

Second Quarter Financial Statement And Dividend Announcement

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

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

	Group			Group		
	2Q11 S\$'000	2Q10 S\$'000	% Change	YTD11 S\$'000	YTD10 S\$'000	% Change
Continuing operations						
Revenue	29,906	26,716	11.9	57,070	48,324	18.1
Changes in inventories of finished goods and work-in-progress	(887)	(1,344)	(34.0)	(1,853)	(2,705)	(31.5)
Raw materials	(20,395)	(18,937)	7.7	(37,995)	(33,743)	12.6
Gain on disposal of property, plant and equipment	123	20	n.m.	123	36	n.m.
Investment income and gain / loss on disposal of investments	84	110	(23.6)	146	537	(72.8)
Loss on disposal of associate	-	(10)	n.m.	-	(10)	n.m.
Interest income	21	16	31.3	43	26	65.4
Dividend income	4,129	2,099	96.7	4,164	2,137	94.9
Other income	100	116	(13.8)	191	184	3.8
Exchange (loss) / gain	(920)	(105)	n.m.	(1,120)	(274)	n.m.
Allowance for doubtful receivables and bad debts written off	-	(23)	n.m.	(19)	(18)	5.6
Depreciation of property, plant and equipment	(480)	(478)	0.4	(949)	(946)	0.3
Impairment losses on investments	(711)	(50)	n.m.	(894)	(94)	n.m.
Net change in fair value of financial assets held for trading	201	(603)	n.m.	14	(12)	n.m.
Staff costs	(3,213)	(2,544)	26.3	(5,921)	(5,229)	13.2
Rental expenses	(467)	(455)	2.6	(952)	(887)	7.3
Other expenses	(4,308)	(3,895)	10.6	(7,903)	(7,651)	3.3
Interest expenses	(18)	(11)	63.6	(38)	(46)	(17.4)
Profit before share of profit of associates	3,165	622	n.m.	4,107	(371)	n.m.
Share of profit of associates (net of tax)	2,136	2,894	(26.2)	2,580	3,657	(29.5)
Profit from ordinary activities before taxation	5,301	3,516	50.8	6,687	3,286	n.m.
Income tax credit	23	206	(88.8)	(3)	140	n.m.
Profit from continuing operations	5,324	3,722	43.0	6,684	3,426	95.1
Discontinued operation						
Loss from discontinued operation (net of tax)	(27)	(164)	(83.5)	(36)	(164)	(78.0)
Net profit for the period ended	5,297	3,558	48.9	6,648	3,262	n.m.

Attributable to :

Equity holders of the Company	5,355	3,616	48.1	6,767	3,386	99.9
Non-controlling interests	(58)	(58)	0.0	(119)	(124)	(4.0)
Net profit for the period ended	5,297	3,558	48.9	6,648	3,262	n.m.

Statement of Comprehensive Income

	Group			Group		
	2Q11 S\$'000	2Q10 S\$'000	% Change	YTD11 S\$'000	YTD10 S\$'000	% Change
Net profit for the period ended	5,297	3,558	48.9	6,648	3,262	n.m.
Other comprehensive income:						
Exchange differences on translation of financial statements of foreign subsidiaries and associates	(22)	(247)	(91.1)	(363)	(357)	1.7
Exchange differences on monetary items forming part of net investment	(296)	193	n.m.	(952)	32	n.m.
Net change in fair value of equity securities available for sale transferred to profit or loss	-	-	n.m.	-	(11)	n.m.
Net change in fair value of equity securities available for sale	2,415	(691)	n.m.	4,315	(959)	n.m.
Other comprehensive income for the period, net of tax	2,097	(745)	n.m.	3,000	(1,295)	n.m.
Total comprehensive income for the period	7,394	2,813	n.m.	9,648	1,967	n.m.

Total comprehensive income attributable to :

Equity holders of the Company	7,452	2,871	n.m.	9,767	2,091	n.m.
Non-controlling interests	(58)	(58)	0.0	(119)	(124)	(4.0)
Total comprehensive income for the period	7,394	2,813	n.m.	9,648	1,967	n.m.

n.m. - not meaningful

Note : Figures for prior year has been restated to conform with current year presentation.

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

	Group		Company		Group	Company
	30.06.2011	31.12.2010	30.06.2011	31.12.2010	%	%
	S\$'000	S\$'000	S\$'000	S\$'000	Change	Change
Non-current assets						
Property, plant and equipment	8,551	8,825	1,078	1,133	(3.1)	(4.9)
Subsidiaries	-	-	48,369	50,185	0.0	(3.6)
Associates	77,239	70,502	51,103	45,993	9.6	11.1
Other investments	19,397	17,464	2,667	1,688	11.1	58.0
Other financial assets	172	172	172	172	0.0	0.0
	107,272	99,336	103,389	99,171	8.0	4.3
Current assets						
Inventories	4,837	6,951	2,470	4,231	(30.4)	(41.6)
Trade and other receivables	29,793	26,584	36,065	33,513	12.1	7.6
Other investments	9,442	9,352	-	-	1.0	0.0
Cash and cash equivalents	40,519	40,811	28,973	29,889	(0.7)	(3.1)
	84,591	83,698	67,508	67,633	1.1	(0.2)
Total assets	191,863	183,034	170,897	166,804	4.8	2.5
Equity attributable to equity holders of the Company						
Share capital	84,343	84,268	84,343	84,268	0.1	0.1
Reserves	89,317	79,549	75,277	69,295	12.3	8.6
	173,660	163,817	159,620	153,563	6.0	3.9
Non-controlling interests	344	463	-	-	(25.7)	0.0
Total equity	174,004	164,280	159,620	153,563	5.9	3.9
Non-current liabilities						
Financial liabilities	93	154	31	46	(39.6)	(32.6)
Deferred tax liabilities	691	517	-	-	33.7	0.0
	784	671	31	46	16.8	(32.6)
Current liabilities						
Trade and other payables	15,566	16,501	5,336	7,755	(5.7)	(31.2)
Financial liabilities	1,142	1,234	5,910	5,440	(7.5)	8.6
Current tax payable	367	348	-	-	5.5	0.0
	17,075	18,083	11,246	13,195	(5.6)	(14.8)
Total liabilities	17,859	18,754	11,277	13,241	(4.8)	(14.8)
Total equity and liabilities	191,863	183,034	170,897	166,804	4.8	2.5

n.m. - not meaningful

Explanatory Notes to Balance Sheet

Total assets for the Group amounted to \$191.9 million as at 30 June 2011, representing \$8.9 million or 4.8% increase in the asset base of \$183.0 million as at 31 December 2010.

Non Current Assets

Increase in associates of \$6.7 million was mainly due to a new GGBS China investment of \$5.1 million and share of associate profits net of tax. Increase in other investments by \$1.9 million was attributed to higher fair valuation of VC and private equity investments.

Current Assets

Lower inventory level maintained by the company resulted in inventory decreasing by \$2.1 million.

Trade & other receivables increased by \$3.2 million primarily due to higher sales generated from the company's Integral Cement/Ready-mix business in Singapore.

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

Amount repayable in one year or less, or on demand

As at 30.06.2011		As at 31.12.2010	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
298	844	198	1,031

Amount repayable after one year

As at 30.06.2011		As at 31.12.2010	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
93	-	154	-

Details of any collateral

The Group's banking facilities are secured by :

- a) a legal charge on a subsidiary's freehold land and building with a carrying amount of \$0.1 million;
- b) fixed deposits amounting to \$0.7 million.

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

	Group	
	2Q11 S\$'000	2Q10 S\$'000
Operating activities		
Profit before income tax	5,274	3,352
Adjustments for:		
Allowance / (Write-back) for inventory obsolescence	(91)	37
Allowance for doubtful receivables	-	23
Depreciation of property, plant and equipment	480	478
Dividend income	(4,129)	(2,099)
Impairment losses on investments	711	50
Interest expense	18	36
Interest income	(21)	(16)
Loss on disposal of associate	-	10
(Gain)/Loss on disposal of investments	(1)	18
(Gain)/Loss on disposal of property, plant & equipment	(123)	81
Net change in fair value of financial assets held for trading	(201)	603
Share of profit of associates (net of tax)	(2,136)	(2,894)
Operating loss before working capital changes	(219)	(321)
Changes in working capital:		
Inventories	1,242	1,445
Trade and other payables	(580)	2,054
Trade and other receivables	(2,155)	(6,042)
Cash used in operations	(1,712)	(2,864)
Income tax recovered / (paid)	-	1,112
Cash flows from operating activities	(1,712)	(1,752)
Investing activities		
Distribution from / (purchase of) other investments	765	184
Dividends received	4,129	2,099
Dividends received from associates	-	319
Interest received	21	16
Loan to associates	756	(1,052)
Proceeds from disposal of associate	-	80
Proceeds from disposal of other investments	2	44
Proceeds from disposal of property, plant and equipment	144	118
Purchase of property, plant and equipment	(524)	(273)
Cash flows from investing activities	5,293	1,535
Financing activities		
Deposits pledged	11	(10)
Interest paid	(18)	(36)
Proceeds / (repayment) of short term borrowings	(43)	55
Proceeds from issue of shares under share options scheme	75	523
Repayment of finance leases, net	(39)	(59)
Repayment of long term borrowings	-	(98)
Cash flows from financing activities	(14)	375
Net increase in cash and cash equivalents	3,567	158
Cash and cash equivalents at beginning of period	36,392	41,055
Effect of exchange fluctuations on cash held	(94)	24
Cash and cash equivalents at end of period	39,865	41,237
Comprising:		
Fixed deposits	7,402	29,309
Bank balances	33,117	12,604
	40,519	41,913
Deposits pledged	(654)	(676)
	39,865	41,237

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

	2Q11 S\$'000	2Q10 S\$'000
Cash flows attributable to discontinued operations:		
Operating	(245)	35
Investing	-	119
Financing	-	(114)
	<u>(245)</u>	<u>40</u>

Explanatory Notes to Cash Flow Statement

The Group's net cash used in operating activities in 2Q2011 was \$1.7 million. Profit before tax was adjusted by adding or deducting non cash items; including depreciation, impairment losses on investments, net change in fair value of financial assets held for trading and share of net profit of associates.

The Group's net cash used in investing activities increased by \$5.3 million due to dividend of \$4.0 million received from its property development investments and loan to associate of \$0.7 million.

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

	Share capital S\$'000	Share option reserve S\$'000	Foreign currency translation reserve S\$'000	Fair value reserve S\$'000	Accumulated profit / (loss) S\$'000	Total attributable to equity holders of the parent S\$'000	Non- controlling interests S\$'000	Total equity S\$'000
Group								
At 1 April 2010	83,654	902	(2,788)	1,337	83,941	167,046	709	167,755
Total comprehensive income for the period								
Net profit for the period	-	-	-	-	3,616	3,616	(58)	3,558
Other comprehensive income								
Exchange differences on translation of financial statements of foreign subsidiaries and associates	-	-	(247)	-	-	(247)	-	(247)
Exchange differences on monetary items forming part of net investment	-	-	193	-	-	193	-	193
Net change in fair value of equity securities available for sale transferred to profit or loss	-	-	-	-	-	-	-	-
Net change in fair value of equity securities available for sale	-	-	-	(691)	-	(691)	-	(691)
Total other comprehensive income	-	-	(54)	(691)	-	(745)	-	(745)
Total comprehensive income for the period	-	-	(54)	(691)	3,616	2,871	(58)	2,813
Contributions by and distributions to owners								
Final one-tier dividend paid of 3 cents per share	-	-	-	-	-	-	-	-
Value of employee services received for issue of share options	-	-	-	-	-	-	-	-
Total transactions with owners	523	-	-	-	-	523	-	523
At 30 June 2010	84,177	902	(2,842)	646	87,557	170,440	651	171,091
At 1 April 2011	84,268	902	(8,480)	1,426	88,017	166,133	402	166,535
Total comprehensive income for the period								
Net profit for the period	-	-	-	-	5,355	5,355	(58)	5,297
Other comprehensive income								
Exchange differences on translation of financial statements of foreign subsidiaries and associates	-	-	(22)	-	-	(22)	-	(22)
Exchange differences on monetary items forming part of net investment	-	-	(296)	-	-	(296)	-	(296)
Net change in fair value of equity securities available for sale	-	-	-	2,415	-	2,415	-	2,415
Total other comprehensive income	-	-	(318)	2,415	-	2,097	-	2,097
Total comprehensive income for the period	-	-	(318)	2,415	5,355	7,452	(58)	7,394
Contributions by and distributions to owners								
Issue of shares under share option scheme	75	-	-	-	-	75	-	75
Total transactions with owners	75	-	-	-	-	75	-	75
At 30 June 2011	84,343	902	(8,798)	3,841	93,372	173,660	344	174,004

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

Company	Share capital S\$'000	Share option reserve S\$'000	Fair value reserve S\$'000	Accumulated profit / (loss) S\$'000	Total equity S\$'000
At 1 April 2010	83,654	902	316	63,165	148,037
Total comprehensive income for the period					
Net profit for the period	-	-	-	1,110	1,110
Other comprehensive income					
Net change in fair value of equity securities available for sale	-	-	(77)	-	(77)
Total other comprehensive income	-	-	(77)	-	(77)
Total comprehensive income for the period	-	-	(77)	1,110	1,033
Contributions by and distributions to owners					
Issue of shares under share option scheme	523	-	-	-	523
Total transactions with owners	523	-	-	-	523
At 30 June 2010	84,177	902	239	64,275	149,593
At 1 April 2011	84,268	902	166	68,227	153,563
Total comprehensive income for the period					
Net profit for the period	-	-	-	4,898	4,898
Other comprehensive income					
Net change in fair value of equity securities available for sale	-	-	1,084	-	1,084
Total other comprehensive income	-	-	1,084	-	1,084
Total comprehensive income for the period	-	-	1,084	4,898	5,982
Contributions by and distributions to owners					
Issue of shares under share option scheme	75	-	-	-	75
Total transactions with owners	75	-	-	-	75
At 30 June 2011	84,343	902	1,250	73,125	159,620

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

The Company did not hold any treasury shares at 30 June 2011 (30 June 2010 : Nil)

As at 30 June 2011, the issued share capital of the Company was \$84,342,887 (30 June 2010 : 84,267,557) comprising 118,517,500 (30 June 2010 : 118,252,000) ordinary shares

As at 30 June 2011, options to subscribe to 2,000,000 ordinary shares remained unexercised (30 June 2010: 6,720,000).

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

	<u>As at 30 Jun 2011</u>	<u>As at 31 Dec 2010</u>
Total number of issued shares	<u>118,517,500</u>	<u>118,417,500</u>

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

Not applicable.

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

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

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 December 2010, except for the adoption of accounting standards (including its consequential amendments) and interpretations applicable for the financial periods beginning on or after 1 January 2011.

Among the changes to the Financial Reporting Standards (FRS) which are applicable to the Group is FRS 24 Related Party Disclosures which will become effective for the Group's financial statements for the year ending 31 December 2011.

The revised FRS 24 modifies the definition of a related party, which the Group does not expect to have any significant impact on its financial position or performance for the period ended 30 June 2011.

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

Not applicable.

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

From continuing and discontinued operations:

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

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

Group Figures	
2Q11	2Q10
4.52 cents	3.07 cents
4.50 cents	3.03 cents

From continuing operations:

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

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

Group Figures	
2Q11	2Q10
4.53 cents	3.20 cents
4.51 cents	3.16 cents

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

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

Group		Company	
30.06.2011	31.12.2010	30.06.2011	31.12.2010
S\$1.47	S\$1.38	S\$1.35	S\$1.30

Net asset value per ordinary share is computed based on 118,517,500 ordinary shares as at 30 June 2011 (31 December 2010: 118,417,500 ordinary shares).

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

2Q11 group performance

The Group's revenue for 2Q11 grew by 11.9% to \$29.9 million as compared to \$26.7 million for the same period 2010 due to increased sales from Singapore Integral Cement/Ready-Mix operations, partially offset by lower sales from Specialty Polymer and Dry-Mix businesses.

The Group's net profit after tax grew by 48.9% to \$5.3 million as compared to \$3.6 million for the corresponding period 2010. Factors affecting the 2Q11 performance were:

- a) Increase in profit of \$2.2 million from Singapore Integral Cement/Ready-Mix Concrete business was partially offset by losses of \$0.5 million from Dry-Mix business
- b) Increase in dividend income by \$2 million received from an investee company
- c) Increase in exchange loss by \$1.6 million due to devaluation of USD denominated assets and property development associates
- d) Increase in impairment loss by \$0.7 million arising from additional provision on VC and private equity investments

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

Not applicable.

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

Significant trends & competitive conditions of the Industry

The construction sector grew by 1.5% despite moderate GDP growth of 0.9% in 2Q11. Our Singapore Integral Cement/Ready-Mix Concrete business is positioned to benefit from higher level of construction activity per the Building Construction Authority's (BCA) forecast to reach between \$22 and \$28 billion for this year. To counter inflation and contain escalating costs, management is constantly on the lookout for means to improve productivity.

In China, our associates continue to enjoy strong sales and our GGBS business is expected to contribute to the Group's performance. Likewise, inflation and rising costs are key challenges confronting our operations in China..

Overall, the management will continue to focus on sales growth, build sustainable profits and generate positive operating cash flow.

11 Dividend

(a) Current Financial Period Reported On

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

(b) Corresponding Period of the Immediately Preceding Financial Year

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

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been declared/recommended for the current financial period

13 Interested Person Transactions

Interested person transactions conducted during 2nd quarter of financial year 2011:

Name of Interested Person	Aggregate value of all interested person transactions during the quarter under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual)
	2nd Quarter 2011
	S\$'000
Loan to an associated company	
HBS Investments Pte Ltd	756

BY ORDER OF THE BOARD

Tan Cheng Gay
Chairman and CEO
12 August 2011

CONFIRMATION BY THE BOARD

We, TAN CHENG GAY and TAN YOK KOON being two directors of EnGro Corporation Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the 2Q 2011 financial results to be false or misleading in any material respect.

On behalf of the board of directors

TAN CHENG GAY
Chairman and CEO

TAN YOK KOON
Director

Singapore, 12 August 2011