



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

UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

1(a) CONSOLIDATED INCOME STATEMENT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

	GROUP					
	3Q2018 \$'000	3Q2017 \$'000	Change %	YTD2018 \$'000	YTD2017 \$'000	Change %
Revenue	36,923	38,157	(3.2)	110,807	112,046	(1.1)
Changes in inventories of finished goods and work-in-progress	(1,144)	(1,080)	5.9	1,874	(1,284)	n.m.
Raw materials	(27,540)	(28,405)	(3.0)	(89,240)	(87,608)	1.9
Gain on disposal of property, plant and equipment	34	75	(54.7)	33	102	(67.6)
Investment income	-	463	n.m.	-	464	n.m.
Gain on divestment of a subsidiary	2,253	-	n.m.	2,253	-	n.m.
Interest income	80	53	50.9	211	144	46.5
Dividend income	25	44	(43.2)	311	164	89.6
Other income	525	493	6.5	1,721	1,530	12.5
Exchange (loss)/ gain	(87)	(555)	(84.3)	135	(1,881)	n.m.
(Allowance for)/ reversal of allowance for doubtful debts and bad debts recovered, net	(890)	15	n.m.	(1,419)	256	n.m.
Depreciation of property, plant and equipment	(1,112)	(1,121)	(0.8)	(3,356)	(3,284)	2.2
Amortisation of intangible assets	(20)	(25)	(20.0)	(60)	(73)	(17.8)
Impairment loss on available-for-sale financial assets	-	(127)	n.m.	-	(532)	n.m.
Net change in fair value of financial assets at fair value through profit or loss	(231)	559	n.m.	373	112	n.m.
Staff costs	(3,475)	(3,282)	5.9	(10,049)	(9,023)	11.4
Rental expenses	(513)	(679)	(24.4)	(1,452)	(1,992)	(27.1)
Other expenses	(4,144)	(4,432)	(6.5)	(11,636)	(13,011)	(10.6)
Interest expense	(45)	(73)	(38.4)	(176)	(227)	(22.5)
Profit/ (loss) before share of profit of associates and joint ventures	639	80	n.m.	330	(4,097)	n.m.
Share of profit of associates and joint ventures, net of tax	2,036	2,259	(9.9)	5,965	6,095	(2.1)
Profit before tax	2,675	2,339	14.4	6,295	1,998	n.m.
Tax expense	(345)	(70)	n.m.	(740)	(77)	n.m.
Profit for the period	2,330	2,269	2.7	5,555	1,921	n.m.
Attributable to:						
Owners of the Company	2,267	2,227	1.8	5,503	1,814	n.m.
Non-controlling interests	63	42	50.0	52	107	(51.4)
Profit for the period	2,330	2,269	2.7	5,555	1,921	n.m.

n.m. - not meaningful

1(b) **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018**

	GROUP					
	3Q2018	3Q2017	Change	YTD2018	YTD2017	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Profit for the period	2,330	2,269	2.7	5,555	1,921	n.m.
Other comprehensive income:						
Items that are or maybe reclassified subsequently to profit or loss:						
Foreign currency translation differences for foreign operations	(2,710)	(198)	n.m.	(2,919)	(1,444)	n.m.
Exchange differences on monetary items forming part of the net investment in foreign operations	129	(520)	n.m.	880	(2,485)	n.m.
Foreign currency translation differences on divestment of a subsidiary reclassified to profit or loss	(53)	-	n.m.	(53)	-	n.m.
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	127	n.m.	-	532	n.m.
Net change in fair value of available-for-sale financial assets	-	(592)	n.m.	-	(1,101)	n.m.
Other comprehensive income for the period, net of tax	(2,634)	(1,183)	n.m.	(2,092)	(4,498)	(53.5)
Total comprehensive income for the period	(304)	1,086	n.m.	3,463	(2,577)	n.m.
Total comprehensive income attributable to:						
Owners of the Company	(344)	1,037	n.m.	3,440	(2,663)	n.m.
Non-controlling interests	40	49	(18.4)	23	86	(73.3)
Total comprehensive income for the period	(304)	1,086	n.m.	3,463	(2,577)	n.m.

n.m. - not meaningful

1(c) **EARNINGS PER ORDINARY SHARE**

	GROUP		GROUP	
	3Q2018	3Q2017	YTD2018	YTD2017
	Cents	Cents	Cents	Cents
Earnings per ordinary shares attributable to equity holders of the Company:				
(i) Based on weighted average number of ordinary shares in issue	1.91	1.88	4.64	1.53
(ii) On a fully diluted basis	1.91	1.88	4.64	1.53

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

	GROUP		COMPANY	
	30 Sept 2018	31 Dec 2017	30 Sept 2018	31 Dec 2017
	\$'000	\$'000	\$'000	\$'000
<u>ASSETS</u>				
Property, plant and equipment	10,176	12,824	2,794	2,336
Subsidiaries	-	-	50,294	55,766
Intangible assets	471	512	132	154
Associates and joint ventures	102,409	100,630	60,555	60,555
Other investments	21,352	16,452	1,217	1,217
Other assets	78	78	78	78
Non-current assets	134,486	130,496	115,070	120,106
Other investments	8,076	26,110	-	-
Inventories	14,748	12,318	5,340	3,956
Trade and other receivables	51,650	51,524	42,079	49,364
Loan to a subsidiary	-	-	4,932	5,059
Cash and cash equivalents	31,025	23,869	20,474	8,878
Current assets	105,499	113,821	72,825	67,257
TOTAL ASSETS	239,985	244,317	187,895	187,363
<u>EQUITY</u>				
Share capital	85,270	85,270	85,270	85,270
Reserves	130,009	129,971	88,462	89,118
Equity attributable to owners of the Company	215,279	215,241	173,732	174,388
Non-controlling interests	1,192	1,169	-	-
Total equity	216,471	216,410	173,732	174,388
<u>LIABILITIES</u>				
Loans and borrowings	2,226	3,558	-	-
Deferred tax liabilities	615	481	-	-
Non-current liabilities	2,841	4,039	-	-
Loans and borrowings	3,051	4,963	10,308	8,339
Trade and other payables	17,457	18,699	3,855	4,636
Current tax liabilities	165	206	-	-
Current liabilities	20,673	23,868	14,163	12,975
TOTAL LIABILITIES	23,514	27,907	14,163	12,975
TOTAL EQUITY AND LIABILITIES	239,985	244,317	187,895	187,363

ANALYSIS OF STATEMENTS OF FINANCIAL POSITION

During the first nine months of 2018, the Group disposed \$20.0 million worth of quoted equities and bonds and received cash distribution of \$0.7 million from venture capital. These were partially offset by additional investments of \$6.8 million and fair value gain of \$0.8 million. The net result was a decrease of \$13.1 million in Other Investments during the period.

Inventories increased by \$2.4 million largely due to buffer stocks for Specialty Polymer and Cement business.

The decrease in Loans and Borrowings was attributed to repayment of short-term borrowings and finance lease liabilities.

1(e) **GROUP BORROWINGS**

	As at 30 Sept 2018 \$'000	As at 31 Dec 2017 \$'000
Amount repayable in one year		
Secured	1,959	2,336
Unsecured	1,092	2,627
	3,051	4,963
Amount repayable after one year		
Secured	2,226	3,558
Unsecured	-	-
	2,226	3,558
Total	5,277	8,521

Details of any collateral

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

1(f) **NET ASSET VALUE**

	GROUP		COMPANY	
	3Q2018	3Q2017	3Q2018	3Q2017
	\$	\$	\$	\$
Net asset value per ordinary share at end of the financial period	1.81	1.80	1.46	1.43

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

	GROUP	
	3Q2018	3Q2017
	\$'000	\$'000
Cash flows from operating activities		
Profit before tax	2,675	2,339
Adjustments for:		
Amortisation of intangible assets	20	25
Depreciation of property, plant and equipment	1,112	1,121
Dividend income	(25)	(44)
Gain on divestment of a subsidiary	(2,253)	-
Gain on disposal of property, plant and equipment	(34)	(75)
Allowance for doubtful debts	890	-
Impairment loss on available-for-sale financial assets	-	127
Interest expense	45	73
Interest income	(80)	(53)
Net change in fair value of financial assets at fair value through profit or loss	231	(559)
Share of profit of associates and joint ventures, net of tax	(2,036)	(2,259)
	<u>545</u>	<u>695</u>
Changes in working capital:		
Inventories	2,238	911
Trade and other payables	(2,039)	3,065
Trade and other receivables	237	(5,274)
Cash generated from/ (used in) operations	<u>981</u>	<u>(603)</u>
Tax paid	(113)	(111)
Net cash from/ (used in) operating activities	<u>868</u>	<u>(714)</u>
Cash flows from investing activities		
Distribution from other investments	184	315
Dividends received from:		
- other investments	25	33
- associates and joint ventures	545	1,876
Interest received	80	53
Proceeds from divestment of a subsidiary	2,361	-
Proceeds from disposal of:		
- financial assets at fair value through profit or loss	10	-
- property, plant and equipment	56	68
Purchase of financial assets at fair value through profit or loss	(2,224)	(1,802)
Purchase of other assets	-	1
Purchase of property, plant and equipment	(401)	(198)
Net cash from investing activities	<u>636</u>	<u>346</u>
Cash flows from financing activities		
Interest paid	(45)	(73)
Repayment of finance lease liabilities	(578)	(548)
Proceeds from short-term borrowings	-	4,411
Net cash (used in)/ from financing activities	<u>(623)</u>	<u>3,790</u>
Net increase in cash and cash equivalents	881	3,422
Cash and cash equivalents at beginning of the period	30,272	24,610
Effect of exchange rate fluctuations on cash held	(128)	(43)
Cash and cash equivalents at end of the period	<u>31,025</u>	<u>27,989</u>

2 **CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018**
(cont'd)

ANALYSIS OF CONSOLIDATED STATEMENT OF CASH FLOWS

Net cash generated from operating activities in 3Q 2018 was \$0.9 million, attributed to positive operating results and movement in working capital.

Net cash inflow of \$0.6 million in investing activities consist of proceeds from divestment of a subsidiary amounting to \$2.4 million, partially offset by \$2.2 million used for purchase of financial assets.

Repayment of finance lease liabilities made up bulk of net cash used in financing activities.

The cash and cash equivalents as at end of 3Q 2018 was \$31.0 million, \$3.0 million higher than 3Q 2017.

3 STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

	Share capital	Capital reserve	Reserve for own shares	Share option reserve	Foreign currency translation reserve	Fair value reserve	Accumulated profits	Total	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group										
At 1 July 2017	85,270	(42)	(72)	125	(3,183)	4,809	125,679	212,586	160	212,746
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	2,227	2,227	42	2,269
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	-	-	(205)	-	-	(205)	7	(198)
Exchange differences on monetary items forming part of the net investment in foreign operations	-	-	-	-	(520)	-	-	(520)	-	(520)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	-	-	-	127	-	127	-	127
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	(592)	-	(592)	-	(592)
Total comprehensive income	-	-	-	-	(725)	(465)	-	(1,190)	7	(1,183)
Total comprehensive income for the period	-	-	-	-	(725)	(465)	2,227	1,037	49	1,086
At 30 September 2017	85,270	(42)	(72)	125	(3,908)	4,344	127,906	213,623	209	213,832
At 1 July 2018	85,270	(41)	(72)	22	(2,991)	-	133,435	215,623	1,152	216,775
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	2,267	2,267	63	2,330
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	-	-	(2,687)	-	-	(2,687)	(23)	(2,710)
Exchange differences on monetary items forming part of the net investment in foreign operations	-	-	-	-	129	-	-	129	-	129
Foreign currency translation differences on divestment of a subsidiary reclassified to profit or loss	-	-	-	-	(53)	-	-	(53)	-	(53)
Total other comprehensive income	-	-	-	-	(2,611)	-	-	(2,611)	(23)	(2,634)
Total comprehensive income for the period	-	-	-	-	(2,611)	-	2,267	(344)	40	(304)
At 30 September 2018	85,270	(41)	(72)	22	(5,602)	-	135,702	215,279	1,192	216,471

3 **STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018 (cont'd)**

	Share capital \$'000	Capital reserve \$'000	Reserve for own shares \$'000	Share option reserve \$'000	Accumulated profits \$'000	Total equity \$'000
Company						
At 1 July 2017	85,270	(42)	(72)	125	84,787	170,068
Total comprehensive income for the period						
Loss for the period	-	-	-	-	(543)	(543)
Total comprehensive income for the period	-	-	-	-	(543)	(543)
At 30 September 2017	85,270	(42)	(72)	125	84,244	169,525
At 1 July 2018	85,270	(41)	(72)	22	88,460	173,639
Total comprehensive income for the period						
Profit for the period	-	-	-	-	93	93
Total comprehensive income for the period	-	-	-	-	93	93
At 30 September 2018	85,270	(41)	(72)	22	88,553	173,732

3(a) CHANGES IN COMPANY'S SHARE CAPITAL

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

	<u>Number of Shares</u>
Issued share capital of the Company (excluding treasury shares) as at 31 December 2017	118,623,300
Issued share capital of the Company (excluding treasury shares) as at 30 September 2018	118,623,300

There were 79,200 treasury shares held by the Company as at 30 September 2018 (30 September 2017: 79,200), which has been excluded in the number of issued ordinary shares stated above.

As at 30 September 2018, options to subscribe to 135,000 ordinary shares remained unexercised (30 September 2017: 875,000 ordinary shares).

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

	<u>As at 30 Sept 2018</u>	<u>As at 31 Dec 2017</u>
Total number of issued shares excluding treasury shares	118,623,300	118,623,300

3(c) TREASURY SHARES

	<u>Number of shares for the quarter ended</u>	
<u>Group and Company</u>	<u>30 Sept 2018</u>	<u>30 Sept 2017</u>
As at beginning/ end of the quarter	79,200	79,200

4 AUDIT

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

5 AUDITORS' REPORT

Not applicable.

6 ACCOUNTING POLICIES

The Group's financial statements for the current financial period is prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)") issued by the Accounting Standards Council.

Other than the adoption of the new framework and and the new SFRS(I)s, amendments and interpretations of SFRS(I)s which took effect on 1 January 2018, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared with the audited financial statements for the financial year ended 31 December 2017.

7 CHANGES IN ACCOUNTING POLICIES

In adopting the new SFRS(I) framework with effect from 1 January 2018, the Group is required to apply the specific transition requirements in SFRS(I) 1 First-time Adoption of International Financial Reporting Standards.

In addition, during the current financial year, the Group and the Company have adopted the following new SFRS(I)s, amendments and interpretations of SFRS(I)s which took effect from financial year beginning 1 January 2018:

- SFRS(I) 15 Revenue from Contracts with Customers and Amendments to SFRS(I) Clarifications to SFRS(I) 15
- SFRS(I) 9 Financial Instruments
- Amendments to SFRS(I) 2 Share-based Payment
- Amendments to SFRS(I) 1-40 Transfers of Investment Property
- Amendments to SFRS(I) 1 Deletion of short-term exemptions for first-time adopters
- Amendments to SFRS(I) 1-28 Measuring an Associate or Joint Venture at Fair Value

Except for SFRS(I) 1 and SFRS(I) 9, the adoption of the above new SFRS(I)s, amendments and interpretations of SFRS(I)s is assessed to have no material impact to the results and financial position of the Group and of the Company for the year ending 31 December 2018.

8 REVIEW OF GROUP PERFORMANCE

The Group reported a total revenue of \$36.9 million for 3Q 2018, a decrease of 3.2% from \$38.2 million in 3Q 2017.

Lower revenue was attributable to weaker sales from Specialty Polymer business though this was partially offset by an improvement in revenue from Integral Cement and Ready-Mix Concrete business.

Despite the fall in revenue, profit for 3Q 2018 amounting to \$2.33 million showed an improvement from \$2.27 million a year earlier. This is due to a one-off gain from divestment of a subsidiary which was partially offset by lower profits from our Investment segment and weaker performance from our Korean joint venture.

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

Actual results were in line with prospect statement made in 2Q 2018 announcement.

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

Based on advanced estimates released by the Ministry of Trade and Industry, the construction sector contracted by 3.1% on a year-on-year basis in 3Q 2018, extending the year-on-year declines seen in 1Q and 2Q 2018. However, we remain cautiously optimistic that the construction sector would show a turnaround in the forthcoming quarters.

The Malaysian economy is projected to grow 4.8% in 2018, lower than in 2017, as it faces the effect of on-going US-China trade wars and a high national debt which has led to suspension of mega projects which has a dampening effect on construction demand.

Despite the fact that China had posted a 3Q 2018 GDP growth of 6.5%, its weakest growth registered since the global financial crisis in 2008, we expect construction demand to remain positive in the foreseeable future.

Given the above, the Group expects 4Q 2018 to be profitable.

11 DIVIDENDS

- (a) **Current financial period reported on**
No
- (b) **Corresponding period of the immediately preceding financial year**
No
- (c) **Date payable**
Not applicable
- (d) **Books closure date**
Not applicable

12 If no dividend has been declared/ recommended, a statement to that effect
No dividend has been declared/recommendeded for the current financial period.

13 INTERESTED PERSON TRANSACTIONS

The Company does not have a shareholders' mandate for interested person transactions.

14 UNDERTAKINGS PURSUANT TO RULE 720 (1)

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

CONFIRMATION BY THE BOARD

We, TAN CHENG GAY and TAN YOK KOON being two of the Directors of EnGro Corporation Limited (the "Company"), do hereby confirm on behalf of the Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the period ended 30 September 2018 to be false or misleading in any material aspect.

On behalf of the Board of Directors

TAN CHENG GAY
Chairman and CEO

TAN YOK KOON
Director

BY ORDER OF THE BOARD

Joanna Lim
Company Secretary
5 November 2018