy in note 3.8 and concluded that no further impairment loss is required to be made.

***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 2011

## 5 SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

| Name of subsidiaries | Principal activities | Country of incorporation | Effective equity held by the Group 2011 % | Effective equity held by the Group 2010 % |
|---|---|---|---|---|
| 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 (formerly known as Pacific Technology 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[(2)] | Manufacture and sale of building plasters | Malaysia | 100 | 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 2011

## 5 SUBSIDIARIES (CONT'D)

| Name of subsidiaries | Principal activities | Country of incorporation | Effective equity held by the Group 2011 % | 2010 % |
|---|---|---|---|---|
| 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 |
| Compact Concrete Sdn Bhd(4) | Manufacture and sale of concrete and other building materials | Malaysia | 100 | – |
| Pelopor Niaga Sdn Bhd(4) | Provision and supply of workers | Malaysia | 100 | – |
| Held by the Company and subsidiaries | | | | |
| Burkill (Singapore) Pte Ltd | Inactive | Singapore | 97.91 | 91.34 |
| Resin & Pigment Technologies Pte Ltd | Manufacture of thermosetting synthetic resin and plastic materials | Singapore | 97.91 | 91.34 |
| Resin & Pigment Technologies Sdn Bhd(5) | Inactive | Malaysia | 97.91 | 91.34 |
| Resin & Pigment Technologies (Wuxi) Co Ltd(6) | Manufacture of thermosetting synthetic resin and plastic materials | People's Republic of China | 97.91 | 91.34 |

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

(1) KT Chan and Company, Hong Kong.
(2) Other member firms of KPMG International in the respective country of incorporation.
(3) For consolidation purposes, KPMG LLP, Singapore has performed specific audit procedures on certain significant accounts in accordance with International Standards on Auditing.
(4) Lim & Company, Malaysia.
(5) SQ Morrison, Malaysia.
(6) Wuxi Gong Qin CPAs Ltd, China.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 6 ASSOCIATES

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Equity investments, at cost | 47,662 | 43,090 | 38,517 | 33,407 |
| Loan to an associate | 15,086 | 12,586 | 15,086 | 12,586 |
| Share of reserves* | 18,754 | 14,826 | – | – |
| Interests in associates | 81,502 | 70,502 | 53,603 | 45,993 |

* Included in share of reserves are the Group's share of statutory common reserves of its associates of $8,197,000 (2010: $6,908,000) 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 2011 % | Effective equity held by the Group 2010 % |
|---|---|---|---|---|
| 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 LuAng Materials Co Ltd(3) | Manufacture and sale of specialty cement | People's Republic of China | – | 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 |
| 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 | – |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 6 ASSOCIATES (CONT'D)

| Name of associates | Principal activities | Country of incorporation | Effective equity held by the Group 2011 % | 2010 % |
|---|---|---|---|---|
| Held by subsidiaries | | | | |
| VCEM Materials Co Ltd[4] | Manufacture and sale of specialty cement | South Korea | 40 | 40 |
| Changshu Changlong Concrete Co Ltd[2] | Manufacture and sale of building materials | People's Republic of China | 40 | 40 |
| Changshu Changxin Ready Mix Concrete Co Ltd[2] | Manufacture and sale of building materials | People's Republic of China | 40 | 40 |
| Changshu Changyin Ready Mix Concrete Co Ltd[2] | 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, KPMG LLP, Singapore 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) On 11 November 2011, Jinan LuAng Materials Co Ltd and Jinan Luxin Materials Co Ltd were amalgamated to continue as one company, Jinan Luxin Materials Co Ltd.

(4) Samil PricewaterhouseCoopers, South Korea.

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

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| **Assets and liabilities** | | |
| Total assets | 323,258 | 297,620 |
| Total liabilities | 167,486 | 148,920 |
| **Results** | | |
| Revenue | 233,204 | 213,308 |
| Net profit after taxation | 20,096 | 15,092 |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 7 OTHER INVESTMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| **Non-current investments** | | | | |
| Equity securities available-for-sale financial assets | 18,440 | 17,464 | 1,334 | 1,688 |
| **Current investments** | | | | |
| Equity securities classified as held for trading | 11,373 | 9,352 | 1,005 | – |

An impairment loss of $1,882,000 (2010: $2,978,000) 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, currency and interest rate risks related to other investments is disclosed in Note 25.

## 8 OTHER FINANCIAL ASSETS

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Club membership | 238 | 238 | 238 | 238 |
| Impairment losses | (66) | (66) | (66) | (66) |
| | 172 | 172 | 172 | 172 |

## 9 INVENTORIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Raw materials | 1,835 | 2,211 | – | – |
| Work-in-progress | 19 | 113 | – | – |
| Goods-in-transit | 2,828 | 1,909 | 2,828 | 1,909 |
| Finished goods | 3,364 | 2,718 | 3,274 | 2,322 |
| | 8,046 | 6,951 | 6,102 | 4,231 |

Included in the inventories of the Group are raw materials of $251,000 (2010: $355,000) and finished goods of $29,000 (2010: $93,000) which are carried at net realisable values. In 2011, the write-down of inventories to net realisable value amounted to $69,000 (2010: Nil) for the Group.

During the year, the Group made an allowance for inventory obsolescence of $104,000 (2010: $436,000) and inventory obsolescence amounting to $90,000 (2010: Nil) was reversed by the Group. The write-down, allowance for and reversal of inventory obsolescence are included in cost of sales.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 9 INVENTORIES (CONT'D)

***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).

## 10 TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Non-current** | | | | |
| Amount due from associates, non-trade | 3,137 | 2,373 | – | – |
| **Current** | | | | |
| Trade receivables due from | | | | |
| - Subsidiaries | – | – | 8,747 | 5,945 |
| - Third parties | 25,064 | 21,901 | 10,111 | 11,205 |
| | 25,064 | 21,901 | 18,858 | 17,150 |
| Allowance for doubtful receivables | (475) | (418) | – | – |
| Net trade receivables | 24,589 | 21,483 | 18,858 | 17,150 |
| Non-trade receivables due from subsidiaries | – | – | 8,712 | 8,743 |
| Allowance for doubtful receivables | – | – | (74) | (85) |
| | – | – | 8,638 | 8,658 |
| Loan to a subsidiary | – | – | 978 | 4,200 |
| Loan to an associate | 4,055 | 1,784 | 4,055 | 1,784 |
| Amount due from associates, non-trade | 18 | 190 | – | 106 |
| Deposits | 341 | 327 | 31 | 30 |
| Other receivables | 614 | 892 | 7 | 2 |
| Tax recoverable | 399 | 398 | 246 | 246 |
| Net non-trade receivables | 5,427 | 3,591 | 13,955 | 15,026 |
| Loans and receivables | 30,016 | 25,074 | 32,813 | 32,176 |
| Prepayments | 1,738 | 1,510 | 1,375 | 1,337 |
| | 31,754 | 26,584 | 34,188 | 33,513 |
| Loans and receivables (non-current and current) | 33,153 | 27,447 | 32,813 | 32,176 |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 10 TRADE AND OTHER RECEIVABLES (CONT'D)

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. Deemed interest in associates has not been presented separately as the result of the fair value of the amount due from associates is not expected to have a material financial impact on the financial statements.

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 25.

## 11 CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Fixed deposits | 5,984 | 24,215 | 4,421 | 22,066 |
| Bank balances | 36,091 | 16,596 | 22,622 | 7,823 |
| Cash and cash equivalents in the statements of financial position | 42,075 | 40,811 | 27,043 | 29,889 |
| Fixed deposits pledged | (625) | (663) | | |
| Cash and cash equivalents in the consolidated statement of cash flows | 41,450 | 40,148 | | |

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 2011 for the Group and the Company are 0.1% (2010: 0.1%) and 0.3% (2010: 0.1%) per annum respectively.

## 12 SHARE CAPITAL

| | Group and Company | | | |
|---|---|---|---|---|
| | 2011 | 2011 | 2010 | 2010 |
| | No. of shares '000 | $'000 | No. of shares '000 | $'000 |
| **Ordinary shares** | | | | |
| On issue at 1 January | 118,418 | 84,268 | 117,303 | 83,654 |
| Issue of shares under share options scheme | 100 | 75 | 1,115 | 614 |
| Share buy-back and cancelled | (285) | (215) | – | – |
| On issue at 31 December | 118,233 | 84,128 | 118,418 | 84,268 |

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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 12 SHARE CAPITAL (CONT'D)

*Issue of ordinary shares*

During the year, the Company issued 100,000 (2010: 1,115,000) ordinary shares under the Ssangyong Cement (Singapore) Limited 2000 Employees' Share Option Scheme at an exercise price of $0.75 (2010: $0.55) per ordinary share.

*Share buy-back*

Pursuant to the 2011 Share Buy-back Mandate approved at the Extraordinary General Meeting on 27 April 2011, the Company purchased 285,000 shares by way of on market purchase for a total cash consideration of $222,840 (excluding transaction costs) and simultaneously cancelled the 285,000 shares.

## 13 RESERVES

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Translation reserve | (4,077) | (7,483) | – | – |
| Fair value reserve | 5,231 | (474) | 5 | 166 |
| Share option reserve | 902 | 902 | 902 | 902 |
| Accumulated profits | 96,481 | 86,604 | 80,388 | 68,227 |
| | 98,537 | 79,549 | 81,295 | 69,295 |

*Translation reserve*

The translation reserve comprises foreign exchange 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 changes 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 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, Tan Keng Boon (Chairman), Tan Choo Suan and Soh Kim Soon.

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), 7 January 2018 (Option 2) and 29 March 2019 (Option 3).

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

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | Weighted average exercise price | No. of options | Weighted average exercise price | No. of options |
| | $ | '000 | $ | '000 |
| Outstanding at 1 January | 0.94 | 2,190 | 0.82 | 7,670 |
| Forfeited | 1.17 | (90) | 1.11 | (220) |
| Cancelled | – | – | 0.82 | (4,145) |
| Exercised | 0.75 | (100) | 0.55 | (1,115) |
| Outstanding at 31 December | 0.94 | 2,000 | 0.94 | 2,190 |
| Exercisable at 31 December | 0.94 | 2,000 | 0.94 | 2,190 |

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 2011 resulted in 100,000 shares (2010: 1,115,000 shares) being issued at an exercise price of $0.75 (2010: $0.55) each. Options were exercised on a regular basis throughout the year. The weighted average share price during the year was $0.83 per share.

There were no options granted during the year. At 31 December 2011, outstanding share options granted under its Ssangyong Cement (Singapore) Limited 2000 Employees' Share Option Scheme amounted to 2,000,000 shares (2010: 2,190,000 shares).

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 14 EMPLOYEE SHARE OPTIONS (CONT'D)

***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.

| **Date of grant of options** | **Option 1<br>1 December<br>2006** | **Option 2<br>8 January<br>2008** | **Option 3<br>30 March<br>2009** |
|---|---|---|---|
| Fair value at measurement date | $0.10 | $0.14 | $0.08 |
| Share price | $1.12 | $1.17 | $0.55 |
| Exercise price | $1.13 | $1.17 | $0.55 |
| Exercise price adjusted | $0.75 | – | – |
| Expected volatility | 19.4% | 31.6% | 32.6% |
| Expected option life | 5.0 years | 5.0 years | 5.0 years |
| Expected dividends | 5.38% | 7.64% | 6.02% |
| Risk-free interest rate | 3.01% | 2.39% | 2.04% |

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 four directors, Tan Keng Boon (Chairman), Tan Choo Suan, Soh Kim Soon and Ronnie Teo Heng Hock. There were no options granted as at 31 December 2011.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 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 25.

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| **Non-current liabilities** | | | | |
| Unsecured bank loans | 281 | – | – | – |
| Finance lease liabilities | 2,304 | 154 | 16 | 46 |
| | 2,585 | 154 | 16 | 46 |
| **Current liabilities** | | | | |
| Secured bank loans | 172 | 75 | – | – |
| Unsecured bank loans | 375 | 1,031 | – | – |
| Unsecured loans from subsidiaries | – | – | 7,121 | 5,405 |
| Finance lease liabilities | 621 | 123 | 30 | 30 |
| Financial derivatives | – | 5 | – | 5 |
| | 1,168 | 1,234 | 7,151 | 5,440 |
| Total loans and borrowings | 3,753 | 1,388 | 7,167 | 5,486 |

The secured bank loans of the Group are over certain property, plant and equipment and fixed deposits pledged as disclosed in note 4 and note 11 respectively.

***Terms and debt repayment schedule***

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

| | Nominal interest rate | Year of maturity | 2011 | | 2010 | |
|---|---|---|---|---|---|---|
| | | | Face value | Carrying amount | Face value | Carrying amount |
| | % | | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | | | |
| SGD fixed rate | | | | | | |
| - loan A (unsecured) | 5 | 2013 | 656 | 656 | 1,031 | 1,031 |
| Malaysian Ringgit (RM) fixed rate | | | | | | |
| - loan B (secured) | 3.53 | 2012 | 172 | 172 | – | – |
| Malaysian Ringgit (RM) floating rate | | | | | | |
| - loan B (secured) | 3.7 – 4.4 | 2010 – 2011 | – | – | 75 | 75 |
| Finance lease liabilities | 1.50 – 3.75 | 2011 – 2017 | 3,050 | 2,925 | 316 | 277 |
| | | | 3,878 | 3,753 | 1,422 | 1,383 |
| **Company** | | | | | | |
| Finance lease liabilities | 3.3 | 2013 | 53 | 46 | 89 | 76 |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 15 LOANS AND BORROWINGS (CONT'D)

***Finance lease liabilities***

Finance lease liabilities are payable as follows:

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | Future minimum lease payments | Present value of payments | Future minimum lease payments | Present value of payments |
| | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | |
| Within one year | 655 | 621 | 139 | 123 |
| Between one and five years | 2,183 | 2,098 | 177 | 154 |
| More than five years | 212 | 206 | – | – |
| | 3,050 | 2,925 | 316 | 277 |
| Less: Future finance charges | (125) | | (39) | |
| Present value of obligation | 2,925 | | 277 | |
| **Company** | | | | |
| Within one year | 35 | 30 | 35 | 30 |
| Between one and five years | 18 | 16 | 54 | 46 |
| | 53 | 46 | 89 | 76 |
| Less: Future finance charges | (7) | | (13) | |
| Present value of obligation | 46 | | 76 | |

## 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 2010 | Debited to share of profit of associates | Withholding tax paid | Translation differences | At 31 December 2010 |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | | |
| **Deferred tax liabilities/(assets)** | | | | | |
| Property, plant and equipment | 39 | – | – | 1 | 40 |
| Withholding tax on share of associates' profits | 459 | 331 | (313) | – | 477 |
| | 498 | 331 | (313) | 1 | 517 |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 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 | Translation differences $'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 |

Deferred tax assets have not been recognised in respect of the following items:

| | Group 2011 $'000 | Group 2010 $'000 |
|---|---|---|
| Unabsorbed tax losses | 51,623 | 64,943 |
| Unabsorbed wear and tear allowances | 608 | 606 |
| Deductible temporary differences | 9,868 | 8,045 |
| Unremitted overseas income | (28,129) | (28,921) |
| | 33,970 | 44,673 |

The tax losses and unabsorbed wear and tear allowances at 31 December 2011 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 the above temporary differences in accordance with the Group's accounting policy as set out in note 3.13.

## 17 TRADE AND OTHER PAYABLES

| | Group 2011 $'000 | Group 2010 $'000 | Company 2011 $'000 | Company 2010 $'000 |
|---|---|---|---|---|
| Trade payables | 8,647 | 8,051 | 1,333 | 3,376 |
| Advances from customers | 502 | 725 | 500 | 500 |
| Accrued expenses | 6,690 | 4,746 | 4,296 | 2,930 |
| Amounts due to associates, non-trade | – | 366 | – | – |
| Amount due to associate, trade | – | 775 | – | 775 |
| Other payables | 5,615 | 1,831 | 1,228 | 174 |
| Provision for loss on claim | 7 | 7 | – | – |
| | 21,461 | 16,501 | 7,357 | 7,755 |

The Group and the Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 25.

The non-trade amounts due to associates are unsecured, interest-free and repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 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 | |
|---|---|---|
| | **2011** | **2010** |
| | **$'000** | **$'000** |
| **Finance income** | | |
| Dividend income on equity securities available-for-sale financial assets | 4,005 | 9,956 |
| Interest income on bank deposits | 120 | 49 |
| Gain on disposal of equity securities available-for-sale financial assets | – | 143 |
| Net changes in fair value of equity securities available-for-sale financial assets transferred to profit or loss | | |
| - gain on disposal of equity securities available-for-sale financial assets | – | 82 |
| Investment income | | |
| - equity securities available-for-sale financial assets | 244 | 510 |
| Net changes in fair value of financial assets held for trading at fair value through profit or loss | 543 | 1,051 |
| Net changes in fair value of derivatives | 5 | – |
| Exchange gain | 558 | – |
| Total finance income | 5,475 | 11,791 |
| | | |
| **Finance costs** | | |
| Interest expense | | |
| - bank borrowings | ( 55) | (119) |
| - finance lease liabilities | (24) | (19) |
| Net changes in fair value of equity securities available-for-sale financial assets transferred to profit or loss | | |
| - loss on disposal of equity securities available-for-sale financial assets | (26) | – |
| - impairment losses on equity securities available-for-sale financial assets | (1,324) | (113) |
| Net changes in fair value of derivatives | – | (5) |
| Exchange losses | – | (2,119) |
| Impairment losses on equity securities available-for-sale financial assets | (558) | (2,865) |
| Total finance costs | (1,987) | (5,240) |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 20 PROFIT FOR THE YEAR

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

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **$'000** | **$'000** |
| Allowance for doubtful receivables | 49 | 21 |
| Bad debts written off | 55 | - |
| Inventories written off | – | 84 |
| (Gain)/loss on disposal of property, plant and equipment | (123) | 142 |
| Included in staff costs: | | |
| - contributions to defined contribution plans | 597 | 488 |
| - value of employee services received for issue of share options | – | 70 |
| Goodwill written off | 162 | – |
| Audit fees paid to: | | |
| - auditors of the Company | 382 | 326 |
| - other auditors | 88 | 83 |
| Non-audit fees paid to: | | |
| - auditors of the Company | 110 | 66 |
| - other auditors | – | 5 |
| Operating lease expense | 1,924 | 1,739 |
| Allowance for inventory obsolescence | 14 | 436 |
| Loss on disposal of associate | 228 | 10 |

## 21 INCOME TAX EXPENSE

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **$'000** | **$'000** |
| **Current tax expense** | | |
| Current year | 25 | 22 |
| Over provided in prior years | – | (163) |
| | 25 | (141) |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 21 INCOME TAX EXPENSE (CON'TD)

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| ***Reconciliation of effective tax rate*** | | |
| Profit before income tax | 13,157 | 7,893 |
| Income tax using Singapore tax rate of 17% (2010: 17%) | 2,237 | 1,342 |
| Effect of tax rates in foreign jurisdictions | 5 | 17 |
| Non-deductible expenses | 727 | 1,144 |
| Tax exempt income | (1,625) | (3,196) |
| Utilisation of deferred tax benefits previously not recognised | (2,042) | (189) |
| Unrecognised deferred tax assets | 655 | 879 |
| Over provided in prior years | – | (163) |
| Others | 68 | 25 |
| | 25 | (141) |

## 22 EARNINGS PER SHARE

The calculation of basic earnings per share at 31 December 2011 was based on the profit attributable to ordinary shareholders of $13,388,000 (2010: $8,346,000) and a weighted average number of ordinary shares outstanding of 118,418,000 (2010: 117,871,000), calculated as follows:

**Weighted average number of ordinary shares**

| | | Group | |
|---|---|---|---|
| | | 2011 | 2010 |
| | Note | No. of shares '000 | No. of shares '000 |
| Issued ordinary shares at 1 January | 12 | 118,418 | 117,303 |
| Effect of share options exercised | | –* | 568 |
| Weighted average number of ordinary shares during the year | | 118,418 | 117,871 |

* 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 during the year.

The calculation of diluted earnings per share at 31 December 2011 was based on profit attributable to ordinary shareholders of $13,388,000 (2010: $8,346,000) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 118,565,000 (2010: 119,278,000), calculated as follows:

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 22 EARNINGS PER SHARE (CONT'D)

**Weighted average number of ordinary shares (diluted)**

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **No. of shares '000** | **No. of shares '000** |
| Weighted average number of ordinary shares (basic) | 118,418 | 117,871 |
| Potential ordinary shares issuable under share options | 147 | 1,407 |
| Weighted average number of ordinary shares (diluted) during the year | 118,565 | 119,278 |

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.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 23 OPERATING SEGMENTS

*Information about reportable segments*

| Revenue and expenses | Cement and building materials $'000 | Specialty Polymer $'000 | Investments $'000 | Total $'000 |
|---|---|---|---|---|
| **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 credit | | | | (25) |
| Profit for the year | | | | 13,132 |
| **2010** | | | | |
| External revenues (representing consolidated revenue) | 94,465 | 10,703 | – | 105,168 |
| Dividend income | – | – | 9,956 | 9,956 |
| Reportable segment (loss)/profit before income tax | (3,995) | (3,360) | 8,000 | 645 |
| Share of profit of associates | 8,916 | – | (1,579) | 7,337 |
| | 4,921 | (3,360) | 6,421 | 7,982 |
| Interest expense | | | | (138) |
| Interest income | | | | 49 |
| Income tax expense | | | | 141 |
| Profit for the year | | | | 8,034 |
| **Assets and liabilities** | | | | |
| **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 |
| **2010** | | | | |
| Total assets for reportable segments | 48,305 | 7,188 | 32,426 | 87,919 |
| Investments in associates | | | | 70,502 |
| Other unallocated amounts | | | | 24,613 |
| Consolidated total assets | | | | 183,034 |
| Total liabilities for reportable segments | 15,353 | 1,336 | 94 | 16,783 |
| Other unallocated amounts | | | | 1,971 |
| Consolidated total liabilities | | | | 18,754 |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 23 OPERATING SEGMENTS (CONT'D)

***Information about reportable segments (cont'd)***

| | Cement and building materials $'000 | Specialty Polymer $'000 | Investments $'000 | Total $'000 |
|---|---|---|---|---|
| **Other segment information** | | | | |
| **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 |
| **2010** | | | | |
| Capital expenditure | 1,915 | 288 | – | 2,203 |
| Depreciation | 945 | 975 | – | 1,920 |
| Impairment losses on equity securities available-for-sale financial assets | – | – | 2,978 | 2,978 |

***Reconciliation of reportable segment profit or loss***

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| **Profit or loss** | | |
| Total profit or loss for reportable segments | 4,957 | 645 |
| Unallocated amounts | 41 | (89) |
| Share of profit of associates | 8,159 | 7,337 |
| Consolidated profit before income tax | 13,157 | 7,893 |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 23 OPERATING SEGMENTS (CONT'D)

***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 |
|---|---|---|---|---|---|
| **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 |
| **2010** | | | | | |
| External customers | 87,497 | 1,203 | 16,468 | – | 105,168 |
| Inter-segment revenue | 150 | 116 | – | (266) | – |
| Total revenue | 87,647 | 1,319 | 16,468 | (266) | 105,168 |
| Non-current assets | 25,650 | 558 | 2,626 | – | 28,834 |

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 24 ACQUISITION OF SUBSIDIARIES (CONT'D)

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

**Consideration transferred:**

| | $'000 |
|---|---|
| Cash | 1,625 |
| Deferred consideration | 410 |
| | 2,035 |

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.

**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 | 16 | (129) |
| Trade and other payables | | (528) |
| Total identifiable net assets | | 1,873 |

**Goodwill**

Goodwill was recognised as a result of the acquisition as follows:

| | $'000 |
|---|---|
| Total consideration transferred | 2,035 |
| Fair value of identifiable net assets | (1,873) |
| Goodwill | 162 |

The goodwill of $162,000 was written off to the profit or loss during the year. The fair value of property, plant and equipment has been determined provisionally. If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amount for provisions, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be reversed.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 25 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 statements of financial posiiton 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 2011

## 25 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:

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2011 | 2010 | 2011 | 2010 |
| | | $'000 | $'000 | $'000 | $'000 |
| Equity securities available-for-sale financial assets | 7 | 18,440 | 17,464 | 1,334 | 1,688 |
| Equity securities classified as held for trading | 7 | 11,373 | 9,352 | 1,005 | – |
| Loans and receivables | 10 | 33,153 | 27,447 | 32,813 | 32,176 |
| Cash and cash equivalents | 11 | 42,075 | 40,811 | 27,043 | 29,889 |
| Recognised financial assets | | 105,041 | 95,074 | 62,195 | 63,753 |

***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 2011, the Group's exposure to credit risk comprises $28,719,000 (2010: $21,070,000), $1,900,000 (2010: $5,971,000) and $2,534,000 (2010: $406,000) from companies in the geographic regions of Singapore, People's Republic of China and others respectively. At 31 December 2011, the Company's exposure to credit risk comprises principally receivable from Singapore companies.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 25 FINANCIAL INSTRUMENTS (CONT'D)

***Impairment losses (cont'd)***

At 31 December 2011, the Group's exposure to credit risk comprises $32,216,000 (2010: $20,113,000) from construction companies, $922,000 (2010: $5,717,000) from manufacturers and $15,000 (2010: $1,617,000) from others. At 31 December 2011, the Company's exposure to credit risk comprises principally receivable from construction companies. The ageing of loans and receivables at the reporting date was:

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | Gross | Impairment losses | Gross | Impairment losses |
| | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | |
| Not past due | 28,018 | – | 24,098 | – |
| Past due 0 – 30 days | 3,323 | – | 2,648 | – |
| Past due 31 – 90 days | 1,293 | – | 464 | – |
| Past due 91 days | 994 | 475 | 655 | 418 |
| Loans and receivables | 33,628 | 475 | 27,865 | 418 |
| | | | | |
| **Company** | | | | |
| Not past due | 31,122 | 74 | 27,286 | 85 |
| Past due 0 – 30 days | 1,464 | – | 1,760 | – |
| Past due 31 – 90 days | 24 | – | 2,022 | – |
| Past due 91 days | 277 | – | 1,193 | – |
| Loans and receivables | 32,887 | 74 | 32,261 | 85 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| At 1 January | 418 | 447 | 85 | 631 |
| Impairment loss recognised | 49 | 21 | – | – |
| Utilised | – | (41) | – | – |
| Reversal | – | – | (11) | (546) |
| Translation difference | 8 | (9) | – | – |
| At 31 December | 475 | 418 | 74 | 85 |

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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 25 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 $42,075,000 at 31 December 2011 (2010: $40,811,000), 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 25 FINANCIAL INSTRUMENTS (CONT'D)

***Liquidity risk (cont'd)***

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 | Within 1 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 | 21,461 | (21,461) | (21,461) | – | – |
| | 25,214 | (25,369) | (22,687) | (2,470) | (212) |
| **Group** | | | | | |
| **2010** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Variable interest rate loans | 75 | (75) | (75) | – | – |
| Fixed interest rate loans | 1,031 | (1,104) | (418) | (686) | – |
| Finance lease liabilities | 277 | (316) | (139) | (177) | – |
| Trade and other payables * | 16,501 | (16,501) | (16,501) | – | – |
| **Derivative financial liabilities** | | | | | |
| Forward exchange contracts | | | | | |
| - Outflow | 5 | (1,935) | (1,935) | – | – |
| - Inflow | – | 1,930 | 1,930 | – | – |
| | 17,889 | (18,001) | (17,138) | (863) | – |
| **Company** | | | | | |
| **2011** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Finance lease liabilities | 46 | (53) | (35) | (18) | – |
| Trade and other payables | 7,357 | (7,357) | (7,357) | – | – |
| | 7,403 | (7,410) | (7,392) | (18) | – |
| **2010** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Finance lease liabilities | 76 | (89) | (35) | (54) | – |
| Trade and other payables * | 7,775 | (7,775) | (7,775) | – | – |
| **Derivative financial liabilities** | | | | | |
| Forward exchange contracts | | | | | |
| - Outflow | 5 | (1,935) | (1,935) | – | – |
| - Inflow | – | 1,930 | 1,930 | – | – |
| | 7,856 | (7,869) | (7,815) | (54) | – |

* Excludes derivatives (shown separately).

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 25 FINANCIAL INSTRUMENTS (CONT'D)

***Liquidity risk (cont'd)***

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.

*Currency risk*

The Group is exposed to currency risk on sales, purchases, investments and borrowings 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** | | |
| **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 |
| **2010** | | |
| Trade and other receivables | 352 | 2,373 |
| Cash and cash equivalents | 9,411 | – |
| Investments | 4,931 | – |
| Trade and other payables | (192) | (9) |
| Forward exchange contracts | (5) | – |
| | 14,497 | 2,364 |
| **Company** | | |
| **2011** | | |
| Trade and other receivables | 63 | 4,423 |
| Cash and cash equivalents | 5,358 | 3,921 |
| Investments | 117 | – |
| Loans from subsidiaries | (5,704) | – |
| Loans to subsidiaries | 25,088 | 856 |
| Trade and other payables | (7) | – |
| | 24,915 | 9,200 |
| **2010** | | |
| Trade and other receivables | 62 | 384 |
| Cash and cash equivalents | 8,320 | – |
| Investments | 471 | – |
| Loans from subsidiaries | (4,307) | – |
| Loans to subsidiaries | 22,747 | 814 |
| Forward exchange contracts | (5) | – |
| | 27,288 | 1,198 |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 25 FINANCIAL INSTRUMENTS (CONT'D)

*Currency 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 2010, as indicated below:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Profit or loss** | | | | |
| US dollar | (1,075) | (1,321) | (2,480) | (2,682) |
| China renminbi | (705) | (236) | (920) | (120) |
| **Equity** | | | | |
| US dollar | (84) | (129) | (12) | (47) |

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 $1,844,000 (2010: an increase of $1,746,000). For investments classified as fair value through profit or loss, the impact on profit or loss would have been an increase of $1,137,000 (2010: $935,000). The analysis is performed on the same basis for 2010.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 25 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, retained earnings 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 amount*

The fair values of financial assets and liabilities, together with the carrying amount 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 2011** | | | | | | | |
| Cash and cash equivalents | 11 | – | 42,075 | – | – | 42,075 | 42,075 |
| Loans and 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) | (3,132) |
| Trade and other payables | 17 | – | – | – | (21,461) | (21,461) | (21,461) |
| | | – | – | – | (25,214) | (25,214) | (25,421) |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 25 FINANCIAL INSTRUMENTS (CONT'D)

***Accounting classifications and fair values (cont'd)***

*Fair values versus carrying amount (cont'd)*

| | Note | Trading $'000 | Loans and receivables $'000 | Available-for-sale $'000 | Other financial liabilities $'000 | Total carrying amount $'000 | Fair value $'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **31 December 2010** | | | | | | | |
| Cash and cash equivalents | 11 | – | 40,811 | – | – | 40,811 | 40,811 |
| Loans and receivables | 10 | – | 27,447 | – | – | 27,447 | 27,447 |
| Available-for-sale equity securities | 7 | – | – | 17,464 | – | 17,464 | 17,464 |
| Financial assets classified as held for trading | 7 | 9,352 | – | – | – | 9,352 | 9,352 |
| | | 9,352 | 68,258 | 17,464 | – | 95,074 | 95,074 |
| Secured bank loans | 15 | – | – | – | (75) | (75) | (75) |
| Unsecured bank loans | 15 | – | – | – | (1,031) | (1,031) | (1,031) |
| Finance lease liabilities | 15 | – | – | – | (277) | (277) | (278) |
| Financial derivatives | 15 | – | – | – | (5) | (5) | (5) |
| Trade and other payables | 17 | – | – | – | (16,501) | (16,501) | (16,501) |
| | | – | – | – | (17,889) | (17,889) | (17,890) |
| **Company** | | | | | | | |
| **31 December 2011** | | | | | | | |
| Cash and cash equivalents | 11 | – | 27,043 | – | – | 27,043 | 27,043 |
| Loans and 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 | – | – | – | (7,357) | (7,357) | (7,357) |
| | | – | – | – | (7,403) | (7,403) | (7,403) |
| **31 December 2010** | | | | | | | |
| Cash and cash equivalents | 11 | – | 29,889 | – | – | 29,889 | 29,889 |
| Loans and receivables | 10 | – | 32,176 | – | – | 32,176 | 32,176 |
| Available-for-sale equity securities | 7 | – | – | 1,688 | – | 1,688 | 1,688 |
| | | – | 62,065 | 1,688 | – | 63,753 | 63,753 |
| Finance lease liabilities | 15 | – | – | – | (76) | (76) | (76) |
| Financial derivatives | 15 | – | – | – | (5) | (5) | (5) |
| Trade and other payables | 17 | – | – | – | (7,755) | (7,755) | (7,755) |
| | | – | – | – | (7,836) | (7,836) | (7,836) |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 25 FINANCIAL INSTRUMENTS (CONT'D)

***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 amount 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 amount 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.

***Fair value measurement recognised in the statements 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<br>$'000 | Level 2<br>$'000 | Level 3<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **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 |
| **31 December 2010** | | | | |
| Financial assets held for trading | 9,352 | – | – | 9,352 |
| Available-for-sale financial assets | 108 | 737 | 16,619 | 17,464 |
| | 9,460 | 737 | 16,619 | 26,816 |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 25 FINANCIAL INSTRUMENTS (CONT'D)

***Fair value measurement recognised in the statements of financial position (cont'd)***

| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **Company** | | | | |
| **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 |
| **31 December 2010** | | | | |
| Available-for-sale financial assets | – | – | 1,688 | 1,688 |

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

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 financial assets 2011 $'000 | Available-for-sale financial assets 2010 $'000 |
|---|---|---|
| **Group** | | |
| **At 1 January** | 16,619 | 24,299 |
| Total losses recognised in profit or loss | (1,301) | (3,011) |
| Total gains/(losses) recognised in other comprehensive income | 5,706 | (1,969) |
| Purchases | 1,519 | 1,469 |
| Settlements | (4,578) | (2,483) |
| Exchange movement | (250) | (1,686) |
| At 31 December | 17,715 | 16,619 |
| **Company** | | |
| **At 1 January** | 1,688 | 2,495 |
| Total gains recognised in profit or loss | 875 | 23 |
| Total losses recognised in other comprehensive income | (161) | (31) |
| Purchases | 1,096 | – |
| Settlements | (2,164) | (799) |
| At 31 December | 1,334 | 1,688 |

At 31 December 2011 and 31 December 2010, the Group did not have any liabilities classified in Level 3 of the fair value hierarchy.

# NOTES TO THE FINANCIAL STATEMENTS

**Year ended 31 December 2011**

## 26 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.

*Investments in 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 reporting date, latest percentage yield per General Partners' valuation report or latest financing price.

*Derivatives*

The fair value of forward exchange contracts is based on their quoted price, if available. If quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a credit-adjusted risk-free interest rate (based on government bonds).

*Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, 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.

## 27 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 | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Within one year | 2,839 | 2,227 | 617 | 617 |
| Between one and five years | 4,105 | 3,136 | 969 | 1,587 |
| More than five years | 35 | 420 | – | – |
| | 6,979 | 5,783 | 1,586 | 2,204 |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 27 OPERATING LEASES (CONT'D)

**Leases as lessor**

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

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **$'000** | **$'000** |
| Within one year | 212 | 282 |
| Between one and five years | – | 212 |
| | 212 | 494 |

## 28 CAPITAL COMMITMENTS

During the year, the Group has commitments amounting to $2,444,000 (2010: $3,276,000) in respect of additional investments in certain private equity investments and partnership investments.

## 29 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 | |
|---|---|---|
| | **2011** | **2010** |
| | **$'000** | **$'000** |
| Directors' fees | 280 | 285 |
| Short-term employee benefits | | |
| - directors | 1,476 | 1,212 |
| - other management personnel | 1,143 | 922 |
| | 2,899 | 2,419 |

***Other related parties transactions***

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

In 2011, purchases of finished goods by the Company from an associate amounted to $8,020,000 (2010: $8,636,000).

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 29 RELATED PARTIES

***Other related parties transactions (con'td)***

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.

| | **2011** | **2010** |
|---|---|---|
| | **$'000** | **$'000** |
| Dividends received | 4,000 | 9,950 |

During the year, the Group had granted a loan of $2,271,000 (2010: $350,000) to HBS Investments Pte Ltd. There was no repayment of loan to HBS Investment Pte Ltd during the year. As at 31 December 2010, there was a repayment of loan of $1,829,000 granted to HBS Investment Pte Ltd. In addition, the Group provided a counter indemnity to Ho Bee Investment Ltd (the holding company of HBS Investments Pte Ltd) in favour of HBS Investments Pte Ltd (in proportion to the Group 30% interest in HBS Investments Pte Ltd), of $2,728,000 in financial year 2008.

In 2011, the Group granted a loan of $2,500,000 (2010: $15,398,000) to HB Investments (China) Pte Ltd. There was no repayment of loan to HB Investments (China) Pte Ltd during the year. As at 31 December 2010, there was a repayment of loan of $2,812,000 granted to HB Investments (China) Pte Ltd. The Group has made an investment of $20,000 in 2009 in equity shares of HB Investments (China) Pte Ltd, a company set up by Ho Bee Investment Ltd in 2009.

In 2011, the dividends received from associates amounted to $7,650,000 (2010: $6,887,000).

## 30 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** | |
|---|---|---|
| | **2011** | **2010** |
| | **$'000** | **$'000** |
| Final one-tier dividend proposed of 3 cents per share (2010: 3 cents per share) | 3,547 | 3,511 |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

## 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 | |
|---|---|---|
| | **2011** | **2010** |
| $750,001 to $1,000,000 | 1 | 1 |
| $500,001 to $750,000 | 1 | – |
| $250,001 to $500,000 | – | 1 |
| Below $250,000 | 4 | 4 |
| Total | 6 | 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 | 2,271 | – |
| **HB Investments (China) Pte Ltd** | | |
| Loan | 2,500 | – |

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 14 March 2012

| | | |
|---|---|---|
| Share Capital | | |
| Issued & fully paid-up | : | $84,128,196.50 |
| Class of shares | : | Ordinary shares |
| Voting rights | : | 1 vote per ordinary share |

**SHAREHOLDING HELD IN THE HANDS OF PUBLIC**

Based on the information available to the Company as at 14 March 2012, 44.37% 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.

**DISTRIBUTION OF SHAREHOLDINGS**

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 - 999 | 181 | 8.39 | 45,828 | 0.04 |
| 1,000 - 10,000 | 1,453 | 67.33 | 5,682,892 | 4.80 |
| 10,001 - 1,000,000 | 514 | 23.82 | 26,622,320 | 22.52 |
| 1,000,001 and above | 10 | 0.46 | 85,881,460 | 72.64 |
| Total | 2,158 | 100.00 | 118,232,500 | 100.00 |

**TWENTY LARGEST SHAREHOLDERS**

| No. | Name | No. of Shares | % |
|---|---|---|---|
| 1 | Afro-Asia International Enterprises Pte Limited | 44,463,000 | 37.61 |
| 2 | Afro Asia Shipping Co Pte Ltd | 14,270,500 | 12.07 |
| 3 | UOB Kay Hian Pte Ltd | 13,390,010 | 11.33 |
| 4 | Chua Wee Keng | 3,646,000 | 3.08 |
| 5 | DBS Nominees Pte Ltd | 2,545,400 | 2.15 |
| 6 | United Overseas Bank Nominees Pte Ltd | 1,940,550 | 1.64 |
| 7 | Morph Investments Ltd | 1,520,500 | 1.29 |
| 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 | 1.08 |
| 11 | OCBC Nominees Singapore Pte Ltd | 949,000 | 0.80 |
| 12 | New Town Development Pte Ltd | 826,000 | 0.70 |
| 13 | Kwok Hae Meng | 712,250 | 0.60 |
| 14 | Son Fong Meng | 666,000 | 0.56 |
| 15 | Citibank Nominees Singapore Pte Ltd | 627,750 | 0.53 |
| 16 | Maybank Kim Eng Securities Pte. Ltd. | 591,050 | 0.50 |
| 17 | Tan Cheng Gay | 579,750 | 0.49 |
| 18 | CIMB Securities Singapore Pte Ltd | 533,750 | 0.45 |
| 19 | Chen Enyi | 500,000 | 0.42 |
| 20 | Tan Sar Tee | 452,000 | 0.38 |
| Total | | 92,319,010 | 78.07 |

# STATISTICS OF SHAREHOLDINGS

As at 14 March 2012

**SUBSTANTIAL SHAREHOLDERS**
as shown in the Company's Register of Substantial Shareholders as at 14 March 2012

| Name of Substantial Shareholder | Direct Interest No. of Shares | Deemed Interest No. of Shares | | Total Number of Shares | % of Issued Share Capital |
|---|---|---|---|---|---|
| Tan Choo Suan | 1,419,000 | 60,137,500 | (1) & (8) | 61,556,500 | 52.06 |
| Chua Thian Poh | 165,000 | 46,045,500 | (2) | 46,210,500 | 39.08 |
| Ng Noi Hinoy | 300,000 | 45,910,500 | (3) | 46,210,500 | 39.08 |
| Ho Bee Holdings (Pte) Ltd | - | 45,745,500 | (4) | 45,745,500 | 38.69 |
| Tan Choo Pin | 25,500 | 44,463,000 | (5) | 44,488,500 | 37.63 |
| Ng Giok Oh | - | 15,674,500 | (6) | 15,674,500 | 13.26 |
| Afro-Asia International Enterprises Pte. Limited | 44,463,000 | - | | 44,463,000 | 37.61 |
| Afro Asia Shipping Co Pte Ltd | 14,270,500 | 1,404,000 | | 15,674,500 | 13.26 |
| The Estate of the late Tan Kiam Toen, deceased | - | 60,137,500 | (7) | 60,137,500 | 50.86 |

**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 Dr 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.

(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 Dr 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 Dr Tan Choo Suan, also lodged his objection with the Company on similar grounds.

(8) Dr 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 by her other siblings, namely Tan Cheng Gay, Tan Yok Koon, Tan Choo Pin and Tan Chin Hoon, and this is presently also the subject matter of Suit 570.

# 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, 30 April 2012 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 2011 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 2011. **(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 Tan Cheng Gay (retiring under Article 87) **(Resolution 3)**
   (ii) Mr Ronnie Teo Heng Hock (retiring under Article 94) **(Resolution 4)**

   *Mr Ronnie Teo will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and Remuneration Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.*

   (b) To note that the retirement of Dr Tan Choo Suan as a Director of the Company who retires in accordance with Article 87 of the Company's Articles of Association and will not be seeking re-election at the Annual General Meeting.

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$280,000 for the financial year ended 31 December 2011 (2010: S$285,000). **(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

"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 which have been granted under the Ssangyong Cement (Singapore) Limited 2000 Employees' Share Option Scheme (the "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)**

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

# NOTICE OF ANNUAL GENERAL MEETING

(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

(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)**

# NOTICE OF ANNUAL GENERAL MEETING

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 of the Company (which shall include the ESOS 2000 and the ESOS 2011) 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,

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

# NOTICE OF ANNUAL GENERAL MEETING

"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.

**CLOSURE OF BOOKS**

**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 6 July 2012 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 2012 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 2011, if approved at the Annual General Meeting, will be paid on 26 July 2012.

By Order of the Board

Joanna Lim
Company Secretary

13 April 2012

**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 2011.

**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" in accordance with the provisions of 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 2011 are set out in greater detail in the Addendum in relation to the proposed renewal of the Share Purchase Mandate.

<u>Notes</u>:

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.

**ENGRO CORPORATION LIMITED**

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

PROXY FORM

**IMPORTANT**

1. For investors who have used their CPF monies to buy EnGro Corporation Limited's shares, this Annual Report 2011 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.

*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, 30 April 2012 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 2011 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 2011. | **(Resolution 2)** | | |
| 3. | To re-elect of Mr Tan Cheng Gay (Retiring under Article 87). | **(Resolution 3)** | | |
| 4. | To re-elect of Mr Ronnie Teo Heng Hock (Retiring under Article 94). | **(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$280,000 for the financial year ended 31 December 2011 (2010: S$285,000). | **(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 ____________ 2012

| 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.

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

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ENGRO
BUILDING SUSTAINABILITY

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