annual Report

Year.2006

ENGRO

EnGro Corporation Limited

DEVELOPING PROGRESSIVE PARTNERSHIPS

Corporate Information

Registered Office
29 International Business Park
#08-05/06 Acer Building Tower B
Singapore 609923
Telephone +65-6561 7978
Facsimile +65-6561 9770

Registrar
Lim Associates Pte Ltd
3 Church Street
#08-01 Samsung Hub
Singapore 049483

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

Partner-in-charge
Adeline Lee
(with effect from FY 2006)

TABLE
OF
CONTENTS

01
Group Profile

ENGRO is...

a company dedicated to eco-friendly specialty cement, value-adding specialty chemicals, and high-technology investment businesses.

SPECIALTY CEMENT :
We produce specialty cement that is friendly to the environment and builds long lasting concrete structures.

SPECIALTY CHEMICALS :
We take care of the global petrochemical players' needs by value-adding to their products and be part of global supply chain

INVESTMENT :
We invest in tomorrow's technology today.

02

Group Structure

ASIAN PRESENCE BORDERLESS ASPIRATION

ENGRO

SPECIALTY CEMENT :
Tangshan Tanglong Materiais Co, Ltd
Tangshan Tang-Ang Materials Co, Ltd
Jinan Luxin Materials Co, Ltd
Jinan Lu-Ang Materials Co, Ltd
Jiangsu Huailong Materials, Co, ltd

SPECIALTY CHEMICALS :
Resin & Pigments Technologies Pte Ltd
Resin & Pigments Technologies (M) Sdn Bhd
Resin & Pigments Technologies (Wuxi) Co. ltd

INVESTMENT :
e-Invest Limited
Juniper Capital Ventures Pte Ltd

The unprecedented growth of Asian economies over the last decade proves that Asia is the place to be. Leveraging on the 2 niche opportunities, EnGro Group has become part of exciting economic history as the region's developing economies rise to reap the rewards of strong economic growth and free market forces.

03
Chairman's Message

During the prolonged decline of the Singapore construction industry, EnGro was able to restructure it's cement and concrete operations in Singapore and concurrently build strength for the 2 niche opportunities identified. **Today, EnGro is better positioned and is a company with two core businesses; namely in the eco-friendly specialty cement and in the value-adding specialty chemicals. Operationally, EnGro is driven by these two growth engines and supplemented by evergreen venture capital ("VC") investment activity in technology-centric businesses.**

Our evergreen VC activity continues to render different perspectives to our two growth engines by allowing them to tap new technologies, and to seek new partnerships to broaden our market presence and to explore new opportunities.

Our two growth engines will continue to gain strength as we accelerate expansion of our geographical coverage via investments in strategic locations, continuous partnership building and adopting the innovative business model of global supply chain integration into EnGro's business.

SPECIALTY CEMENT

Our outward-looking strategy since 2002 has taken us into North Asia, in particular, China followed by an investment in South Korea. Thus far, the results shown by our Ground Granulated Blast-furnace Slag ("GGBS") joint ventures ("JVs") in China are encouraging.

We recognised early the need to have a long-term presence in China and the importance of positioning ourselves in an emerging economic growth zone within China as well as establishing domestic partnerships. Presently, China is enjoying enormous benefits from its continuing rapid economic development, and our investments in this transitioning market promise attractive returns.

The Chinese Government is now into its eleventh 5-year economic plan with main focuses on the Bohai Rim region (渤海湾经济圈) covering three provinces, namely Hebei, Shandong, Liaoning and two municipalities, namely Beijing and Tianjin. The focal point as well as the fastest growing economic centre within the Bohai Rim region is the Tianjin Binhai New Area (天津滨海新区) – hailed as the New Pudong (新浦东). Additionally, Caofeidian (曹妃甸), a deep sea port, south of Tangshan (唐山) city in Hebei province, will be developed into an important industrial zone encompassing oil refinery, steel, chemical, cement, and other industries, alongside the developing Bohai Rim region.

It is important to note that the latest 5th year plan is given a new terminology reflecting China is on the beginning of another new era.

Per the thrusts governing the eleventh 5-year plan, the Chinese Government has drafted out its medium term plan to accelerate its domestic economy by clustering second-tier cities to complement the three powerful coastal economic zones, Pearl Delta, Yangtze Delta and the emerging Bohai Rim region, thereby benefiting from the

cont./

radiation effect. We foresee this will trigger a new round of infrastructure construction boom plus spin-off activities that will boost demand for our GGBS. Our GGBS production facilities - currently spread across 3 provinces in China, namely Hebei, Shandong and Jiangsu - are ready to meet demand from addressable markets with a total population of around 200 million people.

Our GGBS JVs' production facilities are strategically located along the Beijing-Shanghai corridor and Beijing-Tianjin twin cities zone. In Tangshan city, Hebei province, our TangLong and TangAng GGBS JVs' facilities are within easy access to the rapidly developing Bohai Rim region; their proximity to Jing Tang port allows us to tap the benefits offered by the export markets.

During the year, our third GGBS JV facility in Huai'an (淮安), North Jiangsu province, was successfully commissioned in August. With this addition, our total GGBS production capacity in China increased to 1.8 million tonnes. Expansion of existing JVs will bring our annual production capacity in China from 1.8 million to 3.6 million tonnes by end of 2007.

The year also saw us introducing a brand name for our GGBS product, namely "VCEM", a mark of successful strategic alliance among our 3 JVs aimed at increasing our influence in an enlarged regional market through riding on one common brand name.

Our GGBS business model being scalable is evidenced by the success of our first GGBS JV followed by the formation of subsequent JVs.

SPECIALTY CHEMICALS

2006 was an eventful year for our specialty chemicals business. Our base in Singapore serves as springboard for future expansion in Asia. We took major steps to revolutionise the business model whereby our subsidiary Resin & Pigment Technologies ("R&P") plugged itself into the global supply chain via a new partnership. This new business model permits the integration of mainstream supply sources combining logistics with polymer compounding capability. To effect this shift, we established a win-win collaboration with Katoen Natie, a Belgian global chemical and industrial logistics player – a modern integrated compounding facility in its Jurong Logistics Terminal has been set up. This is a strategic move that places us within easy access to serve the cluster of petrochemical and polymer producers. It also enables us to provide developmental and value-added services to these key players to serve the regional market. The new management of R&P is in place to ramp-up the business to build scale.

Our involvement in the specialty chemicals business actually is a spin-off of our VC activities back in 2002. This investment has since evolved from a passive investment to being one of the core businesses of the Group. R&P serves as a good example to demonstrate the power of VC initiative, which has allowed EnGro to embark on a new growth path.

Positive Developments

On the property front, EnGro's collaboration with Ho Bee Group began in 1999 when the JV developed the highly successful Parliament View, a luxury apartment project by the River Thames

05
Chairman's Message
/continued

in London. This mutually rewarding partnership has since generated other lucrative property development and investment projects in Shanghai as well as the latest Sentosa Cove Condominium project, The Coast. Sale of condominium units in The Coast has been overwhelming and we expect to see good return from this investment in time to come.

While riding on the momentum and seizing the investment opportunities to build scale for the 2 growth engines, we have been marking time for the recovery of the construction sector on our home turf. Through the right-sizing of our cement and readymixed-concrete ("RMC") operations in Singapore during the market downturn, we are now well-positioned to tap the new opportunities on the horizon offered by the turnaround in the real estate market as well as the buoyant Singapore economy.

Financial Performance

The Group's turnover for the year ended 31 December 2006 was S$72.9 million, an increase of 33.4% over the previous year. The consolidated loss after tax for the year was S$7.0 million compared to the loss of S$0.4 million for the previous year. The higher loss for the year was due to higher interest expense, exchange loss and absence of major non-recurring one-off gains compared to the previous year.

2007 is expected to be a turnaround year backed by the anticipated performance of Specialty Cement, Specialty Chemicals and the recovery of the Singapore construction industry.

IN CONCLUSION

We look ahead to the coming year with renewed enthusiasm as we work diligently with our existing and new partners on new undertakings, which have been progressing satisfactorily.

In closing, I would like to thank our customers, staff and investors for their support throughout the year. With their continuous help and support, we hope to scale our businesses to greater heights.

In addition, my heartfelt thanks go to our Board of Directors for their guiding vision and direction. Special thanks go to Mr Chua Thian Poh, who stepped down during the year and who during his term as director, had offered us his invaluable guidance and support. Last but not the least, I am delighted to extend a warm welcome to our new partners in joining our vision to build sustainable win-win relationships.

I am confident that with our dynamic partnerships and renewed business model, we are now better positioned to face the global marketplace and ready to take up new challenges in the years ahead as we gear ourselves to bring our vision to fruition, reflecting the improving economy of the region and reaping the rewards of strong growth and free-market forces.

Tan Cheng Gay
Chairman

06

Directors' Profile

TAN CHENG GAY

Chairman and Chief Executive Officer

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

TAN YOK KOON

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 to be more directly involved in Asia's economic growth and development. 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 35 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 on the boards of SP Chemicals Ltd and Thai Beverage Public Company Ltd. He is Chairman of the Audit and Nominating Committee as well as member of the Remuneration Committee for SP Chemicals Ltd and member of the Audit Committee of Thai Beverage Public Company Ltd.

SOH KIM SOON

Director

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

TAN KENG BOON

Director

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

07
Management Team

DR. CHEN EN YI
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
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 Technological University and a Ph.D in Chemical Engineering from the University of Manchester Institute of Science and Technology, UK.

NG YOKE YEE
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
Senior Manager, Business Development (Specialty Chemicals)

Mr Tseng joined the Company in January 2005 and was promoted to position of Senior Manager in July 2006. 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.

DANTULURI V V S RAJU
Commercial Manager (Building Materials Division)

Mr Raju joined the Company in 1992. He heads 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
Manager, Strategic Business Unit

Mr Wong joined the Company in 1994. He supports the CEO's Office and oversees IT investment 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.

PLANTING SEEDS ON FERTILE GROUND

All our plants in China are strategically located to serve the demand from the Beijing-Shanghai corridor or the Beijing-Tianjin twin cities zone, where numerous key infrastructure projects are to be undertaken. Upon completion, these will play a pivotal role in connecting China's vast hinterland with its coastal economic zones, effectively a much larger domestic market in time to come.

09
Speciality Cement

偉聖
VCEM
BUILDING DURABILITY

Planting Seeds on Fertile Ground

During the year, our third specialty cement (Ground Granulated Blast-furnace Slag (GGBS)) plant was officially commissioned in August. With this additional plant located in Huai'an, Northern Jiangsu province, GGBS production capacity in China increased to 1.8 million tonnes per annum in total. Total annual capacity in China has grown from zero to 1.8 million tonnes in four years. We project to double this capacity to 3.6 million tonnes in the coming year.

Our GGBS Korea operation was not up to the mark due to the macro-economic situation. Performance will remain flat with a mildly bullish outlook.

By end 2007, our GGBS JVs in China and Korea will have a combined annual production capacity of 4.1 million tonnes.

Three Strategic Locations in China

Two greatly emphasised themes under the eleventh five-year plan are 1) "Scientific Approach to Development" and 2) "Constructing a Harmonious Socialist Society". The continuous development of the domestic economy as announced by the Chinese Government involves clustering the second-tier cities to supplement the economic growth of the Pearl River delta (built in 1980s) and Yangtze River delta (built in 1990s) regions, as well as the development of the Bohai Rim region with Tianjin Binhai New Area serving as a new focal point and earmarked to be the New Pudong. Hence, in time to come, the Bohai Rim region will emerge as the third coastal economic zone to echo the success of the Pearl River delta and the Yangtze River delta. The Binhai New Area is expected to be transformed into a modern manufacturing base, research and development base, and international shipping and logistics centre for North China.

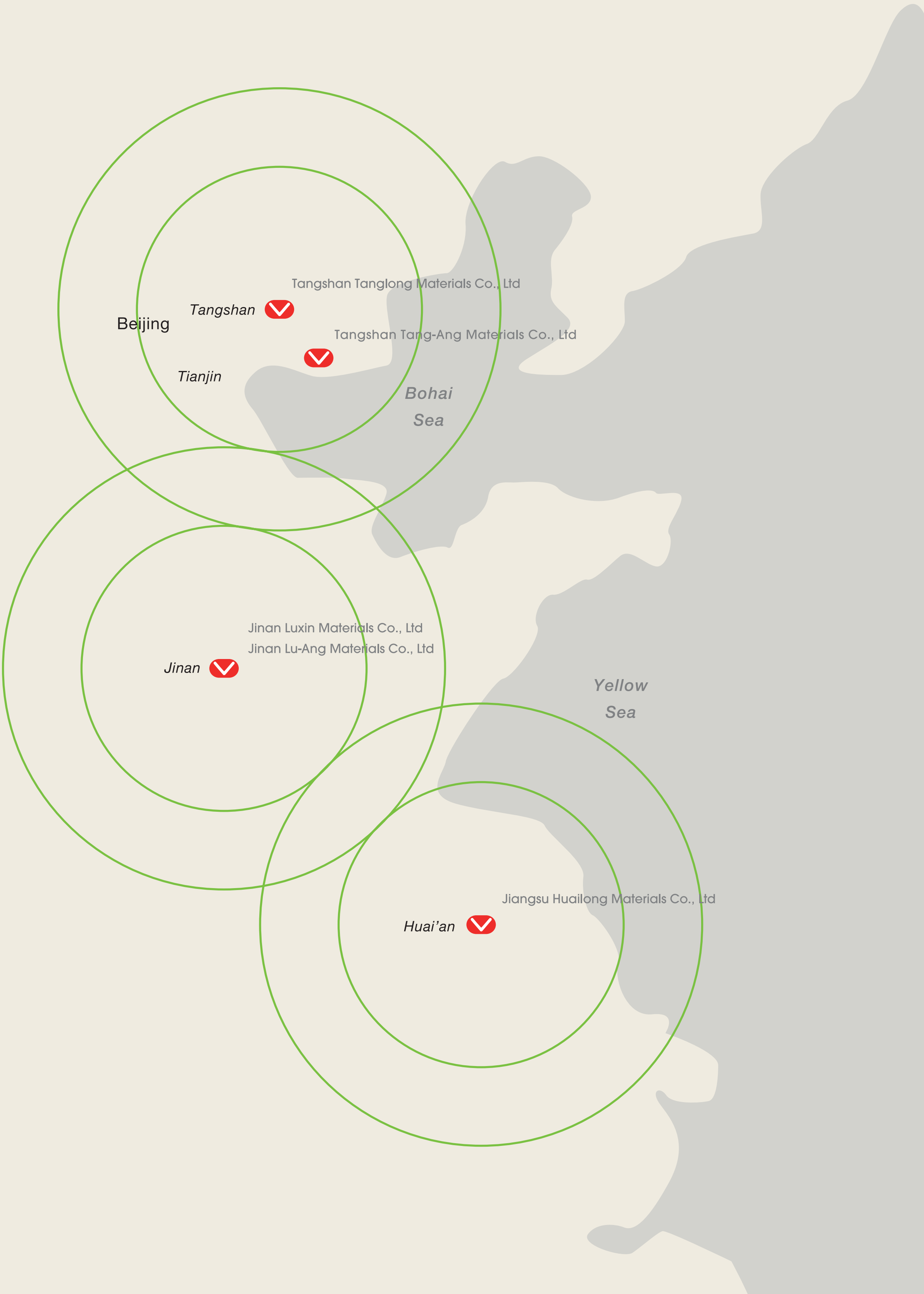
All of our plants in China are strategically located to serve the demand from the Beijing-Shanghai corridor and the Beijing-Tianjin twin cities zone, where numerous key infrastructure projects are being undertaken. Progressively, these will play a pivotal role in connecting China's coastal economic zones with its vast hinterland, which will turn into a much enlarged domestic market in time to come.

The future development of the Bohai Rim region is seen as a continuation of the China Government's endeavour to build a sustainable domestic economy, connecting major China cities to the three deltas. To supplement the two strong growth port cities of Shanghai and Shenzhen, China is accelerating the development of the Tianjin Binhai New Area to facilitate economic growth in the Bohai Rim region. With improved infrastructure projects scheduled for completion in stages, it will extend our reach in China and allow all our JVs to become more cost competitive. We aspire to be a leading GGBS supplier, leveraging on our experience spanning over three decades, and the strong partnerships established in China.

cont./

V • VALUE-ADD
C • COST-EFFECTIVE
E • ECO-FRIENDLY
M • MATERIAL FOR THE 21st CENTURY

偉聖 VCEM BUILDING DURABILITY




11 Speciality Cement
/continued

偉聖 VCEM BUILDING DURABILITY

Providing Eco-friendly Alternatives

GGBS is recognised for its durability and eco-friendly properties. It is extremely cost competitive and is used as a substitute to Ordinary Portland Cement ("OPC") for producing high performance concrete.

China is fast to capture the world trend and the corresponding merits of increased dosages of GGBS. New building specifications have been established, and the adoption of the GGBS standard has been incorporated in the design of key infrastructure works. In some countries, new specifications calling for bridges to have a lifespan of 100 years instead of 50 years are specifying for a high percentage content of GGBS, further attesting to builders' confidence in GGBS.

By replacing cement in high performance concrete, GGBS reduces cement (clinker) usage, thereby reducing carbon dioxide emission from cement production. Hence, GGBS is deemed as a green material complying with the Chinese government's "Green Environment, Energy Saving" guideline. Being a pro-policy material in China, consumption of GGBS is expected to increase by leaps and bounds.

EnGro has actively sought to feed this demand with the introduction of our own GGBS product brand VCEM, a key pillar of our specialty cement engine strategy. VCEM is an acronym that reflects GGBS – **Value-added, Cost-effective, Eco-friendly Material of the 21st century.**

With our common brand, VCEM, we shall align our three JV companies into a powerhouse in GGBS. By capitalising on the power of a common brand, with volumes of 3.6 million tonnes across three provinces in China, the Group's GGBS plants in China will be able to join forces to address bigger market coverage and higher efficiency, with the aim of being well-entrenched both as a supplier of key material to national-grade infrastructure projects as well as for the export market. VCEM is representative of our resolve to be a consistently high-quality GGBS producer.

Proven Model

The proven scalable model developed through our strategic alliances will allow EnGro to ride on the rapid pace of China's economic development and reap the rewards of growth.

DELIVERING A NEW HORIZON OF GROWTH THROUGH STRATEGIC PARTNERSHIP

Our partnership with Katoen Natie, a leading specialty chemicals and industrial global logistics provider has enabled us to jointly provide an integrated business solution combining bulk-handling, compounding and logistics.


13 Specialty Chemicals

RESIN & PIGMENT
Technologies Pte. Ltd.

Riding the Rising Trend

Over the past two decades, Singapore Government's pro-business policy has blossomed into a global specialty chemicals hub and revenue generation by the chemicals cluster puts it on par with the electronics cluster. Several key initiatives such as the Process Construction and Maintenance industry, as well as the infrastructure enhancements on Jurong Island, are being developed by the Singapore Government in support of the long-term growth of the chemicals cluster in Jurong Island. The implementation of these initiatives will ensure that the cluster is able to acquire a critical mass with high value-added downstream activities.

In the next three to five years, several global petrochemical players plan to expand their operations in Singapore and Asia. In anticipation of further growth of the chemicals cluster, the Singapore Government has also committed to spending S$700 million to construct Phase 1 of the Jurong Rock Cavern, an underground oil storage facility. This augurs well for the industry.

Engineering Our Growth

Resin & Pigments Technologies ("R&P") is our specialty chemicals arm. R&P has been an established company in colour compounding and masterbatch supply in Singapore and the nearby region. A decision was made in 2006 to adopt an innovative business model. While keeping a good control on the business associated with the seasonal electrical and electronics product cycles, we are concurrently refocussing to partner with more sophisticated and bigger players in the upstream niche producers of polymers. This new approach allows the polymer and chemical value-chain to be integrated into one streamlined operation, to effectively and efficiently serve the complex requirements of the global multi-national petrochemical and polymer players.

To facilitate the initiative, R&P relocated to Jurong Logistics Terminal in order to integrate the operations to service the major petrochemicals players in the Petrochemical and Polymer hub on Jurong Island. While the focus has been on re-engineering the business model in Singapore, our Malaysia and China subsidiaries continue to perform to expectations.

A Differentiated Value-Add Provider

Our partnership with Katoen Natie, a leading global logistic provider focussing on specialty chemicals, has enabled us to jointly provide an integrated business solution combining bulk-handling, compounding and logistic activities. Most of the petrochemical producers have set up major investments on Jurong Island and have announced plans to embark on expansion programmes in Singapore and Asia. Hence, R&P will be in an advantageous position to serve the anticipated growth of the region.


Strategy for Growth

PROPERTY DEVELOPMENT

Partners in Property

This segment of EnGro's business is growing well. When our company was still known as Ssangyong Cement (S) Limited, we joined force with Ho Bee Group to start the Parliament View luxury apartment project in London back in 1999. The success of this project laid the foundation for continuing partnership-building with Ho Bee Group, which now includes projects in Shanghai and Sentosa Cove (The Coast project) in Singapore. The public's response to The Coast project in Sentosa has been overwhelming and we expect contributions from the project from late 2009 onwards.

Partnering Growth

Our approach to growth sets its base very much on how we build and nurture relationships, and who we partner with.

In our Specialty Cement business, we are honoured to work with three leading steel groups in China – TangGang Group (in Hebei province), JiGang Group (in Shandong province) and HuaiGang Group (in Jiangsu province).

In our Specialty Chemicals business, a partnership contract was inked with a strong global logistics player, value-adding to our existing customers and enabling our shift in business model as we re-focus our direction up the polymer compounding value-chain.

Interdependent Partnership

The strength of our partnership-building strategy is in the way our HQ office in Singapore proactively engages in each JV's business by monitoring performance and recommending new growth strategies for execution. We also relish inputs from our JV partners as we jointly carve the future path of our various JV businesses.

Singapore Presence

In Singapore, we have completed the right-sizing of our cement and RMC operations, and are in a position to capitalise on the recovery of the construction industry in Singapore per the Singapore Government's vision to build Singapore into a city with a 6.5 million population over the next 10 to 15 years. We envisage that the two Integrated Resort projects on the island and the spin-off projects cum new infrastructure building to provide for the new economy announced by the Government will increase the demand for construction materials and herald in a new round of construction boom.

	Marketing and Distribution
	Manufacturing and Distribution

15
Our Regional Footprint

16
Organisation Chart

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

ENGRO

- **Specialty Cement & Building Materials**
  - GGBS
    - 40% Tangshan Tanglong Materials Co Ltd
    - 40% Jinan Luxin Materials Co Ltd
    - 40% Jiangsu Huailong Materials Co Ltd
    - 40% Jinan LuAng Materials Co Ltd
    - 40% Tangshan Tang-Ang Materials Co Ltd
    - 40% VCEM Materials Co Ltd
  - Dry Mix
    - 100% S3 Technologies Pte Ltd
    - 100% S3 Technologies (S) Pte Ltd
    - 100% CemtecAsia (M) Sdn Bhd
    - 100% S3 Technologies Sdn Bhd
    - 100% Shanghai S3 Building Materials Co Ltd
  - RMC
    - 100% Top-Mix Concrete Pte Ltd
    - 40% Changshu Chang Long Concrete Co Ltd
    - 40% Changshu Chang Xin Ready Mix Concrete Co Ltd
    - 40% Changshu Chang Yin Ready Mix Concrete Co Ltd
- **Specialty Chemicals**
  - 88.1% Resin & Pigment Technologies Pte Ltd
  - 88.1% Resin & Pigment Technologies (Wuxi) Co Ltd
  - 88.1% Resin & Pigment Technologies Sdn Bhd
- **Investments**
  - 100% Sancem Investment Pte Ltd
  - 100% SsangYong LTI Pte Ltd
  - 100% e-Invest Limited
  - 100% Juniper Capital Ventures (Pte) Ltd
- **Property Development**
  - 30% HBS Investments Pte Ltd
  - 30% Parliament View Developments Limited
  - 10% Ho Bee Cove Pte Ltd

CORPORATE GOVERNANCE REPORT

EnGro Corporation Limited (the "Company") is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (the "Group"). This Report describes the Company's corporate governance processes and activities with specific reference to the Code of Corporate Governance (the "2005 Code").

BOARD OF DIRECTORS (THE "BOARD")

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

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

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

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	Audit Committee	Nominating Committee	Remuneration Committee
Non-independent Directors				
Tan Cheng Gay (executive)	Chairman	–	–	–
Tan Yok Koon (executive)	Member	–	Member	–
Tan Choo Suan (non-executive)	Member	Member	–	Member
Independent and Non-executive Directors				
Ng Tat Pun	Member	Chairman	Member	–
Soh Kim Soon	Member	–	Chairman	Member
Tan Keng Boon	Member	Member	–	Chairman

The number of Board, AC, NC and RC meetings held in FY2006 and the attendance of each Board member at those meetings were as follows:

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	Number of meetings							
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Directors								
Tan Cheng Gay	5	5	–	–	–	–	–	–
Tan Yok Koon	5	4	–	–	1	1	–	–
Tan Choo Suan	5	4	4	4	–	–	2	1
Ng Tat Pun	5	5	4	4	1	1	–	–
Soh Kim Soon	5	5	–	–	1	1	2	2
Tan Keng Boon	5	5	4	4	–	–	2	2
Chua Thian Poh [(1)]	1	1	–	–	–	–	–	–

(1) Mr Chua Thian Poh stepped down as a director in April 2006.

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 2005 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 organization structure of the Company. There are update sessions to inform the directors on new legislation and/or regulations that are relevant to the Group.

A formal letter will be provided to each director upon his appointment, setting out the director's duties and obligation.

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.

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.

CORPORATE GOVERNANCE REPORT

The NC has reviewed the independence of each director for the financial year ended 31 December 2006 in accordance with the 2005 Code's definition of independence and is satisfied that half of the Board comprises independent directors.

When a director has multiple board representations, the NC would review if the said director is able to and has been adequately carrying out his duty as a director of the Company.

The search and nomination process for new directors, if any, will be through search companies, contacts and recommendations that go through the normal selection process to cast its net as wide as possible for the right candidate.

Details of the Directors' profiles are set out on page 6 of this Annual Report.

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, including regularity of attendance at meetings, contribution and participation to discussons, possessions of skill sets relevant to the Company, independence, in the case of independant directors and assistance and guidence to the management.

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 SGX-ST; and

(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;

The AC has reviewed the non-audit services provided by the external auditors to the Group in FY2006 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 FY2006 and had accordingly reported its findings to the Board.

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

The Internal Auditor reports directly to the Chairman of the AC on audit matters and to the CEO on administrative matters. 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 Internal Auditor and the external auditors, nothing has come to the AC's attention that suggests internal control and risk management processes are not satisfactory.

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) and non-executive directors 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 CEO is also granted share options under the Company's SsangYong Cement (Singapore) Limited 2000 Employees' Share Option Scheme.

The other executive director is paid a basic salary, overseas allowance and a variable performance bonus which is linked to his performance and the performance of the China operations. He is also granted share options under the Company's SsangYong Cement (Singapore) Limited 2000 Employees' Share Option Scheme.

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

CORPORATE GOVERNANCE REPORT

The table below shows a summary of the remuneration of the directors for the year ended 31 December 2006:

	Remuneration band (1)	Fees	Salary	Bonus	Other benefits	Total
	S$	%	%	%	%	%
Executive Directors						
Tan Cheng Gay	250,000 to 499,999	–	84	14	2	100
Tan Yok Koon	250,000 to 499,999	2	74	15	9	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 (2)	0 to 249,999	100	–	–	–	100

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

(2) Mr Chua Thian Poh stepped down as a director in April 2006.

The executive directors are also granted share options for the year ended 31 December 2006. Details of the share options granted are disclosed in the Directors' Report.

The Board has not included an annual remuneration report in its annual report for FY2006 (as suggested by guidance note 9.1 of the 2005 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.

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

Management had provided each member of the Board with management accounts on a quarterly basis and is working towards providing the directors with monthly financials so that they will be better informed on how the Company is performing.

MATERIAL CONTRACT

Save as disclosed in the Interested Person Transaction section, there were no other material contracts 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 FY2006, 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 its own internal code of Best Practices 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 Company has adopted an internal policy in respect of any transaction with interested persons and has set out the procedures for review and approval of the Company's interested person transactions. The Company's disclosure in accordance with Rule 907 of the SGX-ST Listing Manual in respect of interested person transactions for the financial year ended 31 December 2006 is as follows:

Name of interested persons	**Aggregate value of all interested person transactions for the year ended 31 December 2006 (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual)**
	S$'000
Ho Bee Cove Pte Ltd [1]	
Investment	100
Interest income from loans	467
Loans	12,656
	13,223

The Company does not have a mandate on Interested Person Transactions.

[1] Ho Bee Cove Pte Ltd is a company in which the Company has a 10% interest. A controlling shareholder of the Company is also a controlling shareholder of Ho Bee Investments Limited which owns 90% of Ho Bee Cove Pte Ltd.

Financial Statements

TABLE
OF
CONTENTS

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 2006.

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

DIRECTORS' INTERESTS

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

Name of director and company in which interests are held	Holdings at beginning of the year	Holdings at end of the year
The Company		
Ordinary shares (par value of $0.50 each at beginning of the year)		
- interests held		
Tan Cheng Gay	356,500	386,500
Tan Choo Suan	946,000	946,000
Soh Kim Soon	31,000	31,000
- deemed interests held		
Tan Choo Suan	38,956,700	38,956,700
Tan Keng Boon	10,000	10,000
Options to subscribe for ordinary shares		
Tan Cheng Gay	–	230,000
Tan Yok Koon	–	190,000

The above options to subscribe for ordinary shares have an exercise price of $1.13 per share and exercise period between 2 December 2007 to 1 December 2016.

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

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2007.

DIRECTORS' INTERESTS (cont'd)

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

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in note 14 and 27 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related company with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

SHARE OPTIONS

The Ssangyong Cement (Singapore) Ltd 2000 Employees' Share Option Scheme (the Scheme) of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 15 January 2001. Details of the scheme was described in the Directors' report of the Company for the year ended 31 December 2000. The Scheme is administered by the Company's Remuneration Committee comprising three directors, Tan Keng Boon (Chairman), Tan Choo Suan and Soh Kim Soon.

Information regarding the Scheme are as follows:

(a) The exercise price of the options is set at $1.13 per share.
(b) The options can be exercised after 2 December 2007.
(c) All options are settled by physical delivery of shares.
(d) The options granted shall expire on 1 December 2016.

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

Date of grant of options	Exercise price per share	Options outstanding at 1 January 2006	Options granted	Options exercised	Options forfeited/ expired	Options	Number of option holders at 31 December 2006	Exercise period
1/12/2006	$1.13	–	2,130,000	–	–	2,130,000	29	2/12/2007 – 1/12/2016

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

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

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

AUDIT COMMITTEE

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

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

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

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

The Audit Committee also reviewed the following:

(i) effectiveness of the management of financial business risks and the reliability of management reporting;
(ii) assistance provided by the Company's officers to the internal and external auditors;
(iii) quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
(iv) interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

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

19 March 2007

STATEMENT BY DIRECTORS

In our opinion:

(a) the financial statements set out on pages 29 to 72 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 2006 and of the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

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

On behalf of the Board of Directors

Tan Cheng Gay
Director

Tan Yok Koon
Director

19 March 2007

INDEPENDENT AUDITORS' REPORT

MEMBERS OF COMPANY
ENGRO CORPORATION LIMITED AND ITS SUBSIDIARIES

We have audited the accompanying financial statements of EnGro Corporation Limited (the Company) and its subsidiaries (collectively, the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2006 and the income statement, statement of changes in equity and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 29 to 72.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion:

(a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006 and the results, changes in equity and cash flows of the Group 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
19 March 2007

BALANCE SHEETS

as at 31 December 2006

	Note	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
Non-current assets					
Property, plant and equipment	3	**10,030**	13,387	**637**	4,610
Subsidiaries	4	**–**	–	**75,539**	69,354
Associates	5	**47,135**	42,468	**28,591**	23,413
Other investments	6	**38,722**	34,144	**4,398**	4,234
Intangible assets	7	**–**	–	**–**	–
Other financial assets	8	**13,295**	172	**13,295**	172
		109,182	90,171	**122,460**	101,783
Current assets					
Inventories	9	**8,896**	7,322	**2,448**	2,664
Trade and other receivables	10	**16,739**	21,589	**5,432**	7,128
Other investments	6	**21,109**	24,862	**2,164**	13,758
Cash and cash equivalents	11	**16,088**	32,867	**6,076**	21,257
		62,832	86,640	**16,120**	44,807
Total assets		**172,014**	176,811	**138,580**	146,590
Equity attributable to equity holders of the Company					
Share capital	12	**70,977**	38,618	**70,977**	38,618
Reserves	13	**69,328**	108,882	**48,084**	91,889
		140,305	147,500	**119,061**	130,507
Minority interest		**2,863**	2,546	**–**	–
Total equity		**143,168**	150,046	**119,061**	130,507
Non-current liabilities					
Financial liabilities	15	**14,492**	1,827	**11,583**	3,723
Provision for restoration cost	16	**–**	250	**–**	–
Deferred tax liabilities	17	**280**	4,040	**–**	3,755
		14,772	6,117	**11,583**	7,478
Current liabilities					
Trade and other payables	18	**12,924**	13,970	**1,390**	2,472
Financial liabilities	15	**1,038**	6,608	**6,546**	6,133
Current tax payable		**112**	70	**–**	–
		14,074	20,648	**7,936**	8,605
Total liabilities		**28,846**	26,765	**19,519**	16,083
Total equity and liabilities		**172,014**	176,811	**138,580**	146,590

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

INCOME STATEMENT

year ended 31 December 2006

	Note	Group 2006 $'000	Group 2005 $'000
Revenue	19	**72,907**	54,666
Changes in inventories of finished goods and work-in-progress		**1,018**	1,394
Raw materials		**(60,615)**	(44,092)
Dividend income		**642**	498
Gain on liquidation of a subsidiary		**47**	–
Gain on disposal of property, plant and equipment		**1,254**	272
Interest income		**2,123**	1,901
Investment income/Gain on disposal of investment		**1,108**	4,848
Other income		**1,187**	751
Exchange (loss)/gain		**(2,108)**	2,064
(Allowance)/Write-back for doubtful debts and bad debts written off		**(267)**	831
Loss on disposal of an associate		**(207)**	–
Depreciation of property, plant and equipment	3	**(5,185)**	(5,145)
Net change in fair value of financial assets held for trading		**(966)**	(782)
Impairment losses on investments		**(1,052)**	(3,728)
Rental expense		**(1,548)**	(1,183)
Staff costs		**(8,739)**	(8,601)
Other expenses		**(9,541)**	(7,707)
Finance expenses		**(775)**	(132)
Share of profits of associates (net of tax)		**3,871**	3,471
Loss before income tax		**(6,846)**	(674)
Income tax (expense)/credit	21	**(196)**	291
Loss for the year	20	**(7,042)**	(383)
Attributable to:			
Equity holders of the Company		**(7,196)**	(440)
Minority interest		**154**	57
Loss for the year		**(7,042)**	(383)
Basic and diluted loss per share (cents)	22	**(9.32)**	(0.57)

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

STATEMENT OF CHANGES IN EQUITY

year ended 31 December 2006

Group	Share capital $'000	Share premium $'000	Capital reserve $'000	Foreign currency translation reserve $'000	Fair value reserve $'000	Accumulated profits/ (losses) $'000	Total attributable to equity holders of the Company $'000	Minority interest $'000	Total equity $'000
2005									
At 1 January 2005	38,618	32,359	446	3,509	–	78,437	153,369	2,489	155,858
Effect of adopting new and revised accounting standards – FRS 39 and FRS 103	–	–	(446)	–	1,150	492	1,196	–	1,196
At 1 January 2005, as restated	38,618	32,359	–	3,509	1,150	78,929	154,565	2,489	157,054
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	(571)	–	–	(571)	–	(571)
Net change in fair value of equity securities available-for-sale transferred to income statement	–	–	–	–	(616)	–	(616)	–	(616)
Changes in fair value of equity securities available-for-sale	–	–	–	–	(2,966)	–	(2,966)	–	(2,966)
Net loss recognised directly in equity	–	–	–	(571)	(3,582)	–	(4,153)	–	(4,153)
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 2006

Group	Share capital $'000	Share premium $'000	Share option reserve $'000	Foreign currency translation reserve $'000	Fair value reserve $'000	Accumulated profits/ (losses) $'000	Total attributable to equity holders of the Company $'000	Minority interest $'000	Total equity $'000
2006									
At 1 January 2006	38,618	32,359	–	2,938	(2,432)	76,017	147,500	2,546	150,046
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	261	–	–	261	–	261
Exchange difference on monetary items forming part of net investment	–	–	–	(3,109)	–	–	(3,109)	–	(3,109)
Net change in fair value of equity securities available-for-sale	–	–	–	–	(818)	–	(818)	–	(818)
Changes in fair value of equity securities available-for-sale	–	–	–	–	6,119	–	6,119	–	6,119
Net gain/(loss) recognised directly in equity	–	–	–	(2,848)	5,301	–	2,453	–	2,453
Net loss for the year	–	–	–	–	–	(7,196)	(7,196)	154	(7,042)
Total recognised income and expense for the year	–	–	–	(2,848)	5,301	(7,196)	(4,743)	154	(4,589)
Value of employee services received for issue of share options	–	–	18	–	–	–	18	–	18
Transfer from share premium to share capital upon implementation of the Companies (Amendment) Act 2005	32,359	(32,359)	–	–	–	–	–	–	–
Final dividend paid of 4 cents per share less tax at 20%	–	–	–	–	–	(2,470)	(2,470)	–	(2,470)
Issue of shares by a subsidiary to minority shareholders	–	–	–	–	–	–	–	110	110
Disposal of subsidiary and associate	–	–	–	–	–	–	–	53	53
At 31 December 2006	**70,977**	**–**	**18**	**90**	**2,869**	**66,351**	**140,305**	**2,863**	**143,168**

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

CASH FLOW STATEMENT

year ended 31 December 2006

	Note	Group 2006 $'000	Group 2005 $'000
Operating activities			
Loss before income tax		**(6,846)**	(674)
Adjustments for:			
Allowance/(write-back) for doubtful debts and bad debts written off		**267**	(831)
Allowance for inventory obsolescence		**99**	–
Amortisation of financial guarantee		**(133)**	–
Depreciation of property, plant and equipment	3	**5,185**	5,145
Dividend income		**(642)**	(498)
Equity settled share-based payment transactions		**18**	–
Finance expenses		**775**	132
Negative goodwill on acquisition of associate		**(444)**	–
Net change in fair value of financial assets held for trading		**966**	782
Gain on liquidation of a subsidiary		**(47)**	–
Gain on disposal of property, plant and equipment		**(1,254)**	(272)
Gain on disposal of investments		**(646)**	(4,820)
Interest income		**(2,123)**	(1,901)
Impairment losses on investments		**1,052**	3,728
Loss on disposal of an associate		**207**	–
Reversal of provision for restoration cost		**(250)**	–
Share of profits of associates (net of tax)		**(3,871)**	(3,471)
Others		**–**	(46)
Operating loss before working capital changes		**(7,687)**	(2,726)
Changes in working capital:			
Inventories		**(1,435)**	(1,931)
Trade and other receivables		**6,236**	(2,106)
Trade and other payables		**66**	5,748
Cash used in operations		**(2,820)**	(1,015)
Income tax (paid)/recovered		**(4,445)**	81
Cash flows from operating activities		**(7,265)**	(934)
Investing activities			
Cash paid for investment in associates		**(6,085)**	(9,448)
Dividends received		**5,365**	1,371
Interest received		**1,656**	1,909
Loan to an associate		**–**	(420)
Loan to an investee company		**(12,656)**	–
Proceeds from disposal of property, plant and equipment		**3,927**	441
Proceeds from disposal of other investments		**14,891**	27,888
Purchase of other investments		**(14,893)**	(29,304)
Purchase of property, plant and equipment		**(3,745)**	(3,228)
Net cash outflow on acquisition of associate	24	**(357)**	–
Proceeds from disposal of associate	24	**249**	368
Proceeds from liquidation of subsidiary	24	**(175)**	–
Cash flows from investing activities		**(11,823)**	(10,423)

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

CASH FLOW STATEMENT

year ended 31 December 2006

	Note	Group 2006 $'000	Group 2005 $'000
Financing activities			
Dividends paid by the Company		**(2,470)**	(2,472)
Demand deposits pledged		**(2,609)**	450
Interest paid		**(775)**	(132)
Proceeds from minority shareholders from issue of shares by a subsidiary		**110**	–
Proceeds from long term borrowings		**11,655**	3,775
Repayment of finance lease, net		**(302)**	(196)
Repayment of short term borrowings		**(5,657)**	–
Cash flows from financing activities		**(48)**	1,425
Net decrease in cash and cash equivalents		**(19,136)**	(9,932)
Cash and cash equivalents at beginning of year		**32,789**	43,891
Effect of exchange fluctuations on cash held		**(174)**	(1,170)
Cash and cash equivalents at end of year		**13,479**	32,789
Comprising:			
- Cash and cash equivalents	11	**16,088**	32,867
- Deposits pledged		**(2,609)**	–
- Bank overdrafts (secured)	15	**–**	(78)
		13,479	32,789

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

NOTES TO THE FINANCIAL STATEMENTS

year ended 31 December 2006

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 19 March 2007.

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 Group and the Company are 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 its subsidiaries (together referred to as the Group) and the Group's interests in associates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities which are measured at fair value.

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

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 4 – Subsidiaries
- Note 9 – Inventories
- Note 10 – Trade and other receivables
- Note 25 – Financial Instruments

Except for the change in accounting for exchange differences arising from monetary item that forms part of the Company's net investment in foreign operations (note 2.3), the accounting policies set out below have been applied consistently by the Group to all periods presented in these financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Consolidation

Business combinations

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 income statement in the period of the acquisition.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. 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

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an associate the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Intra-group balances, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated against the investment to the extent that there is no evidence of impairment.

Accounting for subsidiaries and associates by the Company

Investments in subsidiaries and associates are stated in the Company's balance sheet at cost less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

year ended 31 December 2006

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of monetary items that in substance form part of the Group's net investment in a foreign operation (see below), and available-for-sale equity instruments (see note 2.6).

Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates prevailing at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Foreign currency differences are recognised in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign exchange translation reserve is transferred to the income statement.

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 income statement. Such exchange differences are reclassified to equity in the consolidated financial statements.

Change in accounting policy

The adoption of FRS 21 (revised) has resulted in exchange differences arising from a monetary item that forms part of the Company's net investment in foreign operations being reclassified to equity at the Group level. For the year ended 31 December 2006, an exchange loss of $3,109,000 was reclassified to equity at the Group level.

There is no effect on the comparatives or the opening balance of accumulated profits of the Group as change was prospective.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Freehold land and assets under construction are not depreciated. Depreciation on other property, plant and equipment is recognised in the income statement on a straight line basis over their estimated useful lives at the following annual rates:

Leasehold land	-	Over the remaining unexpired lease of 20 years
Leasehold apartment	-	5%
Building and civil works	-	6% to $33^1/_3$%
Plant, machinery and equipment, office equipment, furniture and fittings	-	7 ½ % to $33^1/_3$%
Computers, motor vehicles and transport equipment	-	20% to $33^1/_3$%

Depreciation method, useful lives and residual values are reviewed and adjusted as appropriate, at each reporting date.

2.5 Intangible assets - Goodwill

Goodwill and negative goodwill arise on the acquisition of subsidiaries and associates. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Negative goodwill represents the excess of the Group's interest in the net fair value of the identifiable net assets and liabilities of the acquiree over the cost of the acquisition.

Goodwill arising on the acquisition of subsidiaries is presented in intangible assets. Goodwill arising on the acquisition of associates is presented together with investments in associates.

Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment as described in note 2.8. Negative goodwill is recognised immediately in the income statement. Negative goodwill is accounted for as set out in note 2.2.

2.6 Financial instruments

Non-derivative financial instruments

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

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

NOTES TO THE FINANCIAL STATEMENTS
year ended 31 December 2006

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Financial instruments (cont'd)

Non-derivative financial instruments (cont'd)

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e, the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and bank deposits. Bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Available-for-sale financial assets

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than for impairment losses, and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement.

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

Distributions of cash or quoted equity shares made by 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 income statement. 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.

Investments at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated as fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in the income statement when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the income statement.

Others

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

2.6 Financial instruments (cont'd)

Derivative financial instruments and hedging activities

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

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

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is discontinued prospectively. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to the income statement in the same period that the hedged item affects profit or loss.

Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the income statement. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Financial instruments (cont'd)

Financial guarantees

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

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

2.7 Leases

When entities within the Group are lessees of a finance lease

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, 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. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Lease payments are apportioned between finance expense and reduction of the lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

When entities within the Group are lessees of an operating lease

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made.

2.8 Impairment – non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill, recoverable amount is estimated at each reporting date, and as and when indicators of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Impairment – non-financial assets (cont'd)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

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

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, determined using the first-in-first-out method, includes all costs in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less anticipated cost of completion and the estimated cost of disposal after making allowance for damaged, obsolete and slow-moving items.

Finished goods and work-in-progress include the cost of raw materials, direct labour and attributable production overheads.

2.10 Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payments

The share option programme allows Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. At each balance sheet date, the company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Provision

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

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.

2.12 Revenue recognition

Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Transfer of risks and rewards vary depending on the individual shipping terms of the sale.

Interest income

Interest income from bank deposits is accrued on a time apportioned basis on the principal outstanding and at the rate applicable. Interest income from structured deposits is recognised on a receipt basis when the right to receive payment is established.

Dividend income

Dividend income from equity investments is recognised when the shareholder's right to receive payment is established, which in the case of quoted investments is the ex-dividend date.

2.13 Finance expenses

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in the income statement using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

2.14 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.14 Income tax expense (cont'd)

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

3 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land $'000	Leasehold land $'000	Leasehold apartment $'000	Building and civil works $'000	Plant, machinery and equipment $'000	Office equipment, furniture and fittings $'000	Computers $'000	Motor vehicles and transport equipment $'000	Assets under construction $'000	Total $'000
Cost										
At 1 January 2005	–	306	–	31,874	16,690	1,677	1,538	3,115	156	55,356
Translation differences on consolidation	–	5	10	47	18	19	(1)	14	1	113
Additions	363	–	823	1,198	399	115	113	403	–	3,414
Reclassification between categories	–	–	–	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
Translation differences on consolidation	(3)	(2)	(40)	(60)	(82)	(27)	–	(20)	–	(234)
Additions	–	–	–	2,290	1,884	135	141	212	–	4,662
Disposals/write-offs	–	–	–	(14,441)	(608)	(213)	(95)	(174)	–	(15,531)
At 31 December 2006	**360**	**309**	**793**	**20,890**	**18,001**	**1,645**	**1,696**	**2,892**	**–**	**46,586**
Accumulated depreciation and impairment losses										
At 1 January 2005	–	110	–	23,534	11,274	1,021	1,478	2,709	15	40,141
Translation differences on consolidation	–	2	–	16	4	10	–	9	1	42
Depreciation charge for the year	–	14	15	2,592	2,134	113	48	229	–	5,145
Reclassification between categories	–	–	–	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
Translation differences on consolidation	–	(1)	(1)	(17)	(30)	(13)	–	(12)	–	(74)
Depreciation charge for the year	–	85	36	2,574	2,122	113	84	171	–	5,185
Disposals/write-offs	–	–	–	(11,930)	(513)	(160)	(89)	(165)	–	(12,857)
At 31 December 2006	**–**	**210**	**50**	**16,720**	**14,712**	**1,029**	**1,521**	**2,314**	**–**	**36,556**
Carrying amount										
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
At 31 December 2006	**360**	**99**	**743**	**4,170**	**3,289**	**616**	**175**	**578**	**–**	**10,030**

3 **PROPERTY, PLANT AND EQUIPMENT** (cont'd)

Company	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
Cost						
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
Additions	–	71	7	44	10	132
At 31 December 2006	**17,211**	**13,225**	**995**	**1,538**	**536**	**33,505**
Accumulated depreciation and impairment losses						
At 1 January 2005	12,664	9,659	668	1,404	639	25,034
Depreciation 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
Depreciation charge for the year	2,275	1,699	39	41	51	4,105
At 31 December 2006	**17,211**	**13,079**	**754**	**1,470**	**354**	**32,868**
Carrying amount						
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
At 31 December 2006	**–**	**146**	**241**	**68**	**182**	**637**

During the year, the Group acquired property, plant and equipment with an aggregate cost of $4,662,000 (2005: $3,414,000), of which $917,000 (2005: $186,000) was acquired under finance leases.

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

	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
Plant, machinery and equipment	**944**	203	**–**	–
Motor vehicles	**303**	287	**171**	218

NOTES TO THE FINANCIAL STATEMENTS
year ended 31 December 2006

3 PROPERTY, PLANT AND EQUIPMENT (cont'd)

As at 31 December, the carrying amount of property, plant and equipment pledged as security for credit facilities extended by the banks are as follows:

	Group	
	2006	**2005**
	$'000	**$'000**
Freehold land	**360**	363
Building and civil works	**960**	1,110

4 SUBSIDIARIES

	Company	
	2006	**2005**
	$'000	**$'000**
Equity investments, at cost	**46,414**	42,315
Impairment losses	**(32,529)**	(32,529)
	13,885	9,786
Loans to subsidiaries	**75,554**	73,468
Impairment losses	**(13,900)**	(13,900)
	61,654	59,568
Total interest in subsidiaries	**75,539**	69,354

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

Source of estimation uncertainty

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

4 SUBSIDIARIES (cont'd)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Effective equity held by the Group 2006 %	2005 %
Held by the Company			
CemtecAsia (H.K.) Limited [4]	Sale of construction and building materials and provision of liaison and coordination services to related companies	**100**	100
CemtecAsia (M) Sdn Bhd [1]	Manufacture and sale of construction and building materials	**100**	100
Pacific Technology Private Limited	Dormant	**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 [1]	Manufacture and sale of building plasters	**100**	100
Sancem Investment Pte Ltd	Investment trading	**100**	100
Shanghai S3 Building Materials Co Ltd [2]	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:

	2006	2005
• e-Invest Limited [1]	**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

NOTES TO THE FINANCIAL STATEMENTS
year ended 31 December 2006

4 SUBSIDIARIES (cont'd)

Name of subsidiaries	Principal activities	Effective equity held by the Group	
		2006	**2005**
Held by subsidiaries		**%**	%
Chinthe Concrete Pte Ltd	Dormant	**–**	67
EnGro Chemicals Pte Ltd	Manufacture and sale of concrete and related products	**100**	100
MPT Pacific Technology Sdn. Bhd. [1]	Dormant	**100**	100
Top-Mix Concrete Pte Ltd	Manufacture and sale of concrete and other building materials	**100**	100

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

Name of subsidiaries	Effective equity held by the Group	
	2006	**2005**
	%	**%**
• Burkill (Singapore) Pte Ltd [2]	**75.86**	60
• Resin & Pigment Technologies Pte Ltd [2]	**75.86**	60
• Resin & Pigment Technologies Sdn Bhd [3]	**75.86**	60
• Resin & Pigment Technologies (Wuxi) Co Ltd [2]	**75.86**	60

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

(1) Audited by other member firms of KPMG International.
(2) Audited by Foo Kon Tan Grant Thornton, Singapore.
(3) Audited by SQ Morrison, Malaysia.
(4) Audited by KT Chan and Company, Hong Kong.

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.

5 ASSOCIATES

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Investment in associates	**47,135**	42,048	**28,591**	22,993
Loan to an associate	**–**	420	**–**	420
	47,135	42,468	**28,591**	23,413

The loan to an associate was unsecured and interest-free and repaid during the financial year.

Details of significant associates are as follows:

Name of associates	Principal activities	Place of incorporation/ business	Effective equity held by the Group	
			2006	2005
Held by the Company			%	%
HBS Investments Pte Ltd [(1)]	Investment holding	Singapore	**30**	30

			2006	2005
Held by subsidiaries			%	%
VCEM Materials Co Ltd [(3)]	Manufacture and sale of specialty cement	South Korea	**40**	40

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

	2006	2005
• Jiangsu Huailong Materials Co Ltd [(4)]	**40**	40
• Jinan LuAng Materials Co Ltd [(4)]	**40**	40
• Jinan Luxin Materials Co Ltd [(2)]	**40**	40
• Tangshan Tanglong Materials Co Ltd [(2)]	**40**	40
• Tangshan TangAng Materials Co Ltd [(4)]	**40**	–

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

	2006	2005
• Changshu Changlong Concrete Co Ltd [(2)]	**40**	40
• Changshu Changxing Ready Mix Concrete Co Ltd [(2)]	**40**	40
• Changshu Changyin Ready Mix Concrete Co Ltd [(4)]	**40**	10

(1) Audited by KPMG, Singapore.

(2) Audited by Foo Kon Tan Grant Thornton, Singapore.

(3) Audited by Samil PricewaterhouseCoopers, South Korea.

(4) Not audited as associates have not commenced commercial operations for the year ended 31 December 2006 or are not significant as defined under clause 718 of the SGX-ST Listing Manual.

NOTES TO THE FINANCIAL STATEMENTS
year ended 31 December 2006

5 ASSOCIATES (cont'd)

The summarised financial information relating to associates, which is not adjusted for the percentage of ownership held by the Group, are as follows:

	2006 $'000	2005 $'000
Assets and liabilities		
Total assets	**171,233**	142,710
Total liabilities	**61,816**	46,736
Results		
Revenue	**85,637**	72,352
Net profit after taxation	**9,431**	8,045

The Group's share of the contingent liabilities of the associates as at 31 December 2006 is $nil (2005: $2,121,000).

Certain of the shares in an associate was pledged to a joint venture party to provide the Company's share of guarantee for a bank loan for another associate.

6 OTHER INVESTMENTS

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Non-current investments				
Debt securities available-for-sale	**–**	830	**–**	–
Equity securities available-for-sale	**38,722**	33,314	**4,398**	4,234
	38,722	34,144	**4,398**	4,234
Current investments				
Structured deposits designated at fair value through profit or loss	**8,888**	13,758	**2,149**	13,758
Equity securities held for trading	**12,221**	11,104	**15**	–
	21,109	24,862	**2,164**	13,758

The above investments are principally denominated in US dollars and held in companies with US dollars as their functional currency.

An impairment loss of $1,052,000 (2005: $3,728,000) in respect of available-for-sales equity securities of the Group was recognised during the year based on the estimated future cash flow of the available for sales investments.

At 31 December 2006, equity securities held for trading and structured deposit totalling $17,899,000 (2005: Nil) of a certain subsidiary is pledged as security to obtain a bank loan.

The effective interest rates and repricing analysis of structured deposits at the balance sheet date are as follows:

6 OTHER INVESTMENTS (cont'd)

	Effective interest rate %	Floating interest $'000	Fixed interest rate maturing within 1 year $'000	Fixed interest rate maturing After 1 to 5 years $'000	Total $'000
2006					
Group	6.4	2,149	–	6,739	8,888
Company	9.3	2,149	–	–	2,149
2005					
Group and Company	3.8	6,515	–	7,245	13,758

7 INTANGIBLE ASSETS

Group	**Goodwill $'000**
Cost	
At 1 January 2005, as previously reported	204
Effects of adopting FRS 103	(204)
At 1 January 2005, 31 December 2005 and 31 December 2006	–
Accumulated amortisation (including exchange translation)	
At 1 January 2005, as previously reported	250
Effects of adopting FRS 103	(250)
At 1 January 2005, 31 December 2005 and 31 December 2006	–
Carrying amount	
At 1 January 2005, 31 December 2005 and 31 December 2006	–

8 OTHER FINANCIAL ASSETS

	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
Loan to an investee company	**13,123**	–	**13,123**	–
Club membership	**238**	238	**238**	238
Impairment losses	**(66)**	(66)	**(66)**	(66)
	172	172	**172**	172
	13,295	172	**13,295**	172

The loan to an investee company, in which the Company has a 10% equity interest, is unsecured and repayable in financial year 2009. The loan has an effective interest rate of 3.7% during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

year ended 31 December 2006

9 INVENTORIES

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Finished goods	**5,112**	4,514	**2,448**	2,648
Raw materials	**3,575**	2,734	**–**	16
Work-in-progress	**209**	74	**–**	–
	8,896	7,322	**2,448**	2,664

Included in the above are raw materials of the Group of $289,000 (2005: $97,000) and finished goods of the Group of $2,637,000 (2005: $1,651,000) carried at net realisable values. The allowance has been included as part of other expenses.

In 2006, raw materials and changes in finished goods and work-in-progress recognised in cost of sales amounted to $59,597,000 (2005: $42,698,000).

Source of estimation uncertainty

The Group recognises allowance on inventory obsolescence when inventory items are identified as obsolete. Obsolescence is based on the physical and internal condition of inventory items. Obsolescence is also established when inventory items are no longer marketable. Obsolete goods when identified are written off and charged to income statement. In addition to an allowance for specifically identified obsolete inventory, estimation is made on a group basis based on the age of the inventory items. The Group believes such estimates represent a fair charge of the level of inventory obsolescence in a given year. The Group reviews on a monthly basis the condition of its inventory. The assessment of the condition of the inventory goods either increase or decrease expenses or total inventory.

10 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Trade receivables due from:				
- Subsidiaries	**–**	–	**1,850**	721
- Third parties	**14,861**	17,635	**2,089**	4,084
	14,861	17,635	**3,939**	4,805
Allowance for doubtful receivables	**(2,018)**	(1,810)	**(704)**	(728)
Net receivables	**12,843**	15,825	**3,235**	4,077
Deposits	**549**	488	**82**	85
Dividend receivable from associates	**739**	772	**–**	–
Fair value derivatives	**–**	52	**–**	–
Other receivables	**181**	2,665	**31**	1,754
Prepayments	**253**	155	**23**	71
Tax recoverable	**2,174**	1,632	**2,061**	1,141
	16,739	21,589	**5,432**	7,128

10 TRADE AND OTHER RECEIVABLES (cont'd)

Outstanding balances with subsidiaries are unsecured, interest-free and repayable on demand. There is no allowance for doubtful debts arising from the outstanding balances.

Trade receivables denominated in currencies other than the Company's functional currency comprise $5,289,000 (2005: $5,385,000) denominated in US dollars, $1,381,000 (2005: $1,490,000) denominated in Ringgit Malaysia and $380,000 (2005: $729,000) denominated in various other foreign currencies.

Source of estimation uncertainty

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

The Group's primary exposure to credit risk arises through its trade receivables. Concentration of credit risk relating to trade receivables is limited due to the Group's many varied customers. These customers are internationally dispersed, engage in a wide spectrum of manufacturing and distribution activities, and sell in a variety of end markets. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group's trade receivables.

11 CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Term deposits	**8,519**	27,431	**4,875**	19,848
Demand deposits and cash in hand	**7,569**	5,436	**1,201**	1,409
Cash and cash equivalents	**16,088**	32,867	**6,076**	21,257

As at 31 December 2006, demand deposits of $2,609,000 were pledged as security to obtain credit facilities.

The weighted average effective interest rates per annum relating to cash and cash equivalents at 31 December 2006 for the Group and the Company are 1.5% (2005: 4.1%) and 1.1% (2005: 4.6%) per annum respectively.

NOTES TO THE FINANCIAL STATEMENTS

year ended 31 December 2006

12 SHARE CAPITAL

Group and Company

	2006 No. of shares ('000)	**2006** $'000	**2005** No. of shares ('000)	**2005** $'000
Issued and fully paid ordinary shares:				
At 1 January	**77,235**	**38,618**	77,235	38,618
Transfer from share premium account upon implementation of the Companies (Amendment) Act 2005	**–**	**32,359**	–	–
At 31 December	**77,235**	**70,977**	77,235	38,618

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

(a) the concept of authorised share capital was abolished;

(b) shares of the Company ceased to have par value; and

(c) the amount standing to the credit of the Company's share premium account became part of the Company's share capital.

Prior to this, the authorised share capital of the Company was $38,618,000 comprising 77,235,000 ordinary share with par value of $0.50 each.

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		**Company**	
	2006 $'000	**2005** $'000	**2006** $'000	**2005** $'000
Share premium	**–**	32,359	**–**	32,359
Foreign currency translation reserve	**90**	2,938	**–**	–
Fair value reserve	**2,869**	(2,432)	**345**	(449)
Share option reserve	**18**	–	**18**	–
Accumulated profits	**66,351**	76,017	**47,721**	59,979
	69,328	108,882	**48,084**	91,889

The application of the share premium account was governed by sections 69 of the Companies Act, Chapter 50. On the date of commencement of the Companies (Amendment) Act 2005 on 30 January 2006, the amount became part of the Company's share capital.

13 RESERVES (cont'd)

The foreign currency translation reserve comprises:

(a) foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company; and

(b) the exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised.

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

14 EMPLOYEE SHARE OPTIONS

The Ssangyong Cement (Singapore) Ltd 2000 Employees' Share Option Scheme (the Scheme) of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 15 January 2001. The Scheme is administered by the Company's Remuneration Committee comprising three directors, Tan Keng Boon (Chairman), Tan Choo Suan and Soh Kim Soon.

Information regarding the Scheme are as follows:

(a) The exercise price of the options is set at $1.13 per share.

(b) The options can be exercised after 2 December 2007.

(c) All options are settled by physical delivery of shares.

(d) The options granted shall expire on 1 December 2016.

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

	Weighted average exercise price $	No. of options ('000)
At 1 January 2006	–	–
Granted	1.13	2,130
At 31 December 2006	1.13	2,130

There were no options exercised during the year.

At the end of the year, there are outstanding share options of 2,130,000 which were granted on 1 December 2006 with an exercise price of $1.13 and expire on 1 December 2016.

14 EMPLOYEE SHARE OPTIONS (cont'd)

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

Fair value of share options and assumptions

Date of grant of options	**1 December 2006**
Fair value at measurement date	**$0.10**
Share price	**$1.12**
Exercise price	**$1.13**
Expected volatility	**19.4%**
Expected option life	**5.0 years**
Expected dividends	**5.38%**
Risk-free interest rate	**3.01%**

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

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

15 FINANCIAL LIABILITIES

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Non-current liabilities				
Long-term bank loans (secured)	**11,752**	1,672	**11,000**	–
Long-term bank loans (unsecured)	**1,574**	–	**–**	–
	13,326	1,672	**11,000**	–
Loans from subsidiaries	**–**	–	**–**	3,670
Finance lease liabilities	**603**	155	**20**	53
Financial guarantees	**563**	–	**563**	–
	14,492	1,827	**11,583**	3,723
Current liabilities				
Bank overdraft (secured)	**–**	78	**–**	–
Short-term bank loans (unsecured)	**675**	5,000	**–**	5,000
Short-term bank loans (secured)	**58**	–	**–**	–
Short-term borrowings (secured)	**–**	1,100	**–**	1,100
Long-term bank loans (secured)	**–**	291	**–**	–
Loans from subsidiaries	**–**	–	**6,513**	–
Finance lease liabilities	**305**	139	**33**	33
	1,038	6,608	**6,546**	6,133

15 FINANCIAL LIABILITIES (cont'd)

The secured bank loans are secured on property, plant and equipments and other investments as disclosed in note 3 and 6 respectively.

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

Finance lease liabilities

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

	2006		2005	
	Minimum lease payments $'000	Present value of payments $'000	Minimum lease payments $'000	Present value of payments $'000
Group				
Repayable within 1 year	**353**	**305**	152	139
Repayable after 1 year but within 5 years	**649**	**603**	166	155
	1,002	**908**	318	294
Less future finance charges	**(94)**		(24)	
Present value of obligation	**908**		294	
Less payable within 1 year	**(305)**		(139)	
Payable after 1 year but within 5 years	**603**		155	
Company				
Repayable within 1 year	**36**	**33**	36	33
Repayable after 1 year but within 5 years	**21**	**20**	57	53
	57	**53**	93	86
Less future finance charges	**(4)**		(7)	
Present value of obligation	**53**		86	
Less payable due within 1 year	**(33)**		(33)	
Payable after 1 year but within 5 years	**20**		53	

15 FINANCIAL LIABILITIES (cont'd)

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Nominal interest rate	Year of maturity	2006 Face value $'000	2006 Carrying amount $'000	2005 Face value $'000	2005 Carrying amount $'000
Group						
S$ floating rate						
- loan A	Swap rate + 0.7%	2009	**11,000**	**11,000**	–	–
- loan B	Cost of funds + 2.0%	2009	**3,059**	**3,059**	1,963	1,963
- loan C	Cost of funds + spread	2006	**–**	**–**	5,000	5,000
Secured short term borrowings	8.0%	2006	**–**	**–**	1,100	1,100
Finance lease liabilities	2.5% - 5.0%	2007 - 2011	**908**	**908**	294	294
Bank overdrafts	6.0%	repayable on demand	**–**	**–**	78	78
			14,967	**14,967**	8,435	8,435
Company						
S$ floating rate						
- loan A	Swap rate + 0.7%	2009	**11,000**	**11,000**	–	–
- loan C	Cost of funds + spread	2006	**–**	**–**	5,000	5,000
Secured short term borrowing	8.0%	2006	**–**	**–**	1,100	1,100
Finance lease liabilities	2.5%	2008	**53**	**53**	86	86
			11,053	**11,053**	6,186	6,186

15 **FINANCIAL LIABILITIES** (cont'd)

Effective interest rates and repricing

	Effective interest rate	Floating interest	Fixed interest rate maturing within 1 year	Fixed interest rate maturing in 1 to 5 years	Fixed interest rate maturing after 5 years	Total
		$'000	$'000	$'000	$'000	$'000
Group						
2006						
S$ floating rate loan A	4.3%	11,000	–	–	–	11,000
- effect of interest rate swaps	0.3%	(11,000)	–	11,000	–	–
S$ floating rate loan B	5.4% - 7.5%	3,059	–	–	–	3,059
Finance lease liabilities	2.2% - 8.6%	–	52	856	–	908
		3,059	52	11,856	–	14,967
2005						
S$ floating rate						
- loan B	5.0%	1,963	–	–	–	1,963
- loan C	4.8% - 5.0%	5,000	–	–	–	5,000
Secured short term borrowing	8.0%	–	1,100	–	–	1,100
Finance lease liabilities	2.5% - 5.4%	–	–	294	–	294
Bank overdrafts	8.3%	78	–	–	–	78
		7,041	1,100	294	–	8,435
Company						
2006						
S$ floating rate loan A	4.3%	11,000	–	–	–	11,000
- effect of interest rate swaps	0.3%	(11,000)	–	11,000	–	–
Finance lease liabilities	5.7%	–	–	53	–	53
		–	–	11,053	–	11,053
2005						
S$ floating rate loan C	4.8% - 5.0%	5,000	–	–	–	5,000
Secured short term borrowing	8.0%	–	1,100	–	–	1,100
Finance lease liabilities	2.5%	–	–	86	–	86
		5,000	1,100	86	–	6,186

Financial guarantees

Financial guarantees relates to guarantees given by the Company to banks in respect of banking facilities amounting to $227,000,000 (2005: Nil) granted to an investee company in which the Company has a 10% interest. The financial guarantees expire in 2009.

16 PROVISION FOR RESTORATION COST

	Group	
	2006	**2005**
	$'000	**$'000**
At 1 January	**250**	250
Provisions reversed	**(250)**	–
At 31 December	**–**	250

17 DEFERRED TAX

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. Movements in deferred tax assets and liabilities during the year are as follows:

Group	**At 1 January 2005 $'000**	**Charged to income statement $'000**	**Exchange differences $'000**	**At 31 December 2005 $'000**	**Credited to income statement $'000**	**Exchange differences $'000**	**At 31 December 2006 $'000**
Deferred tax liabilities							
Property, plant and equipment	2,887	11	15	2,913	(2,632)	(1)	**280**
Other items	1,127	–	–	1,127	(1,127)	–	**–**
	4,014	11	15	4,040	(3,759)	(1)	**280**

Deferred tax liabilities of the Company are attributable to the following:

	Company	
	2006	**2005**
	$'000	**$'000**
Property, plant and equipment	**–**	2,628
Other items	**–**	1,127
	–	3,755

18 TRADE AND OTHER PAYABLES

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Trade payables due to:				
- Subsidiaries	**–**	–	**123**	1,392
- Third parties	**6,451**	9,525	**416**	88
Bills payables	**2,115**	730	**–**	–
Accrued expenses	**2,749**	2,644	**605**	877
Amount due to directors of a subsidiary	**–**	298	**–**	–
Fair value derivatives	**–**	7	**–**	–
Other payables	**1,508**	665	**246**	115
Provisions for loss on claim	**101**	101	**–**	–
	12,924	13,970	**1,390**	2,472

The weighted average effective interest rate of bills payables of the Group at the end of the financial year is 5.9% per annum (2005: 6.0%).

The weighted average effective interest rate of amount due to directors of a subsidiary at the end of 31 December 2005 was 6.0% per annum.

Trade payables denominated in currencies other than the Company's functional currency comprise $1,930,000 (2005: $4,806,000) denominated in US dollars and $2,269,000 (2005: $2,518,000) denominated in various other foreign currencies.

19 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 corporations.

NOTES TO THE FINANCIAL STATEMENTS
year ended 31 December 2006

20 LOSS FOR THE YEAR

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

	Group	
	2006	2005
	$'000	$'000
Dividend income:		
- equity securities held for trading	**(410)**	(301)
- equity securities available-for-sale	**(232)**	(197)
Interest income:		
- bank deposits	**(413)**	(1,443)
- structured deposits	**(681)**	(315)
- loan to an investee company	**(467)**	–
- others	**(562)**	(143)
Investment income/Gain on disposal of:		
- equity securities held for trading	**(786)**	(288)
- equity securities available-for-sale	**(322)**	(4,560)
Net change in fair value of equity securities available-for-sale transferred to income statement	**818**	616
Amortisation of financial guarantee	**(133)**	–
Negative goodwill on acquisition of associate	**(444)**	–
Reversal of provision for restoration	**(250)**	–
Net change in fair value of financial assets at fair value through profit or loss:		
- held for trading	**966**	782
- designated as fair value through profit or loss	**234**	3,112
Non-audit fees paid to auditors of the Company	**50**	64
Allowance for inventory obsolescence	**99**	–
Operating lease expenses	**1,548**	1,183
Interest expense:		
- bank borrowings	**746**	107
- finance lease liabilities	**29**	25
Included in staff cost:		
- contribution to defined contribution plan	**510**	575
- value of employee services received for issue of share options	**18**	–

21 INCOME TAXES

	Group	
	2006	**2005**
	$'000	**$'000**
Current tax expenses		
Current year	**(3)**	62
Underprovision for prior years	**3,951**	(364)
	3,948	(302)
Deferred tax expenses		
Movements in temporary differences	**7**	42
Overprovision in prior years	**(3,759)**	(31)
	(3,752)	11
Income tax expense/(credit)	**196**	(291)

Reconciliation of effective tax rate

Loss before income tax	**(6,846)**	(674)
Income using Singapore tax rate of 20% (2005: 20%)	**(1,369)**	(144)
Effect of different tax rates in foreign jurisdiction	**(42)**	(20)
Expenses not deductible for tax purposes	**811**	1,320
Group relief	**(2)**	(755)
Income not subject to tax	**(1,090)**	(736)
Unrecognised deferred tax assets	**1,964**	412
Under/(Over)provision in prior years	**192**	(395)
Utilisation of deferred tax benefits previously not recognised	**(281)**	–
Others	**13**	27
	196	(291)

At 31 December, deferred tax assets have not been recognised in respect of the following temporary differences:

	Group	
	2006	**2005**
	$'000	**$'000**
Deductible temporary difference	**–**	4,164
Tax losses and unabsorbed wear and tear allowance	**30,169**	45,891
	30,169	50,055

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

NOTES TO THE FINANCIAL STATEMENTS

year ended 31 December 2006

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 $7,196,000 (2005: $440,000) and the weighted average number of shares in issue during the year of 77,235,000 (2005: 77,235,000).

The share options granted on 1 December 2006 as described in note 14 do not have a significant dilutive effect on the basic loss per share as at 31 December 2006.

23 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.

23 SEGMENT REPORTING (cont'd)

Business Segments

Revenue and expenses	Cement and building materials $'000	Specialty chemicals $'000	Eliminations $'000	Total $'000
2006				
Total revenue from external customers	**22,391**	**50,516**	**–**	**72,907**
Segment results	**(12,460)**	**663**	**–**	**(11,797)**
Share of profit of associates	**3,871**	**–**	**–**	**3,871**
Finance expenses				**(775)**
Net investment income and interest income				**1,855**
Income tax expense				**(196)**
Loss for the year				**(7,042)**
2005				
Total revenue from external customers	19,800	34,866	–	54,666
Segment results	(7,421)	671	–	(6,750)
Share of profit of associates	3,471	–	–	3,471
Finance expenses				(132)
Net investment income and interest income				2,737
Income tax credit				291
Loss for the year				(383)

Assets and liabilities	Cement and building materials $'000	Specialty chemicals $'000	Eliminations $'000	Total $'000
2006				
Segment assets	**31,866**	**22,488**	**–**	**54,354**
Investment in associates				**47,135**
Unallocated assets				**70,525**
Total assets				**172,014**
Segment liabilities	**5,105**	**9,289**	**–**	**14,394**
Unallocated liabilities				**14,452**
Total liabilities				**28,846**
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

23 SEGMENT REPORTING (cont'd)

Business Segments (cont'd)

	Cement and building materials $'000	Specialty chemicals $'000	Eliminations $'000	Total $'000
Other segment information				
2006				
Capital expenditure	**732**	**3,930**	**–**	**4,662**
Depreciation	**4,604**	**581**	**–**	**5,185**
2005				
Capital expenditure	1,693	1,721	–	3,414
Depreciation	4,634	511	–	5,145

Geographical Segments

	Singapore $'000	Malaysia $'000	Greater China $'000	Elimination $'000	Total $'000
2006					
External customers	**36,749**	**27,907**	**8,251**	**–**	**72,907**
Inter-segment sales	**13**	**4,189**	**–**	**(4,202)**	**–**
Total revenue	**36,762**	**32,096**	**8,251**	**(4,202)**	**72,907**
Segment assets	**49,433**	**1,338**	**3,583**	**–**	**54,354**
Capital expenditure	**4,477**	**93**	**92**	**–**	**4,662**
Depreciation	**4,913**	**86**	**186**	**–**	**5,185**
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

24 ACQUISITIONS OF SUBSIDIARY AND ASSOCIATES

Additional interest in a subsidiary

In September 2006, the Company subscribed for an additional 1,100,000 ordinary shares of a subsidiary, Resin & Pigment Technologies Pte Ltd (R&P), for a consideration of $2,750,000 satisfied by cash of $1,550,000 and the capitalisation of loan of $1,200,000 due from a fellow subsidiary of the Group. Following the subscription, the effective equity interest held by the Group in R&P increased from 60.00% to 75.86%. There is no goodwill arising from the additional interest acquired.

In accordance with the sales and purchase agreement, the Company has offered the minority shareholders a put option for all their shares of R&P at $2.50 per share, and at the same time, the Company has a call option to acquire 50% of the remaining interest of the minority shareholders which it currently does not hold (i.e. 24.14%), if the put option has not been exercised. As at 31 December 2006, these options were neither called for nor put at.

Acquisition of an associate

In September 2006, the Group increased its effective equity interest held in Changshu Changyin Ready Mix Concrete Co Ltd from 10.00% to 40.00% for a consideration of $714,000 settled by cash of $357,000 and capitalisation of loan of $357,000 due from a shareholder of the associate. The principal activity of the associate relates to manufacture and sale of building materials.

In the three months to 31 December 2006, the associate's contribution to the consolidated net profit for the year is not significant. If the acquisition had occurred on 1 January 2006, the associate's contribution to the Group net profit would have been $106,000. The allocation of the purchase price to the identifiable assets, liabilities and contingent liabilities acquired in this business combination is currently being determined and has not been completed. In the meantime, the negative goodwill that results from the difference between the purchase price and the carrying amounts of the assets and liabilities acquired amounts to $444,000 and has been credited to income statement.

New investments in an associate

In March 2006, the Group entered into a joint-venture agreement with Tangshan Iron & Steel Group Co. Ltd to set up Tangshan TangAng Materials Co Ltd whereby the Group's share represents 40.00% of the Tangshan TangAng Materials Co Ltd's share capital. The cash consideration of $3,577,000 was fully paid during the year. The principal activity of the associate relates to manufacture and sale of specialty cement.

Disposal of an associate and a subsidiary

In May 2006, the Group disposed its 26% equity interest in Crescent Concrete Sdn Bhd for a consideration of $249,000. Loss on disposal of $207,000 was charged to income statement.

In December 2006, Chinthe Concrete Pte Ltd, a subsidiary of the Company, was liquidated. The effective interest held by the Group was 67.00%. The liquidation resulted in a distribution of $175,000 to a minority shareholder. The $47,000 gain from the liquidation was credited to income statement.

NOTES TO THE FINANCIAL STATEMENTS
year ended 31 December 2006

25 FINANCIAL INSTRUMENTS

Risk management is integral to the whole business of the Group. 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.

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. Cash and fixed deposits are placed with banks and financial institutions which are regulated.

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.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Interest rate risk

The Group's investments in variable rate structured deposits and its variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in other equity securities and short-term receivables and payables are not exposed to interest rate risk.

Hedging

Interest rate swaps, which are denominated in Singapore dollars, have been entered into to hedge against three years floating rate exposures within the Group's policy. The swaps mature over the next three years following the maturity of the related loans. At 31 December 2006, the Group had interest rate swaps with a notional contract amount of $11,000,000 (2005: Nil). The Group classifies these interest rate swaps as cash flow hedges.

As at 31 December 2006, the hedge was perfect hence there was no impact to the financial statements.

25 FINANCIAL INSTRUMENTS (cont'd)

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 2006 is predominantly the US dollars and Ringgit Malaysia.

Estimation on fair values

Investments in equity securities

The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets is determined by reference to their quoted bid prices at the reporting date.

The fair value of interest rate swaps is based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Intra-group financial guarantees

The value of financial guarantees provided by the Company is determined by reference to the difference in the interest rates, by comparing the actual rates charged by the bank with these guarantees made available, with the estimated rates that the banks would have charged had these guarantees not been available.

Other financial assets and liabilities

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

26 COMMITMENTS

At the balance sheet date:

(a) the Group have commitments amounting to $7,559,000 (2005: $13,980,000), in respect of additional investment in certain private equity investments and partnership investments;

(b) the Group and the Company have commitments amounting to $3,658,000 (2005: $2,100,000) in respect of additional investment in an associate;

26 COMMITMENTS (cont'd)

(c) the Group and the Company have the following future minimum lease payments under non-cancellable operating leases of warehouse, factory and office space and office equipment:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Payable:				
- within 1 year	**986**	628	**424**	365
- within 2 to 5 years	**1,916**	1,608	**1,055**	766
- after 5 years	**1,270**	5,847	**450**	566
	4,172	8,083	**1,929**	1,697

(d) the Company has commitments for the purchase of raw materials of $2,079,000 (2005: $7,258,000).

27 RELATED PARTIES

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key Management Personnel Compensation

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

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

	Group	
	2006	**2005**
	$'000	**$'000**
Directors' fees	**215**	170
Short-term employee benefits:		
- directors	**648**	610
- others	**790**	831
	1,653	1,611

27 RELATED PARTIES (cont'd)

Other Related Parties Transactions

During the year, there were no purchases (2005: $667,000) of finished goods by the Company from an associate.

During the year, the Group had the following transactions with Ho Bee Cove Pte Ltd, a company held by a substantial shareholder of the Company.

	2006
	$'000
Investments in equity securities	**100**
Shareholders loans	**12,656**
Interest income receivable from the shareholders loan	**467**
	13,223

28 SUBSEQUENT EVENT

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

	Group and Company	
	2006	**2005**
	$'000	**$'000**
Final dividend proposed of 4 cents (2005: 4 cents) per share less tax at 18% (2005: 20%)	**2,472**	2,470

29 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

FRS 40	*Investment Property*
FRS 107	*Financial Instruments: Disclosures and the Amendment to FRS 1 Presentation of Financial Statements: Capital Disclosures*
INT FRS 107	*Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies*
INT FRS 108	*Scope of FRS 102 Share-based Payment*
INT FRS 109	*Reassessment of Embedded Derivatives*
INT FRS 110	*Interim Financial Reporting and Impairment*

FRS 107 and amended FRS 1, which becomes mandatory for the Group's 2007 financial statements, will require extensive additional disclosures with respect to the Group's financial instruments and share capital. These standards are not expected to have any material impact on the recognition and measure of the Group's financial statements.

The initial application of these standards and interpretations are not expected to have any material impact on the Group's financial statements. The Group has not considered the impact of accounting standards issued after the balance sheet date.

STATISTICS OF SHAREHOLDINGS

as at 15 March 2007

SHARE CAPITAL

Issued & fully paid-up	:	$38,617,500
Class of shares	:	Ordinary shares
Voting rights	:	1 vote per ordinary share

SHAREHOLDING HELD IN THE HANDS OF PUBLIC

Based on the information available to the Company as at 15 March 2007, 46.53% 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	123	6.00	43,693	0.06
1,000 - 10,000	1,593	77.75	5,552,671	7.19
10,001 - 1,000,000	326	15.91	16,884,536	21.86
1,000,001 and above	7	0.34	54,754,100	70.89
Total	**2,049**	**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	8,804,000	11.40
4	DBS Nominees Pte Ltd	2,515,650	3.26
5	United Overseas Bank Nominees (Pte) Ltd	2,001,750	2.59
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	960,750	1.24
9	Tan Choo Suan	946,000	1.22
10	Zen Property Management Pte Ltd	855,000	1.11
11	Kwok Hae Meng	409,500	0.53
12	Kim Eng Securities Pte. Ltd.	386,550	0.50
13	Tan Cheng Gay	386,500	0.50
14	Citibank Nominees Singapore Pte Ltd	372,500	0.48
15	CIMB-GK Securities Pte. Ltd.	366,986	0.48
16	CIMB-GK Bank Nominees (S) Sdn Bhd	343,000	0.44
17	Morph Investments Ltd	299,000	0.39
18	Tan Kay Yeong	280,000	0.36
19	Ee Hock Leong Lawrence	269,000	0.35
20	Phillip Securities Pte Ltd	263,250	0.34
Total		60,892,136	78.84

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

year ended 31 December 2006

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 Thursday, 26 April 2007 at 10:00 a.m. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Accounts for the financial year ended 31 December 2006 and the Reports of the Directors and the Auditors thereon. **(Resolution 1)**

2. To declare a first and final dividend of 4 cents per ordinary share less 18% income tax for the financial year ended 31 December 2006. **(Resolution 2)**

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

   (a) Mr Ng Tat Pun (retiring under Article 87) **(Resolution 3)**

   (b) Mr Tan Keng Boon (retiring under Article 87) **(Resolution 4)**

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

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

AS SPECIAL BUSINESS

5. To approve Directors' fees of S$215,000 for the financial year ended 31 December 2006. **(Resolution 6)**

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

6.1 Authority to offer and grant options and to allot and 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 fifteen per cent (15%) of the total issued shares in the Company from time to time." **(Resolution 7)**

[See Explanatory Note 1]

6.2 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;

AS SPECIAL BUSINESS (cont'd)

(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 fifty per cent (50%) of the issued shares in the Company, 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 twenty per cent (20%) of the issued shares in the Company, and for the purpose of this resolution, the issued share capital shall be the Company's issued shares at the time this resolution is passed, after adjusting for:

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

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 2]

7. To transact any other 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 2007 for the purpose of preparing dividend warrants. Duly completed transfers received by the Company's Registrar, Lim Associates (Pte) Ltd at 3 Church Street #08-01, Samsung Hub, Singapore 049483 up to 5:00 p.m. on 14 June 2007 will be registered to determine shareholders' entitlement to the proposed dividend. The first and final dividend of 4 cents per share less 18% income tax, if approved at the Annual General Meeting, will be paid on 28 June 2007.

By Order of the Board

Joanna Lim
Company Secretary
Singapore, 10 April 2007

Notes:

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

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

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

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

EXPLANATORY NOTES:

1. 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 shares in 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.

2. 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 fifty per cent (50%) of the issued shares in 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 twenty per cent (20%) of the issued shares in 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 issued shares 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.

This page has been intentionally left blank.

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 2006 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)

or failing whom, the Chairman of the Meeting, as *my/our *proxy/proxies to vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting ("AGM") of the Company to be held at 29 International Business Park, Acer Building Tower B, 5th Floor, Multi-Function Room 2, Singapore 609923 on Thursday, 26 April 2007 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/thier discretion, as *he/they will on any other matter arising at the Meeting:-

	Ordinary Resolutions	**For**	**Against**
1.	To receive and adopt the Audited Accounts of the Company for the financial year ended 31 December 2006 and the Reports of the Directors and the Auditors thereon. **(Resolution 1)**		
2.	To declare a first and final dividend of 4 cents per ordinary share less 18% income tax for the financial year ended 31 December 2006. **(Resolution 2)**		
3.	Re-election of Mr Ng Tat Pun (Retiring under Article 87). **(Resolution 3)**		
4.	Re-election of Mr Tan Keng Boon (Retiring under Article 87). **(Resolution 4)**		
5.	To appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**		
6.	To approve Directors' fees of S$215,000 for the financial year ended 31 December 2006. **(Resolution 6)**		
7.	To authorise Directors to allot and issue shares pursuant to the exercise of options granted under 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 ___________ 2007

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 appointer 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 appointer are not ascertainable from the instructions of the appointer specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

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

Fold along this line

Affix Postage
Stamp Here

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

Fold along this line

Concept, Design & Art-Direction : Credence Partnership Pte Ltd
www.credencepartners.com

ENGRO CORPORATION LIMITED
29 International Business Park
#08-05/06 Acer Building Tower B
Singapore 609923
Telephone +65-6561 7978
Facsimile +65-6561 9770
Website www. engro-global.com
Company no. 197302229H