EnGro Corporation Limited

annual report 2005

Continuing Expansion

Corporate Information

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Registrar
Lim Associates Pte Ltd
10 Collyer Quay
#19-08 Ocean Building
Singapore 049315

Auditors
KPMG
Certified Public Accountants
16 Raffles Quay
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Singapore 048581

Partner-in-charge
Phuoc Tran
(since year 2001)

Contents

Introducing

In the course of regional market expansion through the innovation of new products and services, EnGro and our strategic partners' continuing success is symbolised by the journey of orange and blue expansion paths that run through this report. Committed and true, our synergistic ventures leverage on each other's core competencies, in creating and adding value, in gaining local knowledge in market growth and in achieving win-win partnerships that bring a smile to our faces.

Chairman's Message

A highway bridge in Tianjin city, using concrete with GGBS/GGBFS.

Precast concrete piles manufactured with GGBS/GGBFS (in Tianjin city).

Overview

2005 was a year of steady progress for the Group, both in our local businesses and overseas ventures.

Overseas, our focus on specialty cements as one of the two growth engines served us well. To ride on the economic growth in China, the Group embarked on expansion by forming partnerships with leading local steel corporations four years ago. These investments have started to bear fruits. One of our Joint Ventures ("JV") in China in the field of specialty cement experienced solid growth and reached its optimum output. The other 2 JVs in China are progressing to plan.

Our second growth engine, the specialty chemicals as a whole also generated results as planned. Our polymer compounding facilities in China was able to gain strength against a competitive environment. Due to the sluggish economy in Malaysia and the slowdown in construction in Korea, our operations in these 2 countries turned in less than expected results. Nonetheless, they still produced positive results. We continued to innovate new solutions and explore growth opportunities through our specialty chemicals division and introducing specialty cement as a key material for producing durable concrete in China.

As a believer of the green environment, we work constantly with our partners to drive industry adoption of new environmentally-friendly products, thus discovering new possibilities.

Live in harmony with EnGro, and be happy

In Singapore, announcements and launches of major development projects such as the Business Financial Centre, Integrated Resorts and the rejuvenation of Orchard Road led to improved market sentiments. In 2005, Singapore's construction industry took a positive turn after seven years of decline — the building contract awards reversed the down trend and registered an increase to S$11.3 billion from the S$10.0 billion of 2004. While the sustained economic recovery and improved market sentiment helped strengthen the demand for construction; market saturation and downward pressure on prices continued to impact our cement and Ready-Mix Concrete businesses in Singapore.

Collectively, these developments instilled in us a quiet confidence in the strength, sustainability and robustness of our business strategy and the geographical focus of the two growth engines. We are today further established as a locally-based corporation with regional focus.

3rd JV – Jiangsu Huailong Material Co Ltd.

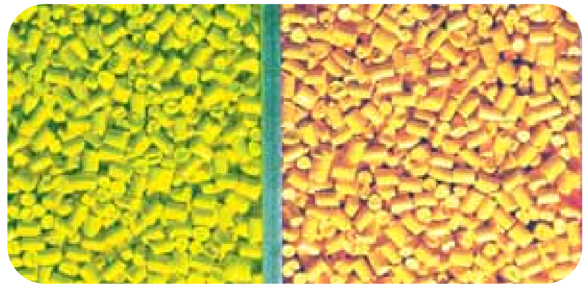
Overseas Growth

Specialty cement

Our goal to be a regional player for specialty cement, particularly Ground Granulated Blastfurnace Slag ("GGBS/GGBFS") is taking shape. Our first two JVs in China — namely the Tangshan Tanglong Materials Co Ltd and Jinan Luxin Materials Co Ltd — performed to expectations. Augmenting these was a third JV we entered into in Huaian.

Geographically, our three China JVs are ideally located and poised to take every advantage of intensive urban development. They are operating in the fast-growing North Eastern region that is earmarked in the central government's 11th Five-Year (2006 – 2010) plan.

The Tanglong and Jinan JVs are strategically located to tap the growth in the Bohai Bay Delta in North Eastern China, a region slated for extensive development. The high growth delta encompasses the cities of Beijing and Tianjin, and the Hebei, Liaoning, Shangdong and



Neimengu provinces. Indeed, Shangdong was recently named as one of the top industrial provinces, with Tianjin and Liaoning province being identified as an upcoming rapid-growing region in China. Similarly, our latest China JV counts Huaian and its five neighbouring cities as high-potential and high yield markets where its urban development has only just started.

Our firming foothold in China, coupled with the Group's knowledge, expertise, experience, and commitment, augers well for the Group's growth. In view of the encouraging results and in response to the strong demand in GGBS/GGBFS, we will forge ahead to expand production capabilities in our facilities. Our China production output is expected to reach 1.8 million tonnes by end of 2006 and 3.0 million tonnes by end of 2007.

The increased capacity, coupled with the low production costs in China, puts us in a good position to address the increasing demand of China markets as well as export opportunities, including Singapore.

In Korea, despite depressed market conditions, we saw a gradual increase in demand for the GGBS/GGBFS that our slag grinding JV, VCEM Materials Co Ltd produces.

Specialty chemicals

In line with the Group's local-base, regional-reach strategy, our subsidiary in the specialty chemicals business, Resin & Pigment Technologies Pte Ltd ("R&P"), was rationalised in 2005 to better take on the regional challenge. Significant time and effort was put into identifying the path forward for the core competency, and refining our business model to engineer sustainability and high-value yields.

Notably, R&P is in the process of securing a major contract with a global manufacturer to customise engineering polymer materials that would be supplied to a leading multinational electronics company's operations in Southern Malaysia. On the local front, R&P has established an operation alliance with a global petrochemical and chemical supply chain player to service the critical mass of the petrochemical cluster in Singapore.

Research and Development (R&D) continued to be an area of focus. Working in-house and with major players in the industry, we innovated several high-potential compounds and processing capabilities which were successfully introduced and accepted by the market.

Advance Colouring of Optical Grade Polymer

To meet the increasing demand, and with a view towards better serving our regional and global markets, we increased the production capacity in our Singapore, Malaysia and China facilities. The capacity is expected to continue to increase significantly by end 2006 and grow further from there.

We believe our strategies, technical competency and strategic alliances are steadily putting us on the map as a leading polymer compounding specialist and innovator.

Advancement and Growth

As we continue to build on our regional operations and establish solid networks, we believe that our outward focus on overseas opportunities, coupled with our unique capabilities and experience, will enable us to sustain the momentum of growth for the Group.

Dividends

In view of the Group's performance and taking into account our shareholders' interests, we recommend a final dividend of 4 Singapore cents per ordinary share, subject to shareholders' approval at the upcoming Annual General Meeting.

Appreciation

On behalf of the Board, I express my deepest gratitude to each and every one of the staff for their support, dedication and professionalism, which enabled the Group to blaze new trails and perform positively, despite the challenging environments we operated amidst.

Finally, our thanks to our shareholders, business partners and customers for their continued support and goodwill.

Tan Cheng Gay
Chairman and Chief Executive Officer

Win-win strategic partnerships with EnGro

By tappng on each other's core competencies, we develop high performance new products and solutions with our partners.

Director's Profiles

TAN CHENG GAY
Chairman and Chief Executive Officer

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

TAN YOK KOON
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 Ltd in Hong Kong in 1993. She is related to Mr Tan Cheng Gay.

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 30 years of experience in the Banking and Finance industry, having served in senior positions with both foreign and local banks. He is presently a Senior Advisor with UBS, AG. Mr Ng also serves as Chairman of the Audit and Nominating Committee as well as member of the Remuneration Committee for SP Chemicals Ltd (formally known as Singpu Chemicals Pte 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 National Healthcare Group Private Limited, Juniper Capital Ventures (Pte) Ltd and Singamas Container Holdings Ltd. 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 Amtek Engineering Ltd and Ho Bee Investment Ltd.

CHUA THIAN POH
Director

Mr Chua was appointed in 2003 as a non-independent, non-executive Director. He is the founder and owner of the Ho Bee Group and is currently the Chairman and Chief Executive Officer of Ho Bee Investment Ltd. Mr Chua also serves on the boards of other companies and community organizations. He is the President of Singapore Chinese Chamber of Commerce & Industry, Chairman of Bishan East Citizens' Consultative Committee, Deputy President of Singapore Hokkien Huay Kuan, Council Member of the National Arts Council and Singapore Sports Council.

In harmony, excellence
and trust with EnGro

ManagementTeam

DR. CHEN EN YI *41*

Manager, Business Development (China)

Dr Chen joined the Company in 1996 and is responsible for R&D of building materials. He is also a member of the China business development team. Prior to joining the Company, he lectured in Tsinghua University China, specializing in cement and concrete technologies.

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

DR. LIM CHAN TENG *61*

Manager, Business Development (China)

Dr Lim joined the Company in February 2004 and is a member of the China business development team. His previous working experience includes responsibilities in process technology, project planning, process design, business development and management in a major oil company as well as an engineering company.

Dr Lim holds a B.Sc in Chemical Engineering from Nanyang University and a Ph.D in Chemical Engineering from the University of Manchester Institute of Science and Technology, UK.

NG YOKE YEE *41*

Financial Controller

Ms Ng joined the Company in November 2005. Prior to joining the Company, she worked for a multinational company in the manufacturing industry.

Ms Ng is a member of the Institute of Certified Public Accountants in Singapore and holds a B.A. in Accountancy from the National University of Singapore.

TSENG KAU CHOU *40*

Manager, Business Development (Specialty Chemicals)

Mr Tseng joined the Company in January 2005. He is responsible for the Group's specialty chemicals business development, including local and overseas joint ventures. His prior industry experience includes operations, supply chain, project planning and business development in major petrochemical and chemical companies.

Mr Tseng holds a B.Sc (High Honors) Degree in Chemical Engineering from the University of Texas in Austin, USA.

D.V.V.S. RAJU *41*

Commercial Manager (Building Materials Division)

Mr Raju joined the Company in 1992. He heads sales, marketing, all plant operations and oversees production process engineering for the Building Materials division. His past working experience includes project management, plant operations, maintenance management, and in-design supervision in cement and steel industries.

Mr Raju holds a B.Eng (Mechanical) from Andhra University, India and an MBA from the Australian National University, Australia.

WONG TOON HONG *44*

Manager, Strategic Business Unit

Mr Wong joined the Company in 1994. He supports the CEO's Office and oversees the Group's IT activities. His prior working experience include positions in system and corporate development in publishing, technology and business consulting for multinational companies in Singapore, Hong Kong and Taiwan.

Mr Wong holds a B.Eng (Civil) from Nanyang Technological University and an MBA from the University of Surrey, UK.

Ever reliable and dependable,
we do our utmost to be a trustworthy and
outstanding partner in our joint ventures.

RegionalFootprint

GrowthEngines

Tanglong JV – Another busy day

A site-view of Tanglong JV factory.

Specialty Cement

The results of 2005 prove that our business model, based on forming overseas strategic partnerships, is a stable platform for growth.

Operating under a strong demand in China, our JV, Tangshan Tanglong Materials Co Ltd continues to grow from strength to strength. Commissioned in 2003 and turned profitable by 2004, the year in review saw the JV yield higher throughput, turnover and profits, as well as an overall improvement in efficiency.

The second JV, Jinan Luxin Materials Co Ltd, was commissioned in early 2005. By the close of the financial year, it had attained the plant design capacity, resulting in comfortable turnover and profits. These should prove to be even better in 2006.

Encouraged by the satisfactory performance of our China JVs, the Group entered into a third JV in October 2005. Barring unforeseen circumstances, this JV will be commissioned in mid 2006, and should prove to be another valuable contributor to our China growth.

Having the three JVs, the Group is geared towards increasing the production capacity to 1.8 million tonnes by the end of the next financial year. These would enable us to better serve and take advantage of the ever-growing construction and building industry in China, which presents a healthy demand for specialty cement.

We want to be on the leading-edge and to embrace the unknown, rather than be comfortable with the known; in order to be in the position of the greatest advancement; the leading position in all our endeavours.

Seek excellence with EnGro, and be empowered

A highway tunnel in Jinan city, using GGBS/GGBFS.

Precast concrete dolosse made with GGBS/GGBFS (in Tangshan city).

As an extremely durable cement compound ideal for infrastructure building, GGBS/GGBFS is rapidly being embraced by the China market. Furthermore, being a 'green' material, GGBS/GGBFS meets the requirements of the green-environment initiative set by the China's central government.

Beyond the intrinsic strengths of GGBS/GGBFS – for which we are recognised experts – the regions we operate in China also proved a vital contributor to growth. Within our China areas of operation, demand for the GGBS/GGBFS produced by our JVs is increasing rapidly as a result of extensive developments in the Bohai Bay Delta, touted as the next area of growth for China.

Our JVs are strategically located to serve the delta's construction needs as it undergoes major infrastructure building cum intensive urban development. Over the next decade, demand for GGBS/GGBFS within this region should steadily increase; with the burgeoning steel industry in China, supply of slag (raw material) for our plants, should also be stable.

We are of the view that the macro and internal environments support healthy growth for our specialty cement business. Our low-cost production base, economy of scale, technical expertise and geographical advantages auger well for anchoring EnGro as a key GGBS/GGBFS provider in China. These strengths in turn allow EnGro tremendous export opportunities to different parts of the world other than Singapore.

The Group will intensify its efforts in assisting our JVs through multi-prong activities, including product promotion and market penetration by imparting product knowledge, R & D competency, and speed up export drive.

Realise growth opportunities with EnGro

PC-ABS Polymer Alloy with Superior Properties

Specialty Chemicals

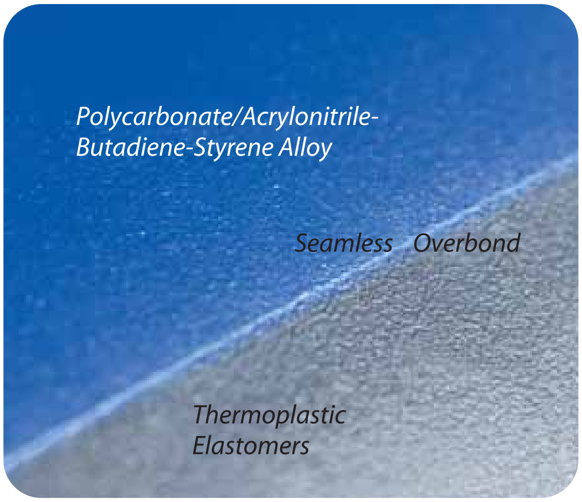
It has been a year of transition and development for the Specialty Chemicals Business Division. Business models and strategies were redefined to better address the division's regional focus. We also explored several key partnership arrangements in order to offer potential clients added value services, thereby broadening our business opportunities. Our R&P subsidiary expanded its business base through multiple development activities, including active participation in trade shows in South East Asia and China, and setting up a Guangzhou office to support market penetration.

In Singapore, we are introducing an innovative concept by forming an operation partnership with a leading global petrochemical and chemical supply chain player and set a vision to provide large scale integrated value-added services to the petrochemical cluster. This evidences the nimbleness of the management to identify and capitalise on niche appeal opportunities.

Operations vis-à-vis Malaysia saw us close to cementing a significant contractual agreement with a major engineering polymer manufacturer in supplying the material needs for a leading multinational electronics company. We also continue to gain grounds in our compounding and colouring businesses in Malaysia.

In preparation for our broadened focus for 2006, production capacities in Singapore and Malaysia were increased with improved efficiencies. Together with our China manufacturing facility, which had its capacity established in 2005, the division plans to further increase its production capacity significantly by end 2006.

By leveraging on each other's strengths and resources to introduce new products and services, we achieve superior market performance results with our partners.



Synergy of Polymer Alloy with Multi-Layer Overbond in E&E Applications

Our investments continued to perform on track. The silicon compounding investment was successfully divested while the nanotechnology investment saw prospect of commercialisation that attracted notable interest from venture capitalists.

Research and Development efforts, both in-house and with major industry players, had significant progress. Several compounds and processing capabilities in advanced engineering polymer application were successfully developed, introduced and won acceptance in the market. These accomplishments bode well for our strategy of playing a leading role in specialty chemical compound development.

Be part of our continuing progress
as we embark on new ventures

Poised for future take-offs with EnGro

Final Remarks

2005 marks a year where we clearly set a direction for the two growth engines, 2006 will see us focussing on implementing and achieving the targets. By giving value-added services and proactively identifying niche markets in the industry, we aim to transcend towards new levels of success.

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 Code of Corporate Governance (the "Code").

Board of Directors (the "Board")

As at 31 December 2005, the Board comprises seven directors, two of whom are executive directors, three of whom are independent and non-executive directors and two of whom are non-executive directors.

Mr Tan Cheng Gay and Mr Tan Yok Koon are executive directors of the Company. The independent and non-executive directors are Mr Ng Tat Pun, Mr Soh Kim Soon and Mr Tan Keng Boon. The non-executive directors are Dr Tan Choo Suan and Mr Chua Thian Poh.

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 Audit Committee (the "AC"), the Nominating Committee (the "NC") 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(1)	Member	–	–
Tan Choo Suan (non-executive)	Member	–	Member	Member (2)
Chua Thian Poh (non-executive)	Member	–	–	–
Independent and Non-executive Directors				
Ng Tat Pun	Member	Member	Chairman	–
Soh Kim Soon	Member	Chairman	–	Member
Tan Keng Boon	Member	–	Member	Chairman

1. Appointed as an executive director on 1 March 2005.
2. Appointed on 23 February 2006.

Corporate Governance Report

The number of Board, NC, AC and RC meetings held in FY2005 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							
Directors	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Tan Cheng Gay	5	5	1	1	7	7	1	1
Tan Yok Koon	5	3	1	–	7	1	1	–
Tan Choo Suan	5	4	–	–	7	4	–	–
Ng Tat Pun	5	5	1	1	7	7	–	–
Soh Kim Soon	5	5	1	1	–	–	1	1
Tan Keng Boon	5	5	–	–	7	7	1	1
Chua Thian Poh	5	5	–	–	–	–	–	–

Mr Tan Cheng Gay currently fulfills 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.

New directors, upon appointment, are briefed on the business and organisation 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 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.

Management had provided each member of the Board with management accounts on a quarterly basis. 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.

Nominating Committee ("NC")

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 evaluates on an annual basis in consultation with the Chairman, the performance and effectiveness of the Board and individual directors based on assessment parameters adopted by the Committee.

Corporate Governance Report

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.

Audit Committee ("AC")

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.

The AC has reviewed the non-audit services provided by the external auditors to the Group in FY2005 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 FY2005 and had accordingly reported its findings to the Board.

IA reports directly to the Chairman of the AC on audit matters and to the CEO on administrative matters. With effect from FY2005, part of the IA function has been outsourced to an external accounting firm.

The Company's external auditors, KPMG carry out, in the course of their statutory audit, a review of the effectiveness of the Company's material internal controls 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.

Based on the information and reports provided by the IA and the external auditors, nothing has come to the AC's attention that suggests internal control and risk management processes are not satisfactory.

Corporate Governance Report

Remuneration Committee ("RC")

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

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

According to the service agreement of the CEO:

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

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

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

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

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 2005:

	Remuneration band* S$	Fees %	Salary %	Bonus %	Other benefits %	Total %
Executive Directors						
Tan Cheng Gay	250,000 to 499,999	–	87	7	6	100
Tan Yok Koon	250,000 to 499,999	8	71	14	7	100
Non-executive Directors						
Tan Choo Suan	0 to 249,999	100	–	–	–	100
Ng Tat Pun	0 to 249,999	100	–	–	–	100
Soh Kim Soon	0 to 249,999	100	–	–	–	100
Tan Keng Boon	0 to 249,999	100	–	–	–	100
Chua Thian Poh	0 to 249,999	100	–	–	–	100

* Includes salaries, fees, bonuses and the value of benefits in kind, earned during the year from the Group by directors of the Company

Corporate Governance Report

The Board has not included an annual remuneration report in its annual report for FY2005 (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.

Material Contract

There is no material contract entered into by the Group and the Company involving the interests of the CEO, director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

Communications with Shareholders

The Company has adopted quarterly reporting of its financial results with effect from FY2003. Accordingly, in FY2005, 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 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.

Dealings in Securities

The Company has adopted the SGX-ST Best Practices Guide applicable in relation to dealings in the Company's securities by its officers. The Company has informed its officers not to deal in the Company's shares whilst they are in possession of unpublished material price sensitive information and during the period commencing two weeks before the announcement of the Company's first three quarters' results, or one month before the announcement of the Company's annual results and ending on the date of the announcement of such financial results.

Interested Person Transaction

The Group and the Company do not have any interested person transaction that are required to be disclosed in accordance to Rule 907 of the SGX-ST Listing Manual for the financial year ended 31 December 2005.

Contents

Directors' Report

year ended 31 December 2005

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 2005.

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
Chua Thian Poh

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, debentures and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Name of Director	Holdings at beginning of the year	Holdings at end of the year
The Company		
Ordinary shares of $0.50 each fully paid		
Tan Cheng Gay	7,500	356,500
Tan Choo Suan	946,000	946,000
Soh Kim Soon	31,000	31,000
Chua Thian Poh	110,000	110,000
Other holdings in which the director is deemed to have an interest in the Company are as follows:		
Tan Choo Suan	38,956,700	38,956,700
Tan Keng Boon	10,000	10,000
Chua Thian Poh	30,496,700	30,496,700

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

Directors' Report
year ended 31 December 2005

Directors' Interests (cont'd)

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2006.

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 Note 20 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Share Options
SsangYong Cement (Singapore) Limited 2000 Employees' Share Option Scheme (the "2000 Scheme")

By a resolution at the Extraordinary General Meeting of the Company held on 15 January 2001, the 2000 Scheme was approved and was described in the Directors' Report of the Company for the year ended 31 December 2000.

The 2000 Scheme is administered by the Company's Remuneration Committee, comprising three directors, Tan Keng Boon (Chairman), Tan Choo Suan and Soh Kim Soon.

During the financial year, there were:

(i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or any of its subsidiaries under option.

Audit Committee
The Audit Committee comprises three members. The members are:

Ng Tat Pun	Chairman, independent & non-executive director
Tan Choo Suan	Non-independent & non-executive director
Tan Keng Boon	Independent & non-executive director

The Audit Committee performs the functions specified in Section 201B of the Companies Act, the Listing Manual and the Best Practices Guide of the SGX-ST and the Code of Corporate Governance.

Directors' Report

year ended 31 December 2005

Audit Committee (cont'd)

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

(ii) the effectiveness and efficiency of internal and external audits;

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

(iv) related party transactions; and

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

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, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

Auditors

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

On behalf of the Board of Directors

Tan Cheng Gay
Director

Tan Yok Koon
Director

17 March 2006

Statement by Directors

In our opinion:

(a) the financial statements set out on pages 24 to 62 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 2005 and of the results, changes in equity and cash flows of the Group and of the changes in equity of the Company for the year ended on that date; 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

17 March 2006

Report of the Auditors to the Members of EnGro Corporation Limited

We have audited the accompanying consolidated financial statements of EnGro Corporation Limited for the year ended 31 December 2005 as set out on pages 24 to 62. These financial statements are the responsibility of the Company's directors. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (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 2005 and of the results, changes in equity and cash flows of the Group and of the changes in equity of the Company for the year ended on that date; and

(b) 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
Certified Public Accountants

Singapore
17 March 2006

Balance Sheets

as at 31 December 2005

	Note	Group 2005 $'000	Group 2004 $'000	Company 2005 $'000	Company 2004 $'000
Non-current assets					
Property, plant and equipment	3	**13,387**	15,215	**4,610**	8,379
Subsidiaries	4	**–**	–	**9,786**	9,786
Associates	5	**42,468**	31,205	**23,413**	13,541
Other investments	6	**34,144**	48,265	**4,234**	8,689
Loans to subsidiaries	7	**–**	–	**59,568**	60,840
Intangible assets	8	**172**	167	**172**	213
		90,171	94,852	**101,783**	101,448
Current Assets					
Inventories	9	**7,322**	5,391	**2,664**	1,711
Trade and other receivables	10	**21,589**	17,430	**7,128**	9,928
Other investments	6	**24,862**	11,279	**13,758**	4,908
Cash and cash equivalents	11	**32,867**	44,341	**21,257**	32,196
		86,640	78,441	**44,807**	48,743
Total assets		**176,811**	173,293	**146,590**	150,191
Equity attributable to equity holders of the parent					
Share capital	12	**38,618**	38,618	**38,618**	38,618
Reserves	13	**108,882**	114,751	**91,889**	100,068
		147,500	153,369	**130,507**	138,686
Minority interests		**2,546**	2,489	**–**	–
Total equity		**150,046**	155,858	**130,507**	138,686
Non-current liabilities					
Provision for restoration cost		**250**	250	**–**	–
Hire purchase creditors	14	**155**	41	**53**	–
Interest-bearing bank loans and borrowings	15	**1,672**	1,557	**–**	–
Loans from subsidiaries	7	**–**	–	**3,670**	2,820
Deferred tax liabilities	16	**4,040**	4,014	**3,755**	3,755
		6,117	5,862	**7,478**	6,575
Current liabilities					
Trade and other payables	17	**13,970**	8,222	**2,472**	2,397
Current tax payable		**70**	356	**–**	–
Hire purchase creditors	14	**139**	264	**33**	–
Interest-bearing bank loans and borrowings	15	**6,469**	2,731	**6,100**	2,533
		20,648	11,573	**8,605**	4,930
Total liabilities		**26,765**	17,435	**16,083**	11,505
Total equity and liabilities		**176,811**	173,293	**146,590**	150,191

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

Consolidated Profit and Loss Account

year ended 31 December 2005

	Note	2005 $'000	2004 $'000
Revenue	18	**54,666**	46,800
Changes in inventories of finished goods and work-in-progress		**1,394**	839
Raw materials		**(44,092)**	(36,904)
Gain on disposal of property, plant and equipment		**272**	6,664
Investment income/Gain on sale of investments		**4,848**	966
Interest income		**1,901**	1,581
Dividend income		**498**	253
Other operating income		**751**	2,161
Foreign exchange gain/(loss)		**2,064**	(3,034)
Write-back/(Allowance) for doubtful debts and bad debts written-off		**831**	(248)
Depreciation of property, plant and equipment		**(5,145)**	(5,252)
Impairment losses on property, plant and equipment		**–**	(205)
Impairment losses on investments		**(3,728)**	(5,127)
Fair value difference of assets held for trading		**(782)**	–
Staff costs		**(8,601)**	(8,342)
Rental expense		**(1,183)**	(1,265)
Other operating expenses		**(7,707)**	(7,324)
Finance costs		**(132)**	(113)
Share of profit of associates		**3,471**	1,344
Loss from ordinary activities before taxation	19	**(674)**	(7,206)
Income tax credit	21	**291**	3,139
Net loss for the year		**(383)**	(4,067)
Attributable to:			
Equity holders of the parent		**(440)**	(3,928)
Minority interests		**57**	(139)
Net loss for the year		**(383)**	(4,067)
Basic and diluted loss per share (cents)	22	**(0.57)**	(5.09)

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

Consolidated Statement of Changes in Equity

year ended 31 December 2005

Group	Share capital $'000	Share premium $'000	Capital reserve $'000	Currency translation reserve $'000	Fair value reserve $'000	Accumulated profits $'000	Total attributable to equity holders of the parent $'000	Minority interests $'000	Total equity $'000
At 1 January 2004	38,618	32,359	446	3,174	–	85,453	160,050	27	160,077
Exchange translation on financial statements of overseas subsidiaries	–	–	–	335	–	–	335	–	335
Net loss for the year	–	–	–	–	–	(3,928)	(3,928)	(139)	(4,067)
Total recognised income and expense for the year	–	–	–	335	–	(3,928)	(3,593)	(139)	(3,732)
Final dividend paid of 5 cents per share less tax at 20%	–	–	–	–	–	(3,088)	(3,088)	–	(3,088)
Acquisition of a subsidiary	–	–	–	–	–	–	–	2,601	2,601
At 31 December 2004	38,618	32,359	446	3,509	–	78,437	153,369	2,489	155,858
At 1 January 2005, as previously reported	38,618	32,359	446	3,509	–	78,437	153,369	2,489	155,858
Effects of adopting FRS 39	–	–	–	–	1,150	–	1,150	–	1,150
Effects of adopting FRS 103	–	–	(446)	–	–	492	46	–	46
At 1 January 2005, restated	38,618	32,359	–	3,509	1,150	78,929	154,565	2,489	157,054
Exchange translation on financial statements of overseas subsidiaries	–	–	–	(571)	–	–	(571)	–	(571)
Changes in fair value of equity securities available for sale	–	–	–	–	(3,582)	–	(3,582)	–	(3,582)
Net loss for the year	–	–	–	–	–	(440)	(440)	57	(383)
Total recognised income and expense for the year	–	–	–	(571)	(3,582)	(440)	(4,593)	57	(4,536)
Final dividend paid of 4 cents per share less tax at 20%	–	–	–	–	–	(2,472)	(2,472)	–	(2,472)
At 31 December 2005	**38,618**	**32,359**	**–**	**2,938**	**(2,432)**	**76,017**	**147,500**	**2,546**	**150,046**

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

Statement of Changes in Equity

year ended 31 December 2005

Company	Share capital $'000	Share premium $'000	Fair value reserve $'000	Accumulated profits $'000	Total equity $'000
At 1 January 2004	38,618	32,359	–	52,061	123,038
Net profit for the year	–	–	–	18,736	18,736
Total recognised income and expense for the year	–	–	–	18,736	18,736
Final dividend paid of 5 cents per share less tax at 20%	–	–	–	(3,088)	(3,088)
At 31 December 2004	38,618	32,359	–	67,709	138,686
Changes in fair value of equity securities available for sale	–	–	(449)	–	(449)
Net loss for the year	–	–	–	(5,258)	(5,258)
Total recognised income and expense for the year	–	–	–	(5,258)	(5,258)
Final dividend paid of 4 cents per share less tax at 20%	–	–	–	(2,472)	(2,472)
At 31 December 2005	**38,618**	**32,359**	**(449)**	**59,979**	**130,507**

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

Consolidated Statement of Cash Flows

year ended 31 December 2005

	Note	2005 $'000	2004 $'000
Operating activities			
Loss from ordinary activities before taxation		**(674)**	(7,206)
Adjustments for:			
Depreciation and amortisation		**5,145**	5,394
Dividend income		**(498)**	(253)
Fair value difference of assets held for trading		**782**	–
Finance costs		**132**	113
Gain on disposal of property, plant and equipment		**(272)**	(6,664)
Gain on sale of investments		**(4,820)**	(497)
Interest income		**(1,901)**	(1,581)
Impairment losses on investments		**3,728**	5,127
Impairment losses on property, plant and equipment		**–**	205
Share of profit of associates		**(3,471)**	(1,344)
Others		**(46)**	396
Operating loss before working capital changes		**(1,895)**	(6,310)
Changes in working capital:			
Inventories		**(1,931)**	1,156
Trade and other receivables		**(2,937)**	2,723
Trade and other payables		**5,748**	(1,887)
Cash used in operations		**(1,015)**	(4,318)
Interest paid		**(132)**	(113)
Interest received		**1,909**	1,581
Income tax recovered/(paid)		**81**	(190)
Cash flows from operating activities		**843**	(3,040)
Investing activities			
Loan to an associate		**(420)**	–
Dividends received		**1,371**	1,481
Investment in associates		**(9,448)**	(246)
Proceeds from sale of property, plant and equipment		**441**	5,336
Proceeds from sale of investments		**27,888**	6,705
Proceeds from sale of an associate		**368**	–
Purchase of investments		**(29,304)**	(14,575)
Purchase of property, plant and equipment		**(3,228)**	(746)
Net cash outflow on acquisition of subsidiary		**–**	(475)
Cash flows from investing activities		**(12,332)**	(2,520)
Financing activities			
Proceeds/(Repayment) of bank loans and borrowings		**3,775**	(473)
Dividends paid		**(2,472)**	(3,088)
Fixed deposit under lien		**450**	(450)
Net repayment of hire purchase creditors		**(196)**	–
Cash flows from financing activities		**1,557**	(4,011)
Net decrease in cash and cash equivalents		**(9,932)**	(9,571)
Cash and cash equivalents at beginning of year		**43,891**	53,091
Effect of exchange rate changes in consolidating subsidiaries		**(1,170)**	371
Cash and cash equivalents at end of year	11	**32,789**	43,891

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

Notes to the Financial Statements

year ended 31 December 2005

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the directors on 17 March 2006.

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 principal activities of the Company and its subsidiaries (the "Group") have been those relating to the manufacture and sale of cement and building materials, specialty chemicals and of an investment holding company.

The consolidated financial statements relate to the Group and the Group's interests in associates.

2 Summary of Significant Accounting Policies

2.1 Basis of Preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Council on Corporate Disclosure and Governance ("CCDG").

In 2005, the Company adopted the following new/revised FRS which are relevant to its operations:

FRS 1 (revised)	Presentation of Financial Statements
FRS 2 (revised)	Inventories
FRS 8 (revised)	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10 (revised)	Events After the Balance Sheet Date
FRS 16 (revised)	Property, Plant and Equipment
FRS 17 (revised)	Leases
FRS 21 (revised)	The Effects of Changes in Foreign Exchange Rates
FRS 24 (revised)	Related Party Disclosures
FRS 27 (revised)	Consolidated and Separate Financial Statements
FRS 28 (revised)	Investment in Associates
FRS 32 (revised)	Financial Instruments: Disclosure and Presentation
FRS 33 (revised)	Earnings Per Share
FRS 36 (revised)	Impairment of Assets
FRS 38 (revised)	Intangible Assets
FRS 39	Financial Instruments: Recognition and Measurement
FRS 102	Share-based Payment
FRS 103	Business Combinations
FRS 105	Non-current Assets Held for Sale and Discontinued Operations

The effects of adopting the new/revised FRS in 2005 are set out in note 23.

Notes to the Financial Statements

year ended 31 December 2005

2 Summary of Significant Accounting Policies (cont'd)

2.1 Basis of Preparation (cont'd)

The financial statements are presented in Singapore dollars and rounded to the nearest thousand, unless otherwise stated. They are prepared on the historical cost basis except for certain financial assets and financial liabilities which are stated at fair value.

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

2.2 Consolidation

Subsidiaries are companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates are companies in which the Group has significant influence but not control over financial and operating policies.

Investments in associates are stated in the Company's balance sheet at cost, less impairment losses. In the Group's financial statements, they are accounted for using the equity method of accounting. The Group's investment in these entities includes goodwill on acquisition.

Business combinations are accounted for under the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to the profit and loss account in the period of the acquisition.

Notes to the Financial Statements

year ended 31 December 2005

2 Summary of Significant Accounting Policies (cont'd)

2.3 Foreign Currencies

Foreign currency transactions

Transactions in foreign currencies are translated at foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Singapore dollars at foreign exchange rate ruling at that date. Foreign exchange differences arising from translation are recognised in the profit and loss account. Non-monetary assets and liabilities measured at cost in a foreign currency are translated using exchange rates at the date of the transaction. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated to Singapore dollars at foreign exchange rates ruling at the dates the fair value was determined.

Net investment in a foreign operation

Exchange differences arising from monetary items that in substance form part of the Company's net investment in a foreign operation, are recognised in the Company's profit and loss account. Such exchange differences are reclassified to equity in the consolidated financial statements only when the loan is denominated in either the functional currency of the Company or the foreign operation. Deferred exchange differences are realised to the profit and loss account upon disposal of the investment.

Foreign operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition of foreign operations, are translated to Singapore dollars for consolidation at the rates of exchange ruling at the balance sheet date. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of the transactions. Exchange differences arising on translation are recognised directly in equity. On disposal, accumulated translation differences are recognised in the consolidated profit and loss account as part of the gain or loss on sale.

2.4 Property, Plant and Equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. The freehold apartment and certain buildings and civil works are stated at 1982 valuation. There is no fixed policy with regard to the frequency of revaluation of property, plant and equipment.

Property, plant and equipment costing less than $1,000 are expensed in the year of acquisition.

Property, plant and equipment acquired through finance leases are capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against the profit and loss account. Capitalised leased assets are depreciated over the shorter of the economic useful life of the asset and the lease term.

Notes to the Financial Statements

year ended 31 December 2005

2 Summary of Significant Accounting Policies (cont'd)

2.4 Property, Plant and Equipment (cont'd)

Depreciation is calculated on a straight line basis to write off the cost or valuation of property, plant and equipment over their estimated useful lives at the following annual rates:

Freehold land	-	No depreciation is provided
Freehold apartment	-	6%
Leasehold land	-	Over the remaining unexpired portion of 21 years
Leasehold apartment	-	5%
Building and civil works	-	6% to 33 ⅓%
Plant and machinery and equipment, office equipment, furniture and fittings	-	7 ½ % to 33 ⅓%
Computers, motor vehicles and transport equipment	-	20% to 33 ⅓%

No depreciation is provided on assets under construction.

The depreciation method and useful lives, as well as residual values are reassessed annually.

2.5 Intangible assets

Goodwill
Goodwill in a business combination represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is stated at cost less impairment losses. Goodwill on the acquisition of subsidiaries is presented as intangible assets. Goodwill on the acquisition of associates is presented together with investments in associates.

Goodwill is tested for impairment on an annual basis as described in note 2.10.

Goodwill/negative goodwill previously written off against reserves
Goodwill that has previously been taken to reserves is not taken to the profit and loss account when (a) the business is disposed or (b) the goodwill is impaired. Similarly, negative goodwill that has previously been taken to reserves is not taken to the profit and loss account when the business is disposed of.

Other intangible assets
Other intangible assets that have infinite lives are stated at cost less accumulated amortisation and impairment losses. Such intangible assets are tested for impairment annually as described in note 2.10.

2.6 Investments

Investments in debt and equity securities
Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the profit and loss account.

Notes to the Financial Statements

year ended 31 December 2005

2 Summary of Significant Accounting Policies (cont'd)

2.6 Investments (cont'd)

Other financial instruments held by the Group are classified as being available for sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity. The exceptions are impairment losses and foreign exchange gains and losses on monetary items such as debt securities, which are recognised in the profit and loss account. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the profit and loss account. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the profit and loss account.

The fair value of financial instruments classified as held for trading and available for sale is determined as the quoted bid price at the balance sheet date.

Financial instruments classified as held for trading or available for sale investments are recognised by the Group on the date it commits to purchase the investments, and derecognised on the date a sale is committed.

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

2.7 Derivatives

Derivative financial instruments are used to manage exposures to foreign exchange, interest rate and commodity price risks arising from operational, financing and investment activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the profit and loss account.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

2.8 Inventories

Inventories are stated at the lower of cost (principally on a first-in, first-out basis) and net realisable value. For work-in-progress and finished goods, cost of finished goods consists of the cost of raw materials, direct labour and an appropriate proportion of production overheads.

Notes to the Financial Statements

year ended 31 December 2005

2 Summary of Significant Accounting Policies (cont'd)

2.8 Inventories (cont'd)

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2.9 Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.10 Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is charged to the profit and loss account unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and as and when indicators of impairment are identified.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When a decline in the fair value of an available for sale financial asset has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in the profit and loss account even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the profit and loss account is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss account.

Calculation of recoverable amount
The recoverable amount of other assets is the greater of their net selling price and value in use. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Notes to the Financial Statements

year ended 31 December 2005

2 Summary of Significant Accounting Policies (cont'd)

2.10 Impairment (cont'd)

Reversals of impairment

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through the profit and loss account. If the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss shall be reversed, with the amount of the reversal recognised in the profit and loss account.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. However, an impairment loss in respect of goodwill is not reversed.

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. Reversals of impairment losses are recognised in the consolidated profit and loss account.

2.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand and which form an integral part of the Group's cash management.

2.12 Liabilities and Interest-bearing Liabilities

Trade and other payables and interest-bearing borrowings are recognised initially at fair value.

Subsequent to initial recognition, trade and other payables and interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss account over the period of the borrowings on an effective interest basis.

2.13 Employee Benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account as incurred.

2.14 Deferred Tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected

Notes to the Financial Statements

year ended 31 December 2005

2 Summary of Significant Accounting Policies (cont'd)

2.14 Deferred Tax (cont'd)

manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not be reversed in the foreseeable future.

2.15 Provision for Restoration Cost

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, 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, where appropriate, the risks specific to the liability.

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

2.16 Revenue Recognition

Sales of Goods
Income on goods sold is normally recognised upon completion of delivery.

Interest Income
Interest income from bank deposits is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

Dividends
Dividend income from quoted investments is recognised when dividends are received. Dividend income from other investments is recognised when the shareholder's right to receive payment is established.

2.17 Operating Leases

Rental payable under operating leases are accounted for in the profit and loss account on a straight-line basis over the periods of the respective leases.

2.18 Finance Costs

Finance costs and similar charges are expensed in the profit and loss account in the period in which they are incurred.

Notes to the Financial Statements

year ended 31 December 2005

2 Summary of Significant Accounting Policies (cont'd)

2.19 Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Inter-segment pricing is determined on an arm's length basis.

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 income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business Segments
The Group comprises the following business segments:

- Cement and building materials: The Group manufactures mainly cement, ready-mix concrete and building materials.
- Specialty chemicals: The Group manufactures thermosetting synthetic resin and plastic materials.

Geographical Segments
The Group's operations are mainly in Singapore, Malaysia and Greater 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 assets.

2.20 Affiliated Corporation

An affiliated corporation refers to a corporation other than a subsidiary and associate, which is directly or indirectly under the common management control or significant influence of a related corporation.

Notes to the Financial Statements

year ended 31 December 2005

3 Property, Plant and Equipment

	Freehold land	Freehold apartment	Leasehold land	Leasehold apartment	Building and civil works	Plant, machinery and equipment	Office equipment and furniture and fittings	Computers	Motor vehicles and transport equipment	Assets under construction	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group											
Cost											
At 1 January 2004	–	67	276	–	25,604	22,090	1,769	1,801	5,494	–	57,101
Translation differences	–	–	(12)	–	(43)	(66)	(28)	(1)	(18)	(1)	(169)
Additions	–	–	–	–	*250	478	46	49	173	–	996
Acquisition of subsidiary	–	–	–	–	1,653	1,474	277	20	141	152	3,717
Reclassifications	–	–	42	–	4,430	(6,725)	(244)	(72)	2,440	129	–
Disposals/write-offs	–	(67)	–	–	(20)	(561)	(143)	(259)	(5,115)	(124)	(6,289)
At 31 December 2004	–	–	306	–	31,874	16,690	1,677	1,538	3,115	156	55,356
At 1 January 2005	–	–	306	–	31,874	16,690	1,677	1,538	3,115	156	55,356
Translation differences	–	–	5	10	47	18	19	(1)	14	1	113
Additions	363	–	–	823	1,198	399	115	113	403	–	3,414
Transfer	–	–	–	–	157	–	–	–	–	(157)	–
Disposals/write-offs	–	–	–	–	(175)	(300)	(61)	–	(658)	–	(1,194)
At 31 December 2005	**363**	**–**	**311**	**833**	**33,101**	**16,807**	**1,750**	**1,650**	**2,874**	**–**	**57,689**
Accumulated depreciation and impairment losses											
At 1 January 2004	–	67	59	–	16,649	16,259	1,307	1,772	4,585	–	40,698
Translation differences	–	–	(5)	–	(38)	(44)	(13)	(1)	(10)	(1)	(112)
Charge for the year	–	–	14	–	2,559	2,034	110	29	506	–	5,252
Reclassifications	–	–	42	–	4,354	(6,493)	(243)	(72)	2,283	129	–
Disposals/write-offs	–	(67)	–	–	(20)	(482)	(140)	(250)	(4,830)	(113)	(5,902)
Impairment losses	–	–	–	–	30	–	–	–	175	–	205
At 31 December 2004	–	–	110	–	23,534	11,274	1,021	1,478	2,709	15	40,141
At 1 January 2005	–	–	110	–	23,534	11,274	1,021	1,478	2,709	15	40,141
Translation differences	–	–	2	–	16	4	10	–	9	1	42
Charge for the year	–	–	14	15	2,592	2,134	113	48	229	–	5,145
Transfers	–	–	–	–	16	–	–	–	–	(16)	–
Disposals/write-offs	–	–	–	–	(65)	(279)	(55)	–	(627)	–	(1,026)
At 31 December 2005	**–**	**–**	**126**	**15**	**26,093**	**13,133**	**1,089**	**1,526**	**2,320**	**–**	**44,302**
Carrying Amount											
At 1 January 2004	–	–	217	–	8,955	5,831	462	29	909	–	16,403
At 31 December 2004	–	–	196	–	8,340	5,416	656	60	406	141	15,215
At 1 January 2005	–	–	196	–	8,340	5,416	656	60	406	141	15,215
At 31 December 2005	**363**	**–**	**185**	**818**	**7,008**	**3,674**	**661**	**124**	**554**	**–**	**13,387**

* Pertained to an amount of $250,000 provided for the restoration cost of the premises.

Notes to the Financial Statements

year ended 31 December 2005

3 Property, Plant and Equipment (cont'd)

	Freehold apartment $'000	Building and civil works $'000	Plant, machinery and equipment $'000	Office equipment and furniture and fittings $'000	Computers $'000	Motor vehicles and transport equipment $'000	Total $'000
Company							
Cost							
At 1 January 2004	552	17,211	13,247	996	1,526	4,049	37,581
Additions	–	–	–	–	9	–	9
Disposals/write-offs	(552)	–	(97)	(13)	(113)	(3,402)	(4,177)
At 31 December 2004	–	17,211	13,150	983	1,422	647	33,413
At 1 January 2005	–	17,211	13,150	983	1,422	647	33,413
Additions	–	–	4	5	72	238	319
Disposals/write-offs	–	–	–	–	–	(359)	(359)
At 31 December 2005	**–**	**17,211**	**13,154**	**988**	**1,494**	**526**	**33,373**
Accumulated depreciation and impairment losses							
At 1 January 2004	552	10,392	8,002	626	1,505	3,897	24,974
Charge for the year	–	2,272	1,754	55	12	63	4,156
Disposals/write-offs	(552)	–	(97)	(13)	(113)	(3,321)	(4,096)
At 31 December 2004	–	12,664	9,659	668	1,404	639	25,034
At 1 January 2005	–	12,664	9,659	668	1,404	639	25,034
Charge for the year	–	2,272	1,721	47	25	23	4,088
Disposals/write-offs	–	–	–	–	–	(359)	(359)
At 31 December 2005	**–**	**14,936**	**11,380**	**715**	**1,429**	**303**	**28,763**
Carrying amount							
At 1 January 2004	–	6,819	5,245	370	21	152	12,607
At 31 December 2004	–	4,547	3,491	315	18	8	8,379
At 1 January 2005	–	4,547	3,491	315	18	8	8,379
At 31 December 2005	**–**	**2,275**	**1,774**	**273**	**65**	**223**	**4,610**

Notes to the Financial Statements

year ended 31 December 2005

3 Property, Plant and Equipment (cont'd)

The aggregate net book value of assets acquired under hire purchase agreements are as follows:

	Group		Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Plant and machinery	**203**	411	**–**	–
Motor vehicles	**287**	141	**218**	–

4 Subsidiaries

	Company	
	2005 $'000	2004 $'000
Unquoted shares, at cost	**42,315**	42,315
Impairment losses	**(32,529)**	(32,529)
	9,786	9,786

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Equity interest held 2005 %	Equity interest held 2004 %
Held by the Company			
CemtecAsia (H.K.) Limited*	Sale of construction and building materials and provision of liaison and coordination services to related companies	**100**	100
CemtecAsia (M) Sdn Bhd*	Manufacture and sale of construction and building materials	**100**	100
Pacific Technology Private Limited	Marketing and distribution of office automation products	**100**	100
S3 Technologies (S) Pte Ltd	Manufacture and sale of construction and building materials	**100**	100
S3 Technologies Pte Ltd	Manufacture and sale of construction and building materials	**100**	100
S3 Technologies Sdn Bhd*	Manufacture and sale of building plasters	**100**	100
Sancem Investment Pte Ltd	Investment trading	**100**	100

Notes to the Financial Statements
year ended 31 December 2005

4 Subsidiaries (cont'd)

Name of subsidiary	Principal activities	Equity interest held 2005 %	2004 %
Held by the Company (cont'd)			
Shanghai S3 Building Materials Co Ltd**	Manufacture and sale of building materials	**100**	100
SsangYong Cement (S) Pte Ltd	Construction and supply of building materials	**100**	100
Vermiculite Industries (Pte) Ltd	Dormant	**100**	100
The following wholly-owned Singapore subsidiaries are involved in investment holding:			
• e-Invest Limited*		**100**	100
• Juniper Capital Ventures (Pte) Ltd		**100**	100
• SsangYong Cement Investment (S) Pte Ltd		**100**	100
• SsangYong Cement Singapore (China) Pte Ltd		**100**	100
• SsangYong Digital VIII (Singapore) Pte Ltd		**100**	100
• SsangYong Digital XII (Singapore) Pte Ltd		**100**	100
• SsangYong LTI Pte Ltd		**100**	100
Held by Subsidiaries			
Aeracon Technologies Pte Ltd	Dormant	**–**	70
Chinthe Concrete Pte Ltd	Dormant	**67**	67
EnGro Chemicals Pte Ltd	Manufacture and sale of concrete and related products	**100**	100
MPT Pacific Technology Sdn. Bhd.*	Dormant	**100**	100
Top-Mix Concrete Pte Ltd	Manufacture and sale of concrete and other building materials	**100**	100

Notes to the Financial Statements

year ended 31 December 2005

4. Subsidiaries (cont'd)

Name of subsidiary	Principal activities	Equity interest held 2005 %	Equity interest held 2004 %
Held by Subsidiaries (cont'd)			

The following subsidiaries are involved in the manufacture of thermosetting synthetic resin and plastic materials:

• Burkill (Singapore) Pte Ltd**	**60**	60
• Resin & Pigment Technologies Pte Ltd**	**60**	60
• Resin & Pigment Technologies Sdn Bhd***	**60**	60
• Resin & Pigment Technologies (Wuxi) Co Ltd**	**60**	60

Except for the following, all other subsidiaries are audited by KPMG Singapore:

* Audited by other member firms of KPMG International.
** Audited by Foo Kon Tan Grant Thornton.
*** Audited by SQ Morrison.

All subsidiaries are incorporated and conduct business in the Republic of Singapore, except for:

(i) CemtecAsia (M) Sdn Bhd, S3 Technologies Sdn Bhd, Resin & Pigment Technologies Sdn Bhd and MPT Pacific Technology Sdn Bhd which are incorporated and conduct business in Malaysia;

(ii) CemtecAsia (H.K.) Limited and e-Invest Limited which are incorporated and conduct business in Hong Kong; and

(iii) Shanghai S3 Building Materials Co Ltd and Resin & Pigment Technologies (Wuxi) Co Ltd which are incorporated and conduct business in the People's Republic of China.

Notes to the Financial Statements

year ended 31 December 2005

5 Associates

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Investment in associates	**42,048**	31,205	**22,993**	13,541
Loan to associate	**420**	–	**420**	–
	42,468	31,205	**23,413**	13,541

Details of significant associates are as follows:

Name of associate	Principal activities	Place of incorporation/ business	Effective Group's interest 2005	Effective Group's interest 2004
Held by the Company			%	%
HBS Investments Pte Ltd#	Investment holding	Singapore	**30**	30

The following associates are involved in the principal activity of manufacture and sale of cement and building materials in the People's Republic of China:

	2005	2004
• Jiangsu Huailong Materials Co Ltd*	**40**	–
• Jinan LuAng Materials Co Ltd*	**40**	–
• Jinan Luxin Materials Co Ltd@	**40**	40
• Tangshan Tanglong Materials Co Ltd@	**40**	40

\# Audited by KPMG, Singapore.
@ Audited by Foo Kon Tan Grant Thornton, Singapore.
* Not audited as associates have not commenced commercial operations for the year ended 31 December 2005.

Held by subsidiaries of the Company

			2005	2004
VCEM Materials Co Ltd^	Manufacture and sale of cement	South Korea	**40**	40

^ Audited by Samil PricewaterhouseCoopers, South Korea.

The following associates are involved in the principal activity of manufacture and sale of cement and building materials in the People's Republic of China:

	2005	2004
• Changshu Changlong Concrete Co Ltd@	**40**	40
• Changshu Changxin Ready Mix Concrete Co Ltd@	**40**	40

The financial information of the associates are as follows:

	2005	2004
	$'000	$'000
Assets and liabilities		
Total assets	**142,710**	134,212
Total liabilities	**46,736**	42,881
Results		
Revenue	**72,352**	51,203
Net profit after taxation	**8,045**	3,588

The Group's share of the contingent liabilities of the associates is $2,121,000 (2004: $1,458,000).

Notes to the Financial Statements

year ended 31 December 2005

6 Other Investments

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Non-current investments				
Debt securities available for sale	**830**	4,905	**–**	–
Equity securities available for sale	**33,314**	43,360	**4,234**	8,689
	34,144	48,265	**4,234**	8,689
Current investments				
Structured deposits held for trading	**13,758**	4,908	**13,758**	4,908
Equity securities held for trading	**11,104**	6,371	**–**	–
	24,862	11,279	**13,758**	4,908

With the adoption of FRS 39, the Group states available for sale investments at fair value. The differences between the fair values and the carrying amounts of these investments at 1 January 2005 are taken to the opening balance of the fair value reserve at that date.

7 Loans to/(from) Subsidiaries

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Loans to subsidiaries	**–**	–	**73,468**	73,840
Allowance for doubtful loans	**–**	–	**(13,900)**	(13,000)
	–	–	**59,568**	60,840
Loans from subsidiaries	**–**	–	**(3,670)**	(2,820)

The loans to/(from) 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 to subsidiaries are in substance, a part of the entity's net investment in the subsidiary, it is stated at cost less accumulated impairment.

While loans from subsidiaries are, in substance, a part of the Company's net investment in the subsidiary, it is stated at cost.

Notes to the Financial Statements

year ended 31 December 2005

8 Intangible Assets

Group	Note	Club membership $'000	Goodwill $'000	Patents $'000	Total $'000
Cost					
At 1 January 2004		293	256	414	963
Acquisition of subsidiary	24	–	(52)	–	(52)
Written off		–	–	(414)	(414)
At 31 December 2004		293	204	–	497
At 1 January 2005, as previously reported		293	204	–	497
Effects of adopting FRS 103		–	(204)	–	(204)
At 1 January 2005, restated		293	–	–	293
Disposal		(55)	–	–	(55)
At 31 December 2005		**238**	**–**	**–**	**238**
Amortisation and impairment losses					
At 1 January 2004		80	204	261	545
Amortisation charge for the year		–	46	96	142
Written off		–	–	(357)	(357)
At 31 December 2004		80	250	–	330
At 1 January 2005, as previously reported		80	250	–	330
Effects of adopting FRS 103		–	(250)	–	(250)
At 1 January 2005, restated		80	–	–	80
Disposal		(14)	–	–	(14)
At 31 December 2005		**66**	**–**	**–**	**66**
Carrying amount					
At 1 January 2004		213	52	153	418
At 31 December 2004		213	(46)	–	167
At 1 January 2005, restated		213	–	–	213
At 31 December 2005		**172**	**–**	**–**	**172**

Company	Club membership $'000
Cost	
At 1 January 2004 and 31 December 2004	293
Disposal	(55)
At 31 December 2005	**238**
Amortisation and impairment losses	
At 1 January 2004 and 31 December 2004	80
Disposal	(14)
At 31 December 2005	**66**
Carrying amount	
At 1 January 2004 and 31 December 2004	213
At 1 January 2005	213
At 31 December 2005	**172**

Notes to the Financial Statements

year ended 31 December 2005

9 Inventories

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Raw materials	**2,734**	2,201	**16**	14
Work-in-progress	**74**	40	**–**	–
Finished goods	**4,514**	3,150	**2,648**	1,697
	7,322	5,391	**2,664**	1,711

Included in the above are raw materials of the Group of $97,000 (2004: $271,000) and finished goods of $1,651,000 (2004: $Nil) carried at net realisable values.

10 Trade and Other Receivables

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Trade receivables due from:				
- Subsidiaries	**–**	–	**721**	2,341
- Associates	**–**	668	**–**	736
- Affiliated corporations	**–**	153	**–**	–
- Third parties	**17,635**	13,996	**4,084**	4,743
	17,635	14,817	**4,805**	7,820
Allowance for doubtful receivables	**(1,810)**	(2,916)	**(728)**	(1,636)
Net trade receivables	**15,825**	11,901	**4,077**	6,184
Deposits	**488**	375	**85**	111
Dividend receivable from associates	**772**	–	**–**	–
Fair value derivatives	**52**	70	**–**	–
Interest receivable	**129**	45	**125**	45
Other receivables	**2,536**	3,348	**1,629**	2,557
Prepayments	**155**	151	**71**	55
Tax recoverable	**1,632**	1,540	**1,141**	976
	21,589	17,430	**7,128**	9,928

Included in allowance for doubtful receivables of the Company is an amount of $Nil (2004: $819,000) which relates to subsidiaries and associates.

Notes to the Financial Statements

year ended 31 December 2005

11 Cash and Cash Equivalents

	Note	Group 2005 $'000	Group 2004 $'000	Company 2005 $'000	Company 2004 $'000
Term deposits		**27,431**	40,893	**19,848**	29,794
Demand deposits and cash in hand		**5,436**	3,448	**1,409**	2,402
		32,867	44,341	**21,257**	32,196
Bank overdrafts (secured)	15	**(78)**	–	**–**	–
Fixed deposits under lien		**–**	(450)	**–**	–
Cash and cash equivalents for statement of cash flows		**32,789**	43,891	**21,257**	32,196

A fixed deposit of $Nil (2004: $450,000) of the Group is held under lien for loan facilities.

12 Share Capital - Company

	2005 No. of shares '000	2005 $'000	2004 No. of shares '000	2004 $'000
Authorised:				
Ordinary shares of $0.50 each	**100,000**	**50,000**	100,000	50,000
Issued and fully paid:				
Ordinary shares of $0.50 each	**77,235**	**38,618**	77,235	38,618

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

13 Reserves

	Group 2005 $'000	Group 2004 $'000	Company 2005 $'000	Company 2004 $'000
Share premium	**32,359**	32,359	**32,359**	32,359
Capital reserve	**–**	446	**–**	–
Currency translation reserve	**2,938**	3,509	**–**	–
Fair value reserve	**(2,432)**	–	**(449)**	–
Accumulated profits	**76,017**	78,437	**59,979**	67,709
	108,882	114,751	**91,889**	100,068

Notes to the Financial Statements

year ended 31 December 2005

13 Reserves (cont'd)

The application of the share premium account is governed by sections 69 of the Companies Act, Chapter 50.

Currency translation reserve comprises all foreign exchange differences arising from the translation of financial statements of foreign operations that are not integral to the operations.

The fair value reserve comprises the cumulative net change in the fair value of available for sale investments.

14 Hire Purchase Creditors

At balance sheet date, the Group and the Company had obligations under finance leases that are repayable as follows:

	2005		2004	
	Minimum lease payments $'000	Present value of payments $'000	Minimum lease payments $'000	Present value of payments $'000
Group				
Repayable within 1 year	**152**	**139**	289	264
Repayable after 1 year but within 5 years	**166**	**155**	49	41
	318	**294**	338	305
Less future finance charges	**(24)**		(33)	
Present value of obligation	**294**		305	
Less payable within 1 year	**(139)**		(264)	
Payable after 1 year but within 5 years	**155**		41	
Company				
Repayable within 1 year	**36**	**33**	**–**	–
Repayable after 1 year but within 5 years	**57**	**53**	**–**	–
	93	**86**	**–**	–
Less future finance charges	**(7)**		**–**	–
Present value of obligation	**86**		**–**	–
Less payable within 1 year	**(33)**		**–**	
Payable after 1 year but within 5 years	**53**		**–**	

Notes to the Financial Statements

year ended 31 December 2005

15 Interest-Bearing Bank Loans and Borrowings

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Bank overdraft (secured)	**78**	–	**–**	–
Short-term bank loans (unsecured)	**5,000**	–	**5,000**	–
Short-term borrowing (secured)	**1,100**	2,533	**1,100**	2,533
Long-term bank loan A (secured)	**1,105**	1,755	**–**	–
Long-term bank loan B (secured)	**858**	–	**–**	–
	8,141	4,288	**6,100**	2,533
Current liabilities				
Bank overdraft (secured)	**78**	–	**–**	–
Short-term bank loans (unsecured)	**5,000**	–	**5,000**	–
Short-term borrowing (secured)	**1,100**	2,533	**1,100**	2,533
Long-term bank loans (secured)	**291**	198	**–**	–
	6,469	2,731	**6,100**	2,533
Non-current liabilities				
Long-term bank loans (secured)	**1,672**	1,557	**–**	–

(a) The bank overdraft is secured by a first legal charge on a subsidiary's leasehold land with a carrying amount of $185,000 (2004: $Nil).

(b) The short-term bank loans bear interest rate of 4.79% to 4.96% (2004: Nil) per annum.

(c) The short-term borrowing is secured by certain receivable of approximately $1,000,000 (2004: $3,000,000).

(d) The long-term bank loan A is secured by a first legal mortgage on a subsidiary's leasehold building with a carrying amount of $1,551,000 (2004: $1,605,000). The loan is repayable in 84 monthly instalments commencing December 2003 with $20,332 per instalment in the first year, $20,504 per instalment in the second year, $21,201 per instalment in the third year and $21,556 per instalment in the subsequent years.

Interest is charged at 3.75% and 4.00% per annum in the first and second year and 0.75% and 1.00% above prevailing bank's prime rate in the third and subsequent years.

(e) The long-term bank loan B is secured by a legal charge on a subsidiary's freehold land and building with a carrying amount of $1,340,000 (2004: $Nil) and a fixed and floating charge of $2,237,000 (2004: $Nil) over all the assets of a subsidiary. The loan is repayable in 180 equal monthly instalments. Interest is charged at 5.00% (2004: Nil) per annum in the first year and 1.00% above the bank's base lending rate in subsequent years.

Notes to the Financial Statements

year ended 31 December 2005

16 Deferred Tax

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the year are as follows:

	At 1 Jan 2005 $'000	Charged to profit and loss account $'000	Exchange differences $'000	At 31 Dec 2005 $'000
Group				
Deferred tax liabilities				
Property, plant and equipment	2,887	11	15	**2,913**
Other items	1,127	–	–	**1,127**
	4,014	11	15	**4,040**
Company				
Deferred tax liabilities				
Property, plant and equipment	2,628	–	–	**2,628**
Other items	1,127	–	–	**1,127**
	3,755	–	–	**3,755**

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The following amounts, determined after appropriate offsetting are as follows:

	Group		Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Deferred tax liabilities	**4,040**	4,014	**3,755**	3,755

Notes to the Financial Statements

year ended 31 December 2005

17 Trade and Other Payables

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Trade payable due to:				
- Subsidiaries	**–**	–	**1,392**	–
- Third parties	**9,525**	4,877	**88**	1,678
Accrued operating expenses	**2,644**	1,307	**877**	572
Advances from customers	**–**	130	**–**	–
Amount due to directors of a subsidiary*	**298**	330	**–**	–
Amount due to a shareholder of a subsidiary*	**–**	521	**–**	–
Bills payable	**730**	259	**–**	–
Fair value derivatives	**7**	256	**–**	–
Others	**665**	166	**115**	147
Provisions for loss on claim	**101**	101	**–**	–
Valued-added tax payable	**–**	275	**–**	–
	13,970	8,222	**2,472**	2,397

* These are unsecured and bear interest rate of 6.00% (2004: 6.00%) per annum.

18 Revenue

Revenue of the Group represents net sales billed to external customers. Transactions within the Group are eliminated. Revenue of the Company represents net sales billed to external customers and related companies.

Notes to the Financial Statements

year ended 31 December 2005

19 Loss from Ordinary Activities before Taxation

Loss from ordinary activities before taxation includes the following:

	Group	
	2005	**2004**
	$'000	**$'000**
Dividend income from investments	**(498)**	(253)
Interest income:		
- investments	**(121)**	(248)
- financial institutions and banks	**(1,758)**	(1,291)
- others	**(22)**	(42)
Profit on disposal of:		
- associates	**(197)**	–
- investments	**(4,623)**	(497)
Realised gain from investments	**(28)**	(469)
Allowance made for loans to associates	**–**	718
Amortisation of intangible assets	**–**	142
Contribution to defined contribution plan included in staff costs	**575**	530
Interest expense:		
- hire purchase creditors	**25**	20
- bank borrowings	**107**	93
Non-audit fees paid to auditors of the Company	**64**	95
Operating lease expenses	**1,183**	1,187

20 Key Management Personnel Compensation

The key management personnel compensation (including directors) are as follows:

	Group	
	2005	**2004**
	$'000	**$'000**
Directors' fees	**170**	170
Short-term employee benefits:		
- directors	**610**	333
- others	**831**	780
	1,611	1,283

Notes to the Financial Statements

year ended 31 December 2005

21 Income Taxes

	Group 2005 $'000	Group 2004 $'000
Current tax expenses		
Current year	**62**	28
Overprovision in prior years	**(364)**	(2,942)
	(302)	(2,914)
Deferred tax expenses		
Movement in temporary difference	**42**	52
Overprovision in prior years	**(31)**	(277)
	11	(225)
Income tax credit	**(291)**	(3,139)
Reconciliation of effective tax rate		
Loss before tax	**(674)**	(7,206)
Income using Singapore tax rates	**(144)**	(1,441)
Effect of different tax rates in other countries	**(20)**	24
Expenses not deductible for tax purposes	**1,320**	1,400
Group relief	**(755)**	–
Income not subject to tax	**(736)**	(554)
Unrecognised deferred tax assets	**412**	729
Overprovision in prior years	**(395)**	(3,219)
Others	**27**	(78)
	(291)	(3,139)

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

	Group 2005 $'000	Group 2004 $'000
Deductible temporary difference	**4,164**	18,912
Tax losses and unabsorbed wear and tear allowance	**45,891**	33,202
	50,055	52,114

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations. The tax losses and deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items in accordance with the accounting policy disclosed in note 2.14.

Notes to the Financial Statements

year ended 31 December 2005

22 Basic and Diluted Loss Per Share

The calculation of basic and diluted loss per share is based on the Group's loss attributable to equity holders of $440,000 (2004: $3,928,000) and the weighted average number of shares in issue during the year of 77,235,000 (2004: 77,235,000).

23 Changes in Accounting Policies

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 December 2005.

The changes in accounting policies arising from the adoption of FRS 39 Financial Instruments: Recognition and Measurement, FRS 103 Business Combinations, FRS 36 (revised) Impairment of Assets and FRS 38 (revised) Intangible Assets are summarised below:

FRS 39 Financial Instruments: Recognition and Measurement

The adoption of FRS 39 resulted in the Group measuring its derivative financial instruments, available for sale investments and trading investments as assets or liabilities at fair values. Financial assets and financial liabilities are stated at amortised cost instead of cost. Previously, derivative financial instruments were not recorded on the balance sheet and investments in debt and equity securities were stated at market value if they were held for short term purposes.

The adoption of FRS 39 has also resulted in the Group recognising available for sale investments and all derivative financial instruments as assets or liabilities at fair value. This change has been accounted for by increasing the opening balance at 1 January 2005 of the fair value reserve by $1,150,000. Comparatives have not been restated.

FRS 103 Business Combinations, FRS 36 (revised) Impairment of Assets and FRS 38 (revised) Intangible Assets

The adoption of FRS 103, FRS 36 (revised) and FRS 38 (revised) has resulted in a change in the accounting policy for goodwill.

Goodwill is stated at cost less accumulated impairment losses and is no longer amortised. Instead, goodwill impairment is tested annually, or when circumstances change, indicating that goodwill might be impaired. Negative goodwill is recognised immediately in the profit and loss account, instead of being systematically amortised over its useful life. This has resulted in the derecognition of negative goodwill and an increase of accumulated profits for the Group as at 1 January 2005 by $492,000. Goodwill and negative goodwill prior to 1 January 2001 that had been taken to reserves will no longer be taken to the profit and loss account when the related business are disposed of or discontinued.

Notes to the Financial Statements

year ended 31 December 2005

24 Accounting Estimates and Judgement

In the process of applying the accounting policies, management makes various judgements, apart from those involving estimations, that may affect the amounts recognised in the financial statements.

Key sources of estimation uncertainty

<u>Fair value of debt and securities available for sale</u>

Note 6 contains information based on the assumption and risk factors relating to the fair value of the debt and securities available for sale.

<u>Impairment of trade receivables</u>

The Group evaluates whether there is any objective evidence that trade receivables are impaired, and determines the amount of impairment loss as a result of the inability of the customers to make required payments. The Group detemines the estimates based on the aging of the trade receivables balance, credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

25 Significant Related Party Transactions

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 to 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.

In the normal course of business, the Company purchases finished goods from an associated company. Such purchases amounted to $664,000 (2004: $2,113,000) during the year.

Other than disclosed elsewhere in the financial statements, the Group and the Company does not have any other transactions with related parties.

26 Commitments

As at the balance sheet date:

(a) the Group and the Company have commitments amounting to $13,980,000 (2004: $15,268,000) and $Nil (2004: $5,000) respectively, in respect of additional investment in certain private equity investments and partnership investments;

(b) the Group and the Company have commitments amounting to $2,100,000 (2004: $Nil) in respect of additional investment in an associate;

Notes to the Financial Statements

year ended 31 December 2005

26 Commitments (cont'd)

(c) the Group and the Company have the following future minimum lease payments under non-cancellable operating leases:

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Payable within:				
- 1 year	**617**	639	**354**	380
- 2 to 5 years	**1,576**	953	**734**	578
- after 5 years	**5,847**	4,426	**566**	1,172
	8,040	6,018	**1,654**	2,130

(d) the Company has commitments for the purchase of raw materials of $7,258,000 (2004: $1,500,000).

27 Financial Instruments

Financial Risk Management Objectives and Policies

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business. The Group has written risk management policies and guidelines which set out its overall business strategies, its tolerance of risk and its general risk management philosophy and has established processes to monitor and control the hedging of transactions in a timely and accurate manner. Such written policies are reviewed annually by the Board of Directors, and quarterly reviews are undertaken to ensure that the Group's policy guidelines are adhered to.

Derivative financial instruments are used to reduce exposure to fluctuations in foreign exchange rates and interest rates. While these are subject to the risk of market rates changing subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

The Group's accounting policies in relation to the derivative financial instruments are set out in note 2.7.

Credit Risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

Investments and transactions involving derivative financial instruments are allowed only with counterparties that are of high credit quality. As such, management does not expect any counterparty to fail to meet their obligations.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheets.

Notes to the Financial Statements

year ended 31 December 2005

27 Financial Instruments (cont'd)

Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's investment portfolio and debt obligations. The Group uses derivative financial instruments to hedge its investment portfolio. The portfolio includes equity and debt securities with active secondary or resale markets to ensure portfolio liquidity.

Effective Interest Rates and Repricing Analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at balance sheet date and the periods in which they are repriced:

	2005						2004					
	Note	Effective interest rate	Total	Within 1 year	2 to 5 years	After 5 years	Note	Effective interest rate	Total	Within 1 year	2 to 5 years	After 5 years
Group		%	$'000	$'000	$'000	$'000		%	$'000	$'000	$'000	$'000
Financial assets												
Cash and cash equivalents	**11**	**1.80 – 4.50**	**32,867**	**32,867**	**–**	**–**	11	0.25 – 4.90	44,341	44,341	–	–
Financial Liabilities												
Short-term loans (unsecured)	**15**	**4.79 – 4.96**	**5,000**	**5,000**	**–**	**–**	15	–	–	–	–	–
Short-term borrowing (secured)	**15**	**8.00**	**1,100**	**1,100**	**–**	**–**	15	1.50 – 6.00	2,533	2,533	–	–
Long-term loans (secured)	**15**	**5.00**	**1,963**	**1,963**	**–**	**–**	15	4.00	1,755	1,755	–	–
Hire purchase creditors	**14**	**2.50 – 5.37**	**294**	**15**	**279**	**–**	14	3.00 – 3.50	305	264	41	–
Bank overdrafts (secured)	**15**	**8.25**	**78**	**78**	**–**	**–**	15	–	–	–	–	–
			8,435	**8,156**	**279**	**–**			4,593	4,552	41	–
Company												
Financial assets												
Cash and cash equivalents	**11**	**1.80 – 4.50**	**21,257**	**21,257**	**–**	**–**	11	0.25 – 4.90	32,196	32,196	–	–
Financial liabilities												
Short-term loans (unsecured)	**15**	**4.79 – 4.96**	**5,000**	**5,000**	**–**	**–**	15	–	–	–	–	–
Short-term borrowing (secured)	**15**	**8.00**	**1,100**	**1,100**	**–**	**–**	15	1.50 – 6.00	2,533	2,533	–	–
Hire purchase creditors	**14**	**2.50**	**86**	**33**	**53**	**–**	14	–	–	–	–	–
			6,186	**6,133**	**53**	**–**			2,533	2,533	–	–

Foreign currency risk

The Group incurs foreign currency risk on sales, purchases, investments and borrowings that are denominated in a currency other than Singapore dollars. The financial instruments that are denominated in currency other than the functional currency of the respective companies in the Group as at 31 December 2005 is US dollars. The Group hedges its trade receivables and trade payables denominated in a foreign currency. The Group uses forward exchange contracts to hedge its foreign currency risk, where necessary.

In respect of other monetary assets and liabilities held in currencies other than the Singapore dollars, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short term imbalances.

Notes to the Financial Statements

year ended 31 December 2005

27 Financial Instruments (cont'd)

Estimating the fair value

Securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

Derivatives

Forward exchange contracts and options are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate.

Structured deposits

Structured deposits are marked to market using market prices.

Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

Finance lease liabilities

The fair value of finance lease liabilities is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect change in interest rates.

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. All other financial assets and liabilities are discounted to determine their fair values.

Notes to the Financial Statements

year ended 31 December 2005

28 Segment Reporting

Business Segments

	Cement and building materials	Specialty chemicals	Eliminations	Total
Revenue and expenses	$'000	$'000	$'000	$'000
2005				
Total revenue from external customers	19,800	34,866	–	54,666
Segment results	(7,671)	649	–	(7,022)
Finance costs				(132)
Net investment income and interest income				2,737
Gain on disposal of property, plant and equipment				272
Share of profit of associates				3,471
Income tax credit				291
Net loss for the year				(383)
Revenue and expenses 2004				
Total revenue from external customers	34,856	11,944	–	46,800
Segment results	(12,951)	179	–	(12,772)
Finance costs				(113)
Net investment income and interest income				(2,329)
Gain on disposal of property, plant and equipment				6,664
Share of profit of associates				1,344
Income tax credit				3,139
Net loss for the year				(4,067)
Assets and liabilities 2005				
Segment assets	27,280	18,994	–	46,274
Investment in associates				42,468
Unallocated assets				88,069
Total assets				176,811
Segment liabilities	5,782	8,809	–	14,591
Unallocated liabilities				12,174
Total liabilities				26,765

Notes to the Financial Statements

year ended 31 December 2005

28 Segment Reporting (cont'd)

Assets and liabilities	Cement and building materials $'000	Specialty chemicals $'000	Eliminations $'000	Total $'000
2004				
Segment assets	41,165	11,551	–	52,716
Investment in associates				31,205
Unallocated assets				89,372
Total assets				173,293
Segment liabilities	7,738	3,572	–	11,310
Unallocated liabilities				6,125
Total liabilities				17,435
Other segment information				
2005				
Capital expenditure	1,693	1,721	–	3,414
Depreciation	4,634	511	–	5,145
2004				
Capital expenditure	774	222	–	996
Depreciation	4,912	340	–	5,252

Geographical Segments

	Singapore $'000	Malaysia $'000	Greater China $'000	Eliminations $'000	Total $'000
2005					
External customers	34,846	13,850	5,970	–	54,666
Inter-segment sales	737	4,323	277	(5,337)	–
Total revenue	35,583	18,173	6,247	(5,337)	54,666
Segment assets	29,608	10,031	6,635	–	46,274
Capital expenditure	485	1,762	1,167	–	3,414
Depreciation	4,685	169	291	–	5,145
2004					
External customers	41,002	1,044	4,754	–	46,800
Inter-segment sales	182	1,185	188	(1,555)	–
Total revenue	41,184	2,229	4,942	(1,555)	46,800
Segment assets	43,211	2,367	7,138	–	52,716
Capital expenditure	601	121	274	–	996
Depreciation	4,818	139	295	–	5,252

Notes to the Financial Statements

year ended 31 December 2005

29 Subsequent Event

Dividends

After the balance sheet date, the Directors proposed the following dividends which have not been provided for:

	Group and Company	
	2005	2004
	$'000	$'000
Final dividend proposed of 4 cents (2004: 4 cents) per share less tax at 20% (2004: 20%)	**2,472**	2,472

Share capital

On the date of commencement of the Companies (Amendment) Act 2005 on 30 January 2006:

(i) The concept of authorised share capital is abolished;

(ii) Shares of the Company have no par value; and

(iii) Amount standing to the credit of the Company's share premium account becomes part of the Company's share capital.

Investment

The Company took up a 10% stake in a newly incorporated company, Ho Bee Cove Pte Ltd. Ho Bee Cove Pte Ltd was formed to undertake a development project at Sentosa Cove.

30 Comparative Information

Comparatives in the financial statements have been changed from previous year due to the changes in accounting policies as described in note 23 and to be consistent with current year.

Notes to the Financial Statements

year ended 31 December 2005

31 FRS yet to be adopted

The Group has not applied the following standards and interpretations that have been issued as of the balance sheet date but are not yet effective:

INT FRS 106	*Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*
Amendments to FRS 19	Amendments to FRS 19 *Employee Benefits – Actuarial gains and losses, Group plans and Disclosures*
Amendments to FRS 21	Amendments to FRS 21 *The Effects of Changes in Foreign Exchange Rate-Net Investments in a Foreign Operation*
Amendments to FRS 39	Amendments to FRS 39 *Financial Instruments: Recognition and Measurement* *– Cash Flow Hedge Accounting of Forecast Intragroup Transactions;* *– The Fair Value Option; and* *– Financial Guarantee Contracts and Credit Insurance*
FRS 106	*Exploration for and Evaluation of Mineral Resources*
INT FRS 104	*Determining whether an Arrangement contains a Lease*
INT FRS 105	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
INT FRS 107	Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies
FRS 40	*Investment Property*
FRS 107	*Financial Instruments: Disclosures*

The Group has not considered the impact of the initial application of these standards and interpretations.

The Group has not considered the impact of accounting standards issued after the balance sheet date.

Statistics of Shareholdings

as at 31 March 2006

Share Capital

Authorised share capital	:	$50,000,000
Issued & fully paid-up	:	$38,617,500
Class of shares	:	Ordinary shares of $0.50 each
Voting rights	:	1 vote per ordinary share

Shareholding Held in the Hands of Public

Based on the information available to the Company as at 31 March 2006, 46.57% 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 compiled with.

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	120	5.82	43,180	0.05
1,000 - 10,000	1,613	78.22	5,421,171	7.02
10,001 - 1,000,000	321	15.57	15,274,549	19.78
1,000,001 and above	8	0.39	56,496,100	73.15
Total	**2,062**	**100.00**	**77,235,000**	**100.00**

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	Afro-Asia International Enterprises Pte. Limited	29,641,700	38.38
2	Afro Asia Shipping Co Pte Ltd	9,315,000	12.06
3	UOB Kay Hian Pte Ltd	8,847,250	11.45
4	DBS Nominees Pte Ltd	2,990,900	3.87
5	United Overseas Bank Nominees (Pte) Ltd	2,205,750	2.86
6	Kheng Ho Huat Company (Private) Ltd	1,334,000	1.73
7	Chua Wee Keng	1,142,000	1.48
8	OCBC Nominees Singapore Pte Ltd	1,019,500	1.32
9	Tan Choo Suan	946,000	1.22
10	Zen Property Management Pte Ltd	855,000	1.11
11	CIMB-GK Securities Pte. Ltd.	513,499	0.66
12	Kwok Hae Meng	394,500	0.51
13	Citibank Nominees Singapore Pte Ltd	367,500	0.48
14	Tan Cheng Gay	356,500	0.46
15	Southern Nominees (S) Sdn Bhd	343,000	0.44
16	Kim Eng Securities Pte. Ltd.	323,550	0.42
17	Morph Investments Ltd	299,000	0.39
18	Ee Hock Leong Lawrence	283,000	0.37
19	G Pannir Selvam	250,000	0.32
20	Lui Kwong Keong	223,000	0.29
	Total	**61,650,649**	**79.82**

Substantial Shareholders

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	946,000	38,956,700	39,902,700	51.66
Afro-Asia International Enterprises Pte. Limited	29,641,700	–	29,641,700	38.38
Afro Asia Shipping Co Pte Ltd	9,315,000	–	9,315,000	12.06
Chua Thian Poh	110,000	30,496,700	30,606,700	39.63
Ho Bee Holdings (Pte) Ltd	–	30,496,700	30,496,700	39.49

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 29 International Business Park, Acer Building Tower B, 5th Floor, Multi-Function Room 2, Singapore 609923 on Friday, 28 April 2006 at 10:00 a.m. to transact the following business:-

As Ordinary Business

1. To receive and consider the Audited Accounts for the financial year ended 31 December 2005 and the Reports of the Directors and Auditors thereon. **(Resolution 1)**

2. To declare a first and final dividend of 4 cents per ordinary share less 20% income tax for the financial year ended 31 December 2005. **(Resolution 2)**

3. To approve Directors' fees of S$182,000 for the financial year ended 31 December 2005. **(Resolution 3)**

4. To re-elect the following Directors who are retiring in accordance with the Company's Articles of Association:-

   (a) Mr Tan Yok Koon (retiring under Article 87) **(Resolution 4)**

   (b) Dr Tan Choo Suan (retiring under Article 87) **(Resolution 5)**

   [See Explanatory Note 1]

5. To re-appoint Messrs KPMG as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

As Special Business

To consider and if thought fit, pass the following ordinary resolutions, with or without modifications:-

6. **Authority to grant options and to issue shares under the Ssangyong Cement (Singapore) Limited 2000 Employees' Share Option Scheme**

   "That approval be and is hereby given to the Directors to offer and grant options under the Ssangyong Cement (Singapore) Limited 2000 Employees' Share Option Scheme approved by the Company on 15 January 2001 (the "Scheme") and to allot and issue from time to time such number of shares in the Company as may be required to be issued pursuant to the exercise of options under the Scheme, provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed 15 percent of the total issued share capital of the Company from time to time." **(Resolution 7)**

   [See Explanatory Note 2]

Notice of Annual General Meeting

As Special Business (cont'd)

7. **Authority to allot and issue shares pursuant to Section 161 of the Companies Act, Chapter 50**

(a) "That, pursuant to Section 161 of the Companies Act, Chapter 50 and the listing rules of the Singapore Exchange Securities Trading Limited, approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

(i) issue shares in the capital of the Company whether by way of rights or otherwise;

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

(iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

(b) (Notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors while the authority was in force,

provided always that

(i) 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 50% of the Company's issued share capital, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the issued share capital of the Company, and for the purpose of this resolution, the issued share capital shall be the Company's issued share capital at the time this resolution is passed, after adjusting for;

a) new shares arising from the conversion or exercise of convertible securities, or

b) 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 Part VIII of Chapter 8 of the Listing Manual of the Singapore Exchange Securities Trading Limited, and

c) any subsequent consolidation or subdivision of the Company's shares, and

(ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." **(Resolution 8)**

[See Explanatory Note 3]

Notice of Annual General Meeting

As Special Business (cont'd)

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

NOTICE IS ALSO HEREBY GIVEN that the Transfer Book and the Register of Members of the Company will be closed on 15 June 2006 for the purpose of preparing dividend warrants. Duly completed transfers received by the Company's Registrar, Lim Associates (Pte) Ltd at 10 Collyer Quay #19-08, Ocean Building, Singapore 049315 up to 5:00 p.m. on 14 June 2006 will be registered to determine shareholders' entitlement to the proposed dividend. The first and final dividend of 4 cents per share less 20% income tax, if approved at the Annual General Meeting, will be paid on 28 June 2006.

Dated this 12th day of April 2006

By Order of the Board

Choong Mee Fong
Company Secretary

Notes:

1) A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy and vote in his 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 the Meeting.

Explanatory Notes:

1. **Ordinary resolution no. 5:** Dr Tan Choo Suan, if re-elected, will remain as a member of the Audit Committee and will be considered non-independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

2. The **ordinary resolution no. 7** is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares pursuant to the Ssangyong Cement (Singapore) Limited 2000 Employees' Share Option Scheme (the "Scheme"), which was approved at the Extraordinary General Meeting of the Company held on 15 January 2001 of up to an amount not exceeding in total fifteen per cent (15%) of the issued share capital of the Company for the time being pursuant to the exercise of the options under the Scheme. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

3. The **ordinary resolution no. 8** is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50% of the issued share capital of the Company of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20% of the issued share capital of the Company for such purposes as they consider would be in the interests of the Company. Rule 806(3) of the Listing Manual of the Singapore Exchange Securities Trading Limited currently provides that the percentage of issued share capital is based on the Company's share capital at the time the mandate is passed after adjusting for:-

   (a) new shares arising from the conversion of convertible securities or employee share options on issue when the mandate is passed; and

   (b) any subsequent consolidation or subdivision of shares.

This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

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

IMPORTANT
1. For investors who have used their CPF monies to buy EnGro Corporation Limited's shares, this Annual Report 2005 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.

Proxy Form

*I / We, ______________________________

of ______________________________

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

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

and/or (delete as appropriate)

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting ("AGM") of the Company to be held at 29 International Business Park, Acer Building Tower B, 5th Floor, Multi-Function Room 2, Singapore 609923 on Friday, 28 April 2006 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 consider the Audited Accounts of the Company for the financial year ended 31 December 2005 and the Reports of the Directors and Auditors thereon. **(Resolution 1)**		
2.	To declare a first and final dividend of 4 cents per ordinary share less 20% income tax for the financial year ended 31 December 2005. **(Resolution 2)**		
3.	To approve Directors' fees of S$ 182,000 for the financial year ended 31 December 2005. **(Resolution 3)**		
4.	Re-election of Mr Tan Yok Koon (Retiring under Article 87) **(Resolution 4)**		
5.	Re-election of Dr Tan Choo Suan (Retiring under Article 87) **(Resolution 5)**		
6.	To appoint Messrs KPMG as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**		
7.	To authorise Directors to allot and issue shares in connection with the exercise of options granted pursuant to Ssangyong Cement (Singapore) Limited 2000 Employees' Share Option Scheme. **(Resolution 7)**		
8.	To authorise the Directors to allot and issue shares pursuant to Section 161 of the Companies Act, Chapter 50. **(Resolution 8)**		

Please indicate with a cross [X] 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 ________________________ 2006

Total Number of Shares Held

....
Signature(s) of Member(s) / Common Seal

* Delete where applicable

Notes:-

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.

2. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.

3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

4. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.

5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 29 International Business Park, #08-05/06 Acer Building Tower B, Singapore 609923 not later than 48 hours before the time set for the Annual General Meeting.

6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time set for the Annual General Meeting.

Fold along this line

Affix Postage
Stamp Here

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

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Company no. 197302229H