



BUILDING A SUSTAINABLE FUTURE

ANNUAL REPORT 2017

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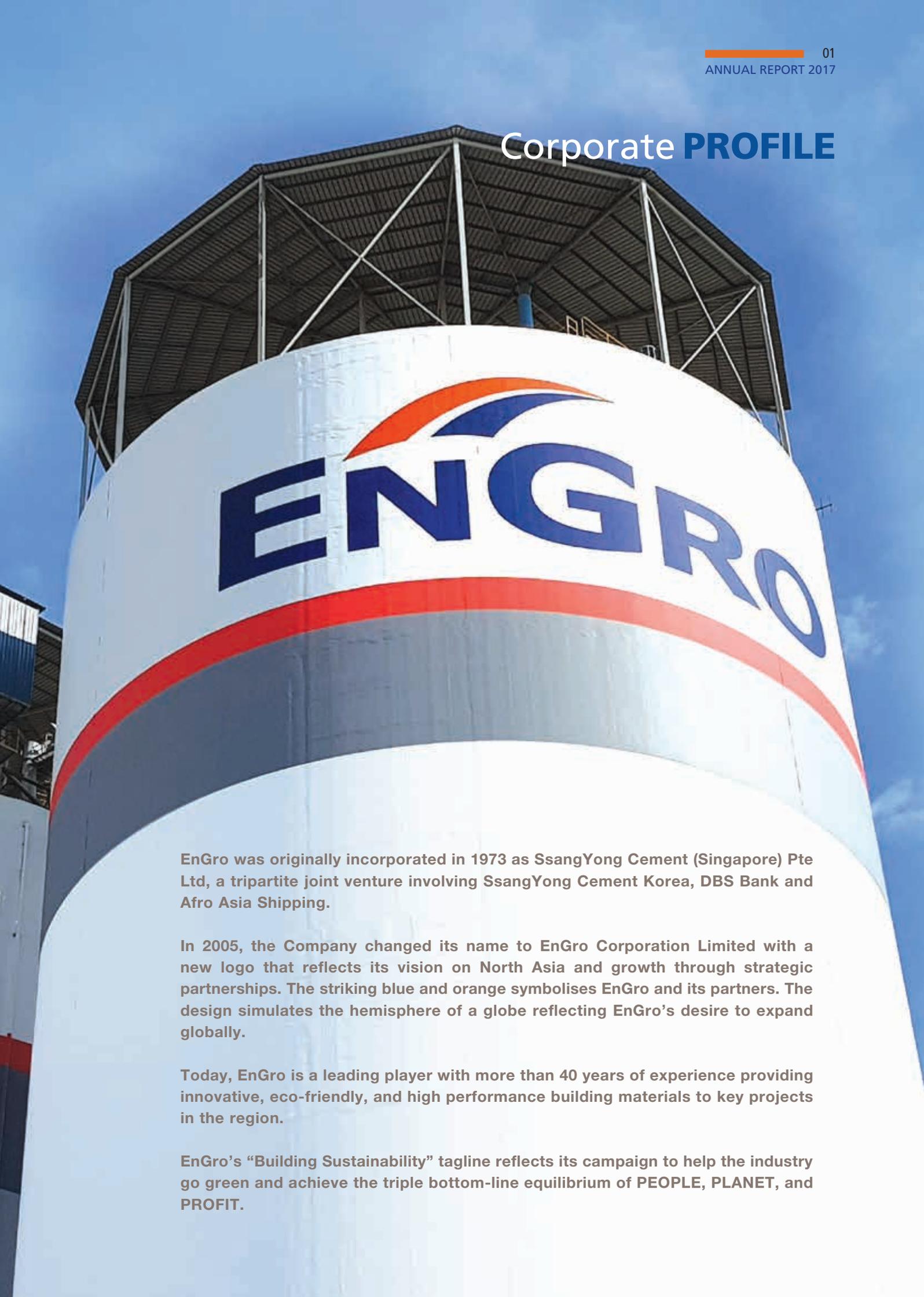
Low Gin Cheng, Gerald
(with effect from FY2016)

COMPANY SECRETARY

Joanna Lim Lan Sim



Corporate **PROFILE**



ENGRO

EnGro was originally incorporated in 1973 as SsangYong Cement (Singapore) Pte Ltd, a tripartite joint venture involving SsangYong Cement Korea, DBS Bank and Afro Asia Shipping.

In 2005, the Company changed its name to EnGro Corporation Limited with a new logo that reflects its vision on North Asia and growth through strategic partnerships. The striking blue and orange symbolises EnGro and its partners. The design simulates the hemisphere of a globe reflecting EnGro's desire to expand globally.

Today, EnGro is a leading player with more than 40 years of experience providing innovative, eco-friendly, and high performance building materials to key projects in the region.

EnGro's "Building Sustainability" tagline reflects its campaign to help the industry go green and achieve the triple bottom-line equilibrium of PEOPLE, PLANET, and PROFIT.

Chairman's MESSAGE

DEAR SHAREHOLDERS,

FINANCIAL REVIEW

EnGro Corporation Limited ("EnGro" or the "Group") recorded a revenue of S\$141.8 million for the year ended 31 December 2017 ("FY2017"), a 7.5 per cent decline compared to the S\$153.3 million in FY2016, due in part to softer demand and intense competition for our Integral Cement and Ready-Mix Concrete ("Integral Cement & RMC") in Singapore.

Our Specialty Cement business and China property investments performed well but were insufficient to offset the lower returns from the Integral Cement & RMC business and lower returns from our investment portfolio. As a result, the Group's profit after tax and minority interest (PATMI) fell from S\$5.8 million in FY2016 to S\$3.6 million in FY2017.

DIVIDEND

Despite continuing difficult operating conditions both in Singapore and China, the Board is cautiously opportunistic going forward and is therefore recommending a first and final dividend of 2.5 cents per share to be declared for FY2017, subject to shareholders' approval at the Annual General Meeting of the Company to be held on 27 April 2018.

BUSINESS REVIEW

Notwithstanding the Singapore economy registering a GDP growth of 3.6 percent in 2017, the construction sector contracted by 8.4 per cent, weighed down by a 29.1 per cent decline in private sector activities which led to

lower volume and selling price for construction materials invariably affecting EnGro's Integral Cement & RMC business. Fortunately, the property market in Singapore trended up and sentiments have improved after the Government adjusted the Seller's Stamp Duty and Total Debt Servicing Ratio framework in March 2017.

In China, our GGBS business benefited from China's 6.9 per cent GDP growth, contributed in part by the construction boom and robust global demand for Chinese exports.

a) Integral Cement and Ready-Mix Concrete Operations

A weak private sector construction demand coupled with the deferment of several large-scale projects to 2018 led to a slowdown in the Singapore construction sector which affected the performance of our Integral Cement & RMC business. However, construction demand in the public sector was kept steady at \$15.5 billion with support from major contracts awarded for a number of industrial and a few infrastructure projects.

Investment in Iskandar Development Region (IDR), by investors from the People's Republic of China (PRC) slowed down as a result of strict capital controls imposed by the Chinese Government during the year. As the PRC investors embark upon the next wave of their Belt and Road Initiatives (BRI) in Malaysia, our RMC operations have correspondingly expanded northward in anticipation of new opportunities.

b) Specialty Cement Operations in China

Our Specialty Cement operations in China, comprising of our Ground Granulated Blastfurnace Slag (GGBS) joint ventures (JVs), turned in a satisfactory performance during the year as a result of capacity rationalisation and improved steel and cement prices. One positive event contributing to increased demand for GGBS is the long-awaited regulatory removal in the use of low quality composite Ordinary Portland Cement of 32.5 grade, which in the past accounted for a significant percentage of the total cement output plus consumption in China.

With the shutdown of Jinan Iron and Steel plant in Jinan, a strategic move by the Shandong Iron and Steel Group to upgrade its core business and competency in China, a new integrated steel complex with 8.1 million tons per annum capacity, known as Shandong Steel Rizhao Company Limited, was established in Rizhao. To support such a move, our Jinan Luxin JV, had one of its two production lines, each with a GGBS capacity of 600,000 tons per annum, relocated correspondingly. The first production line has been in operation since December 2017 and the second is planned to be commissioned in early 2019. As a result of this relocation, Jinan Luxin would be elevated to position itself as a competitive player for GGBS exports riding on China's BRI.

c) Specialty Polymer

In 2017, revenue from Specialty Polymer business grew 22 per cent due to increased demand in China and the Asia Pacific region. During the year, another joint venture with a manufacturing facility was set up in Malaysia to serve demand from Asia Pacific, excluding China. With this addition, the Group is moving closer towards its plan for the Specialty Polymer compounding business to supplement the Specialty Cement business.

d) Investments

Digital disruption is affecting practically all industries in the world. We have responded to this change by moving our venture capital portfolio towards fund-of-fund investment in order to capture the emergence of data economy.

Our investments in the Tangshan Nanhu Eco City project in Tangshan, Hebei province, have started to show positive results in 2017 as all units built under Phase 1 were practically sold. Phase 2 would commence in 2018. The Central Government has also included Tangshan city in its plan to become a garden city within the Beijing-Tianjin-Hebei corridor and the project is expected to yield positive results in the near future.

PROSPECTS

Singapore GDP grew by a better-than-expected rate of 3.6 per cent in 2017 and is expected to grow moderately to between 1.5 and 3.5 per cent range in 2018. Improved property

market sentiments supported by increased collective condominium sale activities and the deferment of large scale public projects to 2018 should prop up the construction sector and this is expected to enable Top-Mix Singapore to perform better in 2018.

In Malaysia, an anticipated recovery of the IDR construction demand in the second half of 2018 would contribute positively to Top-Mix Malaysia. The combined positive Singapore and Malaysia market sentiments should augur well for our Integral Cement & RMC business as a whole.

President Xi Jinping's three key broad economic thinking which focuses on **(1) People Orientation, (2) Quantitative to Qualitative Focus and (3) New Industrial Revolution**, would help China rebalance itself as it enters the phase of moderate growth with emphasis to uplift quality of life of Chinese citizens. By embracing new technology and innovation comprising of internet revolution, renewable energy, green development, on top of the its high-speed-rail economy, moderate economic growth in medium term seems sustainable. The foregoing should reinforce EnGro's stranglehold in China.

We are optimistic that our China business network would be able to seize opportunities derived from the Belt and Road Initiative (BRI). Looking forward, we anticipate that the prices of both cement and GGBS in China will stay firm, which is an encouraging sign that our China GGBS business would contribute as planned.

In view of the global economic recovery gaining traction and a better outlook for the property sector, we remain confident in our ability to meet these challenges head on and to attain our financial and operational goals.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to thank Mr Soh Kim Soon and Mr Ng Tat Pun for their dedication and contribution during their term as Independent Directors of the Company and we wish them all the very best in their future endeavours. At the same time, I would like to extend a warm welcome to both Mr Tan Soo Nan and Mr Steven Ong Kay Eng for joining the board as Non-Executive Independent Directors. I would also offer my heartfelt thanks to everyone in the EnGro family – our customers, stakeholders, my fellow Directors and our Management team and staff for their unwavering support, dedication and belief in EnGro.

Tan Cheng Gay

Chairman
EnGro Corporation Limited

Directors' **PROFILES**

TAN CHENG GAY

Chairman and Chief Executive Officer

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

Mr Tan holds a Bachelor of Science (Honours) degree in Electrical and Electronic Engineering from University of London King's College and a Master of Science in Electronic Engineering from University of Manchester Institute of Science and Technology (UK).

TAN YOK KOON

Executive Director

Mr Tan was first appointed as a Non-Independent Director in 1974. In March 2005, he was appointed as the President of China Operations, leading the China team to drive the Specialty Cement (GGBS) thrust. He also serves as a member of the Nominating Committee. He is related to Mr Tan Cheng Gay.

Mr Tan holds a Bachelor of Law degree from University of London's King's College, London and a Master in Business Administration from Columbia University, New York.

RONNIE TEO HENG HOCK

Director

Mr Ronnie Teo Heng Hock joined the board in January 2012 as an Independent and Non-Executive Director of the Company. He is the Chairman of the Remuneration Committee and serves as a member of the Audit Committee and the Nominating Committee.

He was previously the Managing Director of DBS Asset Management Ltd and General Manager of DBS Finance Limited. Mr Teo is concurrently a Director of Berger International Private Limited and an Independent Director of Uni Asia Group Limited.

Mr Teo holds a Bachelor of Social Sciences (Honours) degree in Economics from the University of Singapore.

TAN SOO NAN

Director

Mr Tan joined the board in May 2017 as an Independent and Non-Executive Director. Mr Tan is also the Lead Independent Director. He is the Chairman of the Audit Committee and serves as a member of the Nominating Committee and the Remuneration Committee.

Mr Tan serves on the boards of public listed and private companies including Raffles Medical Group Ltd, SATS Ltd, Raffles Health Insurance Pte Ltd, ICE Futures Singapore Pte Ltd, ICE Clear Singapore Pte Ltd, and ICE Singapore Holdings Pte Ltd. Mr Tan is also active in social causes and serves as Chairman of Temasek Foundation Management Services CLG Limited and Director in Woh Hup Trust and SPD Singapore, all of which are not-for-profit organisations.

Mr Tan had previously held the positions of Chief Executive Officer at Singapore Pools (Private) Limited, Singapore Totalisator Board, and Temasek Capital (Private) Limited as well as Senior Managing Director of DBS Bank. He was also previously a Director of OSIM International Ltd, Chairman of Temasek Education Foundation CLG Limited and has had over 30 years of experience in the banking and financial services.

Mr Tan holds a Bachelor of Business Administration (Honours) degree from the University of Singapore and is an Associate of The Chartered Institute of Bankers. Mr Tan also attended a Program for Management Development from the Harvard Business School.

STEVEN ONG KAY ENG

Director

Mr Ong joined the board in July 2017 as an Independent and Non-Executive Director. He is the Chairman of the Nominating Committee and serves as a member of the Audit Committee and the Remuneration Committee.

Mr Ong is an Independent Non-Executive Director of Sino Land Company Limited, Tsim Sha Tsui Properties Limited and Sino Hotels (Holdings) Limited since July 2005. He is also a Director of Altrade Investments Pte. Ltd. in Singapore and a substantial shareholder of Hwa Hong Corporation Limited which is listed on the main board of the Singapore Stock Exchange.

Mr Ong has been a veteran banker with extensive experience in banking and finance over 43 years. He was the General Manager and Country Head for American Express Bank in Singapore for nearly 10 years and also the Chief Representative and Country Manager in China for Banca Monte dei Paschi di Siena S.p.A. for 16 years. Mr Ong remained as the bank's advisor and consultant for 2 years after he left China in 2006 having resided in the country for over 16 years. He was the Chairman of Foreign Bankers' Association in Beijing, PRC from 1999 to 2000.

Management TEAM

HQ HEAD OF DEPARTMENT

LIM YEE CHUAN

Group Financial Controller

Ms Lim oversees financial affairs of the Group. She has over 20 years of experience in similar field in government-linked and public-listed companies in Singapore. Ms Lim is an ACCA graduate and a Chartered Accountant of Singapore.

WONG TOON HONG

Manager, Strategic Business Unit

Mr Wong oversees the Group's Venture Capital Hi-Tech investments and Specialty Cement (GGBS) joint venture in Korea. His prior working experience were in sectors like defense, government, publishing, technology and business consulting for multinational companies in Asia Pacific. Mr Wong has a Bachelor of Engineering (Civil) from Nanyang Technological University and an MBA from the University of Surrey, UK.

VINCENT LOH

Manager, Knowledge Management & Business Development

Mr Loh currently oversees the Group's knowledge management, business development, and sustainability initiatives. He has more than 20 years of working experience in various industries. Mr Loh has a Bachelor of Business (Accounting) from Monash University, Australia, and is both a CPA Australia and a Chartered Accountant of Singapore.

INTEGRAL CEMENT & RMC OPERATIONS

EUGENE HO

Senior General Manager, Building Materials Division (Singapore)

Mr Ho oversees the Group's Integral Cement and Ready-Mix Concrete ("RMC") business in Singapore and Malaysia. He has more than 30 years of working experience in building materials industry and has held various senior positions in the major RMC companies. Mr Ho has a Master of Science (Honors) in Marketing from National University of Ireland, a Bachelor of Business (Business Administration) from Royal Melbourne Institute of Technology University, Australia, a Diploma in Civil Engineering from Singapore Polytechnic and a Diploma in Management Studies from Singapore Institute of Management (SIM).

SPECIALTY CEMENT OPERATIONS

DR. CHEN EN YI

General Manager, Specialty Cement

Dr Chen oversees the Group's Specialty Cement (GGBS) joint ventures in China. He has been working with the Company for 22 years. Prior to joining the Group, he lectured in Tsinghua University China, specialising in cement and concrete technologies. Dr Chen has a Bachelor of Engineering (Building Materials) from Chongqing University, a Master of Engineering (Civil) and Ph.D in Engineering (Civil) from Tsinghua University, China.

DR. LIM CHAN TENG

Manager, Business Development (China)

Dr Lim is a key member of EnGro's China business team. Dr Lim has a Bachelor of Science (Chemical Engineering) from Nanyang University and a Ph.D (Chemical Engineering) from University of Manchester Institute of Science and Technology, UK. He worked for a major oil company for more than 20 years. He has good experience in process technology, facilities planning and development as well as design. Dr Lim joined EnGro in 2004 and has been instrumental in developing and expanding EnGro's GGBS business in China.

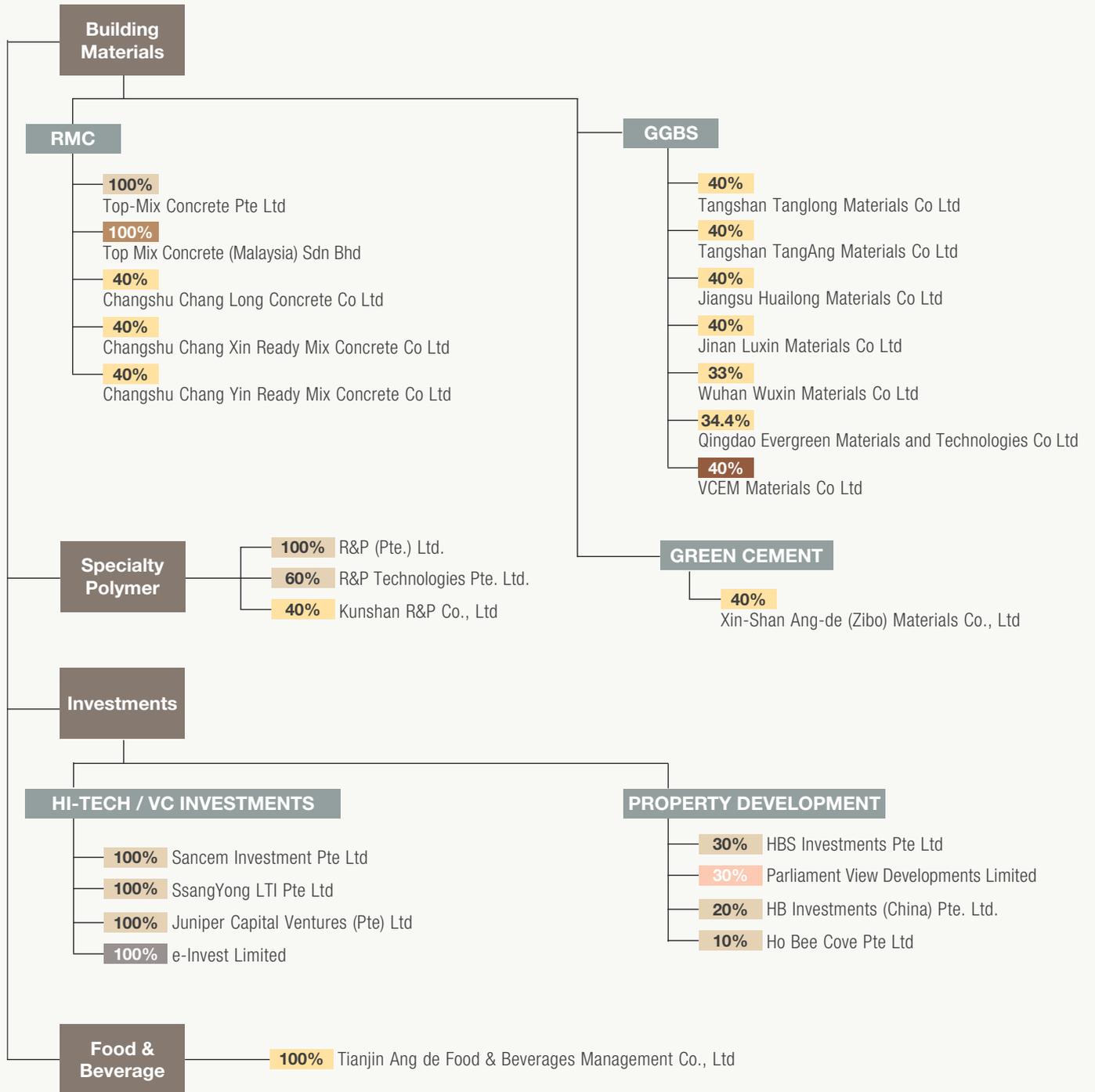
SPECIALTY POLYMER OPERATIONS

TAI BOON CHEN

General Manager, R&P (Pte) Ltd

Mr Tai oversees the business and operations of the Group's Specialty Polymer unit. He has working experience in operations management, plant restructuring, production management and technology transfer for local and global MNCs.

Corporate STRUCTURE



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

Regional FOOTPRINT



Singapore & Malaysia: **INTEGRAL CEMENT & READY-MIX CONCRETE**

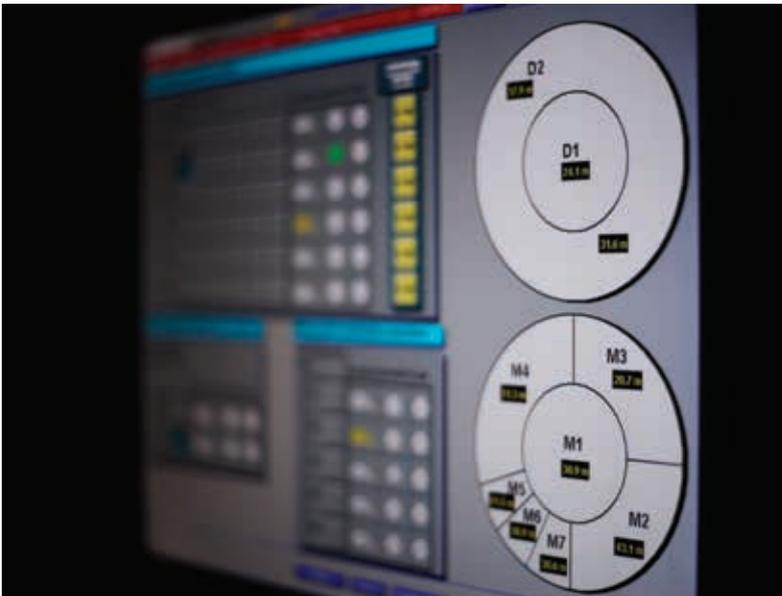
Singapore construction slowed in year 2017, with a decline of S\$1.6 billion in total construction demand, from S\$26.1 billion in 2016 to preliminary estimate of S\$24.5 billion in 2017.

Public sector construction demand held steady at S\$15.5 billion. The sustained demand

was supported by major contracts awarded for a number of industrial projects such as HDB's Defu Industrial City, Bedok Food City and JTC's Logistics Hub @ Gul, as well as a few major infrastructure projects such as Circle Line 6, North-South Corridor and Deep Tunnel Sewerage System (DTSS) Phase

2. Despite the aforesaid, some of these large-scale projects are rescheduled to 2018 as a longer duration was required for preparation and implementation.

Owing to subdued property market condition and slower economic growth in the previous two years, private sector





construction demand weakened further to S\$9.0 billion in 2017, from S\$10.3 billion in 2016.

Per the Building and Construction Authority (BCA)'s latest Development Plans Survey conducted in Oct/Nov 2017, and considering the prevailing market developments and economic outlook, BCA forecasts that the

total construction demand in 2018 (excluding reclamation works) will fall within S\$26 billion and S\$31 billion range, an increment from S\$24.5 billion in 2017.

Of which, 60 per cent of the total demand will be attributed by the demand from the public sector construction, which is likely to strengthen to between

S\$16 billion and S\$19 billion, up from the S\$15.5 billion in 2017. Likewise, the private sector's construction demand is expected to increase from S\$9 billion in 2017 to between S\$10 billion and S\$12 billion in 2018 as construction activity benefits from a reinforced economic outlook and an increase in property market sentiment.

	2013	2014	2015	2016	2017
Construction Demand, S\$ billion	35.8	37.7	27.2	26.1	24.5
• Public Sector, S\$ Billion	14.8	19.7	14.0	15.8	15.5
• Private Sector, S\$ Billion	21.0	18.0	13.2	10.3	9.0



Singapore & Malaysia: INTEGRAL CEMENT & READY-MIX CONCRETE

Looking beyond 2018, the overall construction industry is poised for a gradual but steady recovery, supported by a robust pipeline of major public infrastructure projects, optimistic market sentiments that arises from improved economic environment, along with emerging opportunities related with future redevelopment works of collective sale sites. Some of these notable upcoming major contracts in 2018 (including those postponed from 2017) comprises of North-South Corridor, rail systems and Deep Tunnel Sewerage System (DTSS) Phase 2.

As a leading manufacturer of Ground Granulated Blastfurnace Slag (GGBS), EnGro continues to be at the forefront in research and development to cultivate various cementitious products in order to meet demand of the overall construction industry in Singapore. With the constant evolutions of industry standards in the built environment sector, it has become increasing challenging for the members in

the evolving construction sector. Hence, in view of the anticipated increase in demand of blended cement for structural and ground improvement projects in Singapore for the coming years, EnGro will continue to pursue and integrate the latest technology to maintain leadership position in the industry and conduct extensive research to meet with the stringent specifications set by various government agencies. Through these initiatives and transformations, EnGro shall benefit and emerge stronger, achieve long term sustainability and productivity.

2017 was indeed a very challenging year for EnGro's RMC subsidiary, Top-Mix Concrete Singapore. Weak property market and subdued construction demand resulted in lower sales revenue and margin squeeze for the entity. To counter the adverse situation, Top-Mix Concrete Singapore adopted the differentiation strategy with development of innovative products such as



EnGro's Eco-Friendly Building Materials are awarded with SEC's Green label Accreditation as well as the SGBC's Singapore Green Product Label Accreditation

 1 PRODUCT	 2 PRODUCTS	 4 PRODUCTS	 8 PRODUCTS
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super light-weight concrete and **ultra-high-density concrete** to yield better returns. In 2017, some of the notable projects secured by Top-Mix Concrete Singapore includes the 6th Waste-to-energy plant at Tuas, Changi Water Reclamation Plant and other various government projects.

EnGro’s RMC subsidiary in Malaysia, Top-Mix Concrete Malaysia continued to perform satisfactorily in 2017 against headwind from the Iskandar Development Region (IDR) due primarily to the China government’s controls towards the over building of private residential housing in the last few years. Top-Mix Concrete Malaysia was involved in the supply to various key and sizable projects such as Country Garden Forest City and R&F Princess Cove projects. On top of Johor market, Top-Mix Concrete Malaysia ventured into Malacca market with first RMC plant set-up in early 2017.

GGBS

GREEN CONCRETE

BLENDED CEMENT
P4246S P197A
P4246 P197B
P197-4S

BLENDED CEMENT
P8000
PreFine 60/80

China: SPECIALTY CEMENT

ENGRO CHINA GROUND GRANULATED BLASTFURNACE SLAG (GGBS) BUSINESS ENDED 2017 ON HIGH NOTE

China's economy grew faster than expected in the fourth quarter of 2017, as export recovery helped China post its first Gross Domestic Product (GDP) growth in seven years. Chairman Xi Jinping, having established his complete authority at the 19th Party Congress in October, began to address risks associated with China's debt and property market. Thanks to an improved global demand for its goods, sustained state infrastructure spending, increased momentum from the Belt and Road Initiative (BRI), stronger corporate earnings boosted by soaring factory prices and buoyant consumer spending, the country once again posted an impressive economic performance.

Faced with worsening smog in Beijing, Tianjin, cities in Hebei and West Shandong, China Government implemented strict inspections on likely violators in the latter part of 2017 as well as drastic steps in shutting down cement and other polluting industries for an extended period to curb winter air pollution. The capacity cuts culminated in skyrocketing cement and other building material prices and in the process benefitting GGBS prices across the country with the higher prices being held firm even in the winter season.

Against this backdrop, EnGro China GGBS business enjoyed better overall performance in 2017. However, one disappointing performer was Tangshan joint venture (JV) plants Tanglong and Tang-Ang; being in Tangshan which is known as one of the worst polluted area in the country, our Tangshan JV plants bore the brunt of extremely severe measures including several months of shutdown due to stop-orders imposed by the Tangshan Municipal Government to tackle air pollution problem during the winter season. All other GGBS JVs performed well above our set targets. Even Jinan Luxin JV, in the midst of relocating one of its four mills due to Jinan Iron & Steel Group (JiGang) steel plant in Jinan decommissioned for good, performed well. In 2017, our GGBS JVs sold a total of 7.8 million metric tons of GGBS and achieved record combined revenues of RMB1.36 billion (42 per cent higher than that of 2016) yielding a profit more than double that of 2016.





Photo: Slag receiving and storage in an enclosed system



Photo: Slag transport to vertical roller mill by conveyor belt

MILESTONES ACHIEVED IN 2017

1) RIZHAO LUXIN

The fully state-owned Shandong Iron & Steel Group Co. Ltd. (SISG) was formed on 17 March 2008 through the amalgamation of JiGang, Laiwu Iron & Steel Group Co., and Shandong Metallurgical Industry Corp. With the establishment of a new Shandong Iron and Steel production complex

with annual capacity of 8.1 million tons of steel in Rizhao, a complete shutdown of JiGang plant in Jinan marked an end to a chapter in the history of Jinan, which resulted in Jinan Luxin JV making its first move to relocate one of its four grinding mills to Rizhao in March 2017.

China: **SPECIALTY CEMENT**

Relocation and installation of Jinan Luxin JV's first production line was completed in November 2017.

With the successful commissioning of SISG's first 5200 m³ blast furnace in Rizhao on 18 December 2017, Rizhao Luxin, the branch of Jinan Luxin JV, successfully commissioned production of its relocated production line on 26 December 2017; it is looking into overseas market on top of domestic sales.



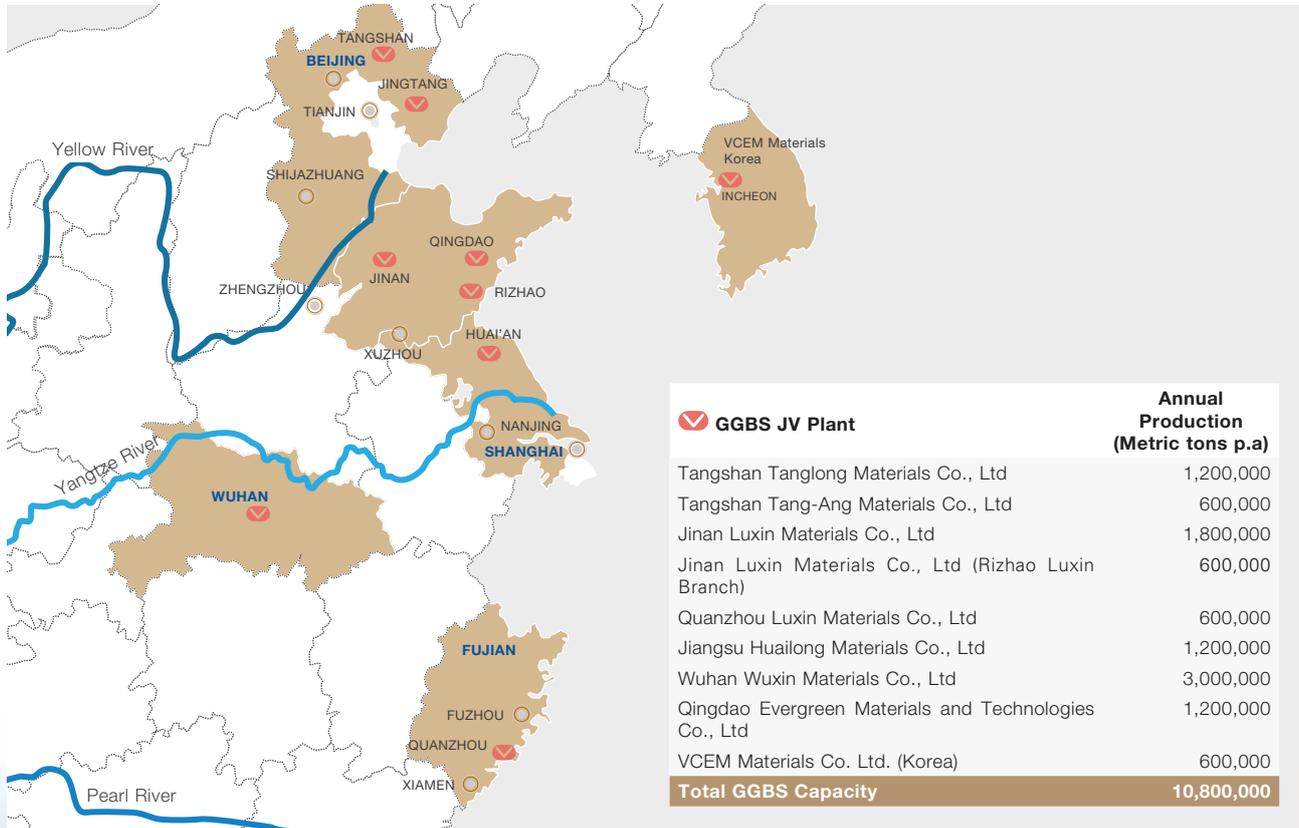
Photo: Rizhao Luxin GGBS Plant's Vertical Roller Mill ("VRM")

Photo: Jiangsu Huailong GGBS Plant in Huai'an, Jiangsu Province





Map: GGBS Production Plants in North Asia



China: SPECIALTY CEMENT



Wuxin Permeable Brick and Pavement Concrete Making Plant



Key equipment is supplied by Hess Group GmbH



Wuxin permeable bricks used in sponge city projects in Wuhan

2) WUHAN WUXIN PERMEABLE BRICK AND PAVEMENT CONCRETE MAKING PLANT

The plant was commissioned in May 2017, producing permeable bricks and concrete pavement products for use in the sponge city projects in Wuhan. The plant has a production capacity of 1 million square metres of permeable concrete products per annum.

3) ENGRO GGBS+ E-COMMERCE PLATFORM LAUNCHED ON WECHAT

Stage 1 of our e-commerce development ended in December 2017 with a successful launching of the mobile-phone platform over WeChat. Stage 2 involving relocation of the present facilities in Shanghai to Wuhan has commenced and is scheduled to complete by 1Q 2018.

The GGBS+ e-commerce digital platform is designed to expose GGBS and other products to a wider range of users across China. Initially, targeted at professionals and researchers interested in application of Supplementary Cementitious Materials, such as GGBS and fly ash, in blended cements. Through the digital platform, it is envisaged that the concept of green building materials will get a new pair of wings in getting market acceptance at an increased pace.

EnGro GGBS+ e-commerce team promoted EnGro's Singapore application and experience on GGBS at Tongji University in Shanghai on 18 December 2017. The team also presented EnGro's VCEM (微神) e-commerce platform which aroused interest of the students and researchers from Tongji University's Civil Engineering Department.

OUTLOOK 2018

Economic observers predict China's economic growth may possibly slow down to 6.4 per cent due to intensified government efforts to curb property market speculation and to deal with rising debt associated risks; economic rebalancing and localized regulations to rein in pollution, which will impact many factories particularly in the Beijing-Tianjin-Hebei region. However, we expect 2018 demand for raw materials in China to stay healthy while material prices remain firm.

China's RMB35 trillion high-speed rail (HSR) network construction is still charging ahead with a target of additional 10,000 kilometers by 2020, on top of the 20,000 kilometers currently in service. The almost sure-to-realize dream is to put in place an "8-Vertical, 8-Horizontal" high-speed railway network, crisscrossing the country with eight north-south and eight east-west lines by 2025, covering

80 per cent of China's major cities. Coupled with spinoffs, it will continue to boost demand for steel, cement and our GGBS which was extensively used in the Beijing-Shanghai HSR project and many other subsequent HSR development.

In 2016, the Chinese government approved the medium and long term Railway Network Program, aiming to build up a HSR network with eight north-south corridors and eight east-west corridors as the backbones for linking regional lines and intercity railways.

According to the Program,

- By 2020, the railway network in China is expected to reach 150,000km, including 30,000km of HSRs. HSR will cover 75% of cities, each with a population of more than 500,000 and 80% of cities, each with a population of more than 1 million.
- By 2025, the railway network is expected to reach 175,000km including 38,000km of HSRs.

In the long term, the railway network is expected to reach 200,000km including 45,000km of HSRs.



Some of on-going and the announced infrastructural projects that shall have positive impacts on EnGro’s GGBS JVs are set out below:

Location	Major projects	Description
Wuhan	12 urban metro lines	Construction of some lines is expected to be completed by 2021.
Qingdao	Qingdao-Lianyungang high speed railway	194 kilometers in length, expected to be completed in 2018.
	Qingdao New West Railway Station	The new station is part of the China’s Belt and Road initiative. To be completed by late 2018.
	Qingdao Jiaodong Airport project	Total investment is RMB41.57 billion. Phase 1 is scheduled to complete by 2025.
Jinan	The Jinan-Qingdao High-Speed Railway	Total investment is RMB60 billion. Expected to complete by 2019.
	Jinan Metro	North-South Line is under construction.
Huai’an	Huai’an East Passenger Station (with an area of 200,000 m ²)	Costing RMB1.5 billion. Project shall begin in 2018.
	Lianyungang-Huai’an-Yangzhou-Zhenjiang High Speed Railway (305-kilometer)	RMB46.4 billion project is currently under construction. Expected to be open to traffic in 2019.
	Xuzhou-Suqian-Huai’an-Yancheng rail line (314 kilometers)	RMB37 billion project started in still under construction and scheduled to end by 2019.
Quanzhou	Fuzhou-Xiamen High-Speed Railway (via Quanzhou)	RMB50 billion project started construction in 2017 and planned for completion in 2022.

CHINA TO ABOLISH COMPOSITE 32.5 GRADE CEMENT PRODUCTS

Although numerous announcements had been made to ban the use of low quality composite Ordinary Portland Cement (OPC) of 32.5 grade, which accounts for a significant percentage of China’s total cement output, implementation has been slow. However, once set in full motion, cement producers will be forced to switch to producing OPC of 42.5 grade. The announced policy to abolish OPC of 32.5 grade bodes well for the future of GGBS.

ANOTHER UNCERTAIN, BUT PROMISING YEAR AHEAD

Notwithstanding all the positive announcements and developments mentioned above, 2018 will still pose a challenging year for EnGro’s China GGBS business as the situation surrounding China Government’s unrelenting efforts to combat pollution remains very fluid and unpredictable.

While relocation of JiGang’s mill to Rizhao last year will continue to exert negative impact on Jinan Luxin JV’s operation, we see potential silver lining offered by its recently commissioned 1st production line in Rizhao, where Jinan Luxin JV is capable of supplying to both domestic and export markets, riding on the Belt and Road Initiative (BRI).

To capitalise on the increase in raw slag supply from the new steel complex slag, one of Jinan Luxin JV’s remaining three grinding mills will be relocated to Rizhao Port this year to grow the production capacity of Rizhao Luxin to 1.2 million metric tons per annum. During Rizhao Luxin’s transitional phase, Jinan Luxin JV management shall continue to seek ways to optimise cost and production.

Wuhan Wuxin JV management will be placing greater effort to boost GGBS production, supplemented by the sales ramp up of Wuhan Wuxin JV’s new permeable-brick manufacturing plant.

We will speed up our GGBS+e-commerce project upon completion of relocating our facilities from Shanghai to Wuhan.

Our green blended slag cement JV in Shandong is still under development and is expected to commence operations sometime in 2018.

As we crossed over from 2017 to 2018, we were delighted and encouraged to see that both cement and GGBS prices have remained firm and this augurs well for our prospect in 2018 if slag price increase does not outpace that of the GGBS selling price; therefore, we remain cautiously confident that our China GGBS business will continue to perform well in 2018 and with a bit of luck, we may even out-perform 2017.

Singapore & China: **SPECIALTY POLYMER**



Photo: R&P Plant in Kunshan



R&P Kunshan Production Plant

R&P's transformation from a toll compounder for ExxonMobil Chemical to an independent compounder serving the automotive sector, enabled it to secure a foothold within and beyond China, supplying to various countries in Asia such as China, Japan, India, Thailand and Indonesia.

R&P's joint venture (JV) production facility in Kunshan, China commissioned its first production line in January 2017 and second line in September 2017. Sales of more than 7,000 metric tons was achieved in 2017 and sales volume is expected to grow in coming years in tandem with economic growth. Total production capacity of 26,000 metric tons in Kunshan is sufficient to meet market demand for the next two years.

Kunshan R&P JV has secured supply to two major global customers, FORD and Valeo, and successfully qualified two more new customers, Volvo and Zotye, in 2017.

Research and development (R&D) centre of R&P was relocated to Kunshan in October 2017 to better serve its customers' need and support the development of new models called for by customers. Investment in R&D is key to R&P long term competitive edge as well as to penetrate huge automotive market and tapping into other business segments.

In August 2017, R&P signed a joint venture agreement with Omni-Plus System Pte Ltd (OPS), a Singapore-based company involved in polymer compounding, distribution and

supply chain management for key polymer manufacturers. OPS has presence in Thailand, Indonesia, Malaysia, Vietnam, India and China. Itochu Plastic is one of its equity partners since July 2017. The joint venture enabled R&P to relocate its production lines from Jurong Island to OPS's production facility at Johor Bahru in order to continue supplying existing customers outside of China and the increasing supply to Indonesia market in anticipation of automotive plants that have been lined up.

With the two key JVs set in place upon fine tuning of geographical growth, we are optimistic that the Specialty Polymer compounding business will serve as EnGro's second growth engine in due course.



Photo: These are some of the automotive applications for R&P's products.

INVESTMENTS

VENTURE CAPITAL HI-TECH INVESTMENTS

In 2017, over US\$84 billion was invested into 7,783 companies, the largest amount since the dot-com era for the US venture capital industry. With US\$110 billion raised in 2014 to 2016, and a further US\$32.4 billion in 2017, there is ample funding for start-ups going forward. Despite non-traditional funds investing less in the venture scene now, the emergence of Softbank's massive US\$100 billion Vision Fund will have an impact on the eco-system in the years to come.

Going into 2018, venture investors are staying disciplined as more capital is now deployed at higher valuations with deal size doubling across the angel, seed and early stage deals since 2013. Start-ups are also more mature in age and developmental progress as investors insist on tighter KPIs before investing. Unicorns (valuations exceeding US\$1 billion) attracted US\$19.1 billion in investments which represented 23% of total capital invested in the venture capital sector.

As non-traditional funds had earlier invested large amounts in venture deals, this had pushed out the IPO and extended exit timeline for some venture-backed companies. This also resulted in peak valuations and longer time to liquidity as late stage start-ups embraced using private capital to fund growth instead of going the IPO route. Despite this, there were 58 IPO exits in 2017 which had surpassed the 41 IPOs in 2016. Going into 2018 and riding on this trend, our venture fund managers continue to look for timely exits within their portfolios.

Although investment into software companies declined to US\$30 billion, it continues to attract the bulk of venture investments. Emerging software verticals are Fintech, Artificial Intelligence and Machine Learning, Data Analytics, Blockchain technology, Robotics and Drones.

To leverage on these emerging innovations and to achieve consistency in annuity-like investment returns with better risk diversifications, our venture capital strategy had evolved investing into high tech early

stage fund-of-funds. Despite our fund-of-funds being primarily USA-based, their geographical investment focus also includes investing into the best-of-breed fund managers in Europe and China. This approach allows us indirect access to top performing venture funds on a global scale as the venture landscape becomes more competitive and access limited for new investors.

PROPERTY INVESTMENT

Local residential property market has shown signs of recovery in recent month. Depending on the market conditions, unsold units of Turquoise in Sentosa might be relaunched at appropriate time. Despite weak rental market, occupancy and rental rate for the project remain satisfactory.

Tangshan Nanhu Eco city project in China has sold more than 95% of its phase 1 units. Selling price continues to rise and Phase 2 is expected to be launched in 2018. With Tangshan being earmarked to become a garden city within the Beijing-Tianjin-Hebei corridor under Central Government policy, management expects the project to yield results in medium term.



Corporate Social **RESPONSIBILITY**



ENGRO SCHOLARSHIP FOR STUDENTS OF SINGAPORE INSTITUTE OF TECHNOLOGY ("SIT")

In October 2017, EnGro Scholarship program continued to support deserving undergraduates of the Singapore Institute of Technology ("SIT") who are pursuing full-time degree programmes in the areas of sustainable infrastructure engineering and systems engineering offered by SIT.

ENGRO DONATION TO SCO

On 27 October 2017, the Singapore Chinese Orchestra (SCO) held its 21st Fundraising Gala Dinner and Concert. In this record-breaking fundraising, ESM Goh Chok Tong thanked donors and partners such as EnGro by presenting them with a bamboo flute (笛子) for its donation in support of SCO to be a world renowned Chinese orchestra with a uniquely Singaporean character.

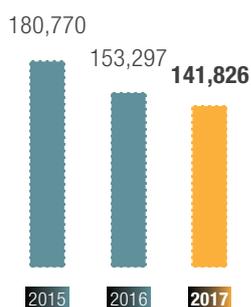


Financial HIGHLIGHTS

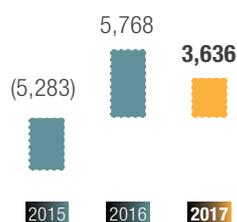
	FY2015	FY2016	FY2017
Consolidated Statement of Comprehensive Income (\$'000)			
Revenue	180,770	153,297	141,826
(Loss)/Profit after tax	(5,445)	5,881	3,813
(Loss)/Profit after tax and minority interest (PATMI)	(5,283)	5,768	3,636
Statement of Financial Position (\$'000)			
Total assets	262,793	253,882	244,317
Net assets value	223,451	219,208	215,241
Per Share (Cents)			
Basic earnings	(4.45)	4.86	3.07
Net asset value	188	185	181
Net dividend	2.50	2.50	2.50

THREE-YEAR RESULTS AT A GLANCE

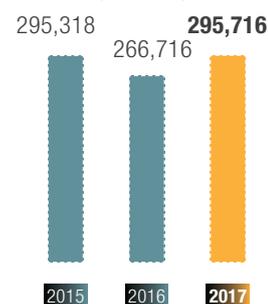
REVENUE
(S\$'000)



(LOSS)/PROFIT AFTER TAX AND MINORITY INTEREST (PATMI)
(S\$'000)

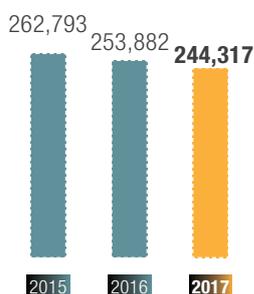


REVENUE OF ENGRO AND ASSOCIATES AND JOINT VENTURES# (S\$'000)

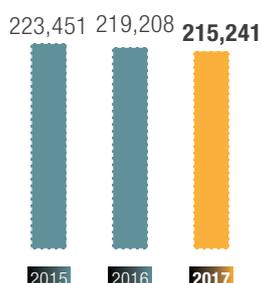


Revenue of Associates and Joint Ventures is calculated based on percentage of interest EnGro has in the Associates and Joint Ventures. Numbers are for illustration purpose only.

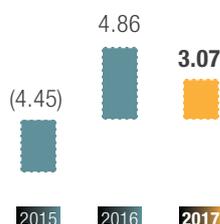
TOTAL ASSETS
(S\$'000)



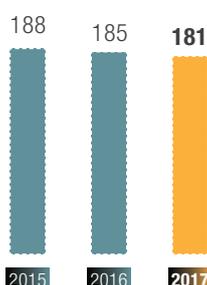
NET ASSET VALUE
(S\$'000)



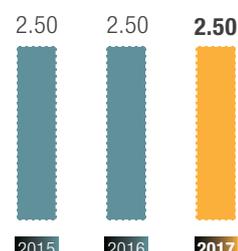
BASIC EARNINGS PER SHARE
(cents)



NET ASSET VALUE PER SHARE
(cents)



NET DIVIDEND PER SHARE
(cents)



Corporate **GOVERNANCE** REPORT

EnGro Corporation Limited (the “Company”) is committed to achieving a high standard of corporate governance within the Company and its subsidiaries (the “Group”), to promote corporate transparency and to enhance shareholder value. This report describes the Company’s corporate governance processes and activities with specific reference to the Code of Corporate Governance 2012 (the “Code”) issued on 2 May 2012.

The Company is generally in compliance with the principles and guidelines as set out in the Code and in areas where the Company deviated from the Code, appropriate explanation has been provided within this report. The Board considers that the alternative corporate governance practices are sufficient to meet the underlying objective of the Code.

BOARD MATTERS

The Board’s Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

Guidelines

of the Code Corporate Governance Practices of the Company

- | | |
|-----|--|
| 1.1 | The Board’s principal functions include, among others, supervising the overall management and performance of the business and affairs of the Group and approving the Group’s corporate and strategic policies and direction. |
| 1.2 | All Directors exercise due diligence and independent judgement, and are obliged to act in good faith and in the best interests of the Company. |
| 1.3 | To assist the Board in executing its duties, the Board has delegated specific functions to the Audit Committee (“AC”), the Nominating Committee (“NC”) and the Remuneration Committee (“RC”) (together “Board Committees” and each a “Board Committee”). Each of these Board Committees has its own written terms of reference and its actions are reported to and monitored by the Board. Minutes of the Board Committee meetings are available to all Board members. |
| 1.4 | The Board has held meetings for particular and specific matters as and when required. A record of the Directors’ attendance at meetings of Board and Board Committees for the financial year ended 31 December 2017 (“FY2017”), as well as frequency of such meetings, is set out in Table 1 . |
| 1.5 | Key matters which are specifically reserved for the Board’s approval include, among others, annual budgets, declaration of dividends, 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 plans, 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. |
| 1.6 | New Directors, upon appointment, are briefed on the business and organisation structure of the Company. There are update sessions to inform the Directors on new legislation and/or regulations that are relevant to the Group. |

Corporate **GOVERNANCE REPORT**

All Directors are provided with regular updates on changes in the relevant laws and regulations to enable them to make well-informed decisions and to ensure that the Directors are competent in carrying out their expected roles and responsibilities. The Directors are aware of the requirements in respect of disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Company, prohibition on dealings in the Company's securities and restrictions on the disclosure of price-sensitive information.

The Company provides for all Directors to attend appropriate courses, seminars and conferences for them to stay abreast of the relevant business developments.

The Company organises strategy review meetings for the Directors once every two years. Presentations and briefings are conducted at such offsite meetings by Executive Directors and Senior Management on the Group's operations and current projects, followed by discussion sessions on matters relating to operations and strategies. In conjunction with the strategy review meeting held in FY2017, the Directors visited the Group's ready-mix concrete plant in Malacca.

- 1.7 A formal letter is sent to newly-appointed Directors upon their appointment explaining their duties and obligations as Director. New Directors, upon appointment, will also be briefed on their duties and obligations as Directors. The Directors are also informed of regulatory changes initiated by or affecting the Company.

The following Directors were appointed during the year:–

Name of Director	Nature of Appointment	Date of First Appointment to the Board
Tan Soon Nan	Non-Executive Independent Director	2 May 2017
Steven Ong Kay Eng	Non-Executive Independent Director	1 July 2017

As part of the induction programme for new Directors appointed to the Board, the new Directors were briefed and issued with a Director pack comprising (i) a letter of appointment which sets out the terms of his appointment; (ii) a general guide on the duties and liabilities of a Director of a listed company under the Companies Act and the SGX Listing Manual; and (iii) a set of the Company's corporate manual which contains all the Company's policies, including terms of references, approved by the Board.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Guidelines of the Code Corporate Governance Practices of the Company

- 2.1 The Board comprises five Directors, two of whom are Executive Directors and three of whom are Independent Non-Executive Directors. There is an independent element on the Board, with Independent Directors constituting more than half of the Board. A summary of the current composition of the Board and its committee is set out in **Table 2**.

Corporate **GOVERNANCE** REPORT

- 2.2 Where the Chairman and Chief Executive Officer (“CEO”) of the Company is the same person, the Independent Directors should make up at least half of the Board. The Company has complied with the relevant guideline of the Code as more than half of the Board is made up of Independent Directors. There is a strong and independent group of Non-Executive Directors on the Board and is well balanced.
- 2.3 The NC, which reviews the independence of each Director on an annual basis, adopts the Code’s definition of what constitutes an Independent Director. Each Independent Director is required to complete a Confirmation of Independence Statement annually based on the guidelines as set out in the Code.
- 2.4 When reviewing the independence of the three Independent Directors, the NC has considered the guidelines for independence as set out in the Code. As part of the consideration, the NC also took into account their other directorships, annual declaration regarding their independence, disclosure of interest in transactions in which they have a direct/indirect interest, their ability to avoid any apparent conflicts of interests especially by abstaining from deliberation on such transactions and their ability to maintain objectivity in their conduct as Directors of the Company. The three Independent Directors are Mr Ronnie Teo Heng Hock, Mr Tan Soo Nan and Mr Steven Ong Kay Eng. For purposes of determination of independence, the three Independent Directors have also provided confirmation that they are not related to the Directors and 10% shareholders of the Company. The NC is satisfied that there is no other relationship which could affect their independence. It is noted that all the Independent Directors have served on the Board for fewer than nine years.
- Each of the Independent Directors had duly recused himself from the discussion and taking a decision in respect of his own independence.
- 2.5 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.
- 2.6 The Board recognises the importance of an appropriate balance and diversity of skills, experience, gender, knowledge and professional qualifications in building an effective Board. To this end, the NC reviews the Board’s collective skills matrix regularly.
- As a Group, the Directors bring with them a broad range of expertise and experience in areas such as accounting, finance, business and management experience, industry knowledge, strategic planning and customer-based experience and knowledge. The diversity of the Directors’ experience allows for the useful exchange of ideas and views.
- 2.7 The Non-Executive Directors aim to assist in the development of proposals on strategy by constructively challenging Management. The Non-Executive Directors would also review the performance of Management in meetings.
- 2.8 Where warranted, the Non-Executive Directors meet without the presence of the Executive Directors or Management to review any matters that must be raised privately.

Corporate **GOVERNANCE REPORT**

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Guidelines

of the Code Corporate Governance Practices of the Company

3.1 There is no separation of roles between the Chairman and CEO in the Company due to the fact that Mr Tan Cheng Gay who is the substantial shareholder of the Company, has been a stalwart of the Company since its inception.

The Board is of the opinion that there is a sufficiently strong independent element on the Board to enable independent exercise of objective judgement on corporate affairs of the Group.

3.2 As the Chairman and CEO, he, with the assistance of the Company Secretary and Management, schedules Board meetings as and when required and prepares the agenda for Board meetings. In addition, he sets guidelines on and ensures quality, quantity, accurateness and timeliness of information flow between the Board, Management and shareholders of the Company. He encourages constructive relations between the Board and Management and between the Executive Directors and the Independent Directors. He also takes a leading role in ensuring the Company's drive to achieve and maintain a high standard of corporate governance practices.

As Chairman, he is responsible for, amongst other things, exercising control over the 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.

3.3 The Board has appointed Mr Tan Soo Nan, an Independent and Non-Executive Director, as the Lead Independent Director on 2 January 2018. Mr Tan Soo Nan will be available to address shareholders' concerns when contact through the normal channels of the Chairman, the CEO or other management executive has failed to provide a satisfactory resolution or when such contact is inappropriate.

3.4 Where warranted, the Lead Independent Director shall meet with the Independent Directors without the presence of Management or the Executive Directors to review any matters that must be raised privately before providing feedback to the Chairman of the Board.

Corporate **GOVERNANCE** REPORT

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

Guidelines of the Code

Corporate Governance Practices of the Company

- 4.1 The NC, regulated by a set of written terms of reference, comprises two Independent Non-Executive Directors as well as an Executive Director. The Board is of the view that the inclusion of an Executive Director in the NC would facilitate discussions at the NC meetings. The names of the members of the NC are disclosed in **Table 2**.
- 4.2 The principal functions of the NC is to establish a formal and transparent process for:
- (a) reviewing nominations of new Director appointments based on selection criteria such as incumbent's credentials and his skills and contributions required by the Company;
 - (b) reviewing and recommending to the Board the re-election of Directors in accordance with the Company's Articles of Association;
 - (c) determining annually whether a Director is "independent", guided by the independent guidelines contained in the Code;
 - (d) deciding whether a Director is able to and has adequately carried out his duties as a Director of the Company, in particular whether the Directors concerned have multiple board representations or if they are in conflict with the interest of the Company; and
 - (e) deciding how the Board's performance may be evaluated and propose objective performance criteria.
- 4.3 The NC reviews annually the independent declarations made by the Company's Independent Non-Executive Directors based on the criterion of independence under the guidelines provided in the Code. The NC has ascertained the independence of each Director for FY2017 in accordance with the Code's definition of independence and is satisfied that Mr Ronnie Teo Heng Hock, Mr Tan Soo Nan, and Mr Steven Ong Kay Eng remain as Independent Non-Executive Directors of the Company.

The Board having reviewed the performance, character and background of each Independent Non-Executive Director, considers Mr Ronnie Teo Heng Hock, Mr Tan Soo Nan, and Mr Steven Ong Kay Eng to be independent by virtue of the fact that each Director does not have any existing business and/or professional relationship whatsoever with EnGro group of companies and its officers who could possibly influence their objectivity in discharging their duty as an Independent Director of the Company.

Corporate **GOVERNANCE REPORT**

4.4 Notwithstanding that some of the Directors have multiple board representations, the NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Company and each Director is able to and has been adequately carrying out his duties as a Director of the Company.

The NC has decided not to fix a limit on the number of board representations of each Director as it considers that the board representations presently held by its Directors do not impede the performance of their duties to the Company.

4.5 No alternate Director has been appointed to the Board.

4.6 The NC is responsible for identifying and recommending new board members to the Board, after considering the necessary and desirable competencies of the candidates which include; (i) academic and professional qualifications; (ii) industry experience; (iii) number of other directorships; (iv) relevant experience as a Director; and (v) ability and adequacy in carrying out required tasks.

The NC leads the process for board appointments and make recommendations to the Board. The integrated process of appointment includes:

- i. developing a framework on desired competencies and diversity on board;
- ii. assessing current competencies and diversity on board;
- iii. developing desired profiles of new Directors;
- iv. initiating search for new Directors including external search, if necessary;
- v. shortlist and interview potential Director candidates;
- vi. recommending appointments and retirements to the board;
- vii. election at general meeting.

4.7 Key information of each member of the Board can be found under the Directors' Profile section of this Annual Report.

The date of the Directors' initial appointment and last re-election and their directorships are disclosed in **Table 3**.

Corporate **GOVERNANCE** REPORT

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

Guidelines

of the Code Corporate Governance Practices of the Company

5.1 The NC is responsible for assessing the effectiveness and performance of the Board. The assessment parameters include the evaluation of the Board composition, size and expertise, timeliness of information flow and quality of information to the Board, Board pro-activeness, Board accountability and oversight, functioning of the Board Committees as well as standards of conduct. For FY2017, the NC reviewed the performance of the Board based on the aforesaid parameters.

5.2 The annual evaluation exercise provides an opportunity to obtain constructive feedback from each Director on whether the Board's procedures and processes had allowed him to discharge his duties effectively and to propose changes which may be made to enhance the Board effectiveness as a whole as well as the efficiency and effectiveness of the Board Committees in assisting the Board.

5.3 The NC members were in consensus that there is no necessity to go through the formal process of evaluating their fellow Director's performance on an individual basis. There were no issue with fellow members' regularity of attendance at meetings, their objectivity, competencies, time commitment and their readiness to contribute at meetings. Any disagreement between fellow Directors would be ironed out at the Board meeting.

Although the Directors are not evaluated individually on a formal basis, the factors taken into consideration with regard to the re-nomination of Directors for the current year are based on their attendances, commitment of time and contributions made at meetings of Board and Board committees as well as general meetings.

Access to Information

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Guidelines

of the Code Corporate Governance practices of the Group

6.1 & 6.2 The members of the Board were provided with financial information, as well as relevant background information and documents relating to items of business to be discussed at a Board meeting before the scheduled meeting.

Apart from keeping the Board informed of all relevant new laws and regulations, the Company also has an on-going orientation program for non-executive Board members to familiarise and update themselves with the Group's operations.

Corporate **GOVERNANCE REPORT**

- 6.3 Directors have separate and independent access to the Company Secretary at all times. The Company Secretary attends all Board meetings, provides corporate secretarial support to the Board and ensures adherence to Board procedures and relevant rules and regulations which are applicable to the Company. The Company Secretary assists the Chairman by preparing meeting agendas, attending Board and Board Committee meetings and preparing minutes of board proceedings. Under the direction of the Chairman, the Company Secretary, with the support of the management staff, ensures good information flows within the Board and the Board Committees and between Senior Management and Non-Executive Directors.
- 6.4 The appointment and removal of the Company Secretary is subject to the approval of the Board.
- 6.5 The Board (whether individually or as a group) has, in the execution of its duties, access to independent professional advice, if necessary, at the Company's expense.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Guidelines

of the Code Corporate Governance Practices of the Company

- 7.1 The RC, regulated by a set of written terms of reference, comprises three Independent Non-Executive Directors. The names of the members of the RC are disclosed in **Table 2**.
- 7.2 According to the terms of reference of the RC, the functions of the RC include, amongst others, the setting up and implementation of formal and transparent processes by which the remuneration packages of all the Executive Directors (in the form of service agreements) are formulated and approved. The RC has access to outside expert advice on all remuneration matters at the Company's expense.
- No Director or member of the RC has been involved in deciding his own remuneration, except for providing information and documents specifically requested by the RC to assist it in its deliberations.
- 7.3 The RC has, in the execution of its duties, access to independent professional advice inside and/or outside the Company on remuneration matters as and when required. The remuneration matters are currently managed by the Group's Human Resource and no external remuneration consultant was appointed in FY2017.
- 7.4 According to the service agreement of the Executive Directors:
- i. the term of service shall continue until terminated by either party in accordance with the terms of the agreement; and
 - ii. there are no onerous compensation commitments on the part of the Company in the event of an early termination of the service of the Executive Directors.

Corporate **GOVERNANCE** REPORT

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Guidelines

of the Code Corporate Governance Practices of the Company

8.1 ANNUAL REMUNERATION REPORT

REMUNERATION POLICY IN RESPECT OF EXECUTIVE DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

The CEO's 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. 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 paid a Director fee for being a member of the NC.

8.2 The Company obtained shareholders' approval in FY 2011 to implement a performance share award scheme (called the "EnGro Corporation Limited Performance Share Award Scheme") and an employee's share option scheme (called the "EnGro Corporation Limited 2011 Employees' Share Option Scheme"), where both schemes are administered by the RC. As at the date of this report, no award or share options have been granted to either the CEO or the other Executive Director, both of whom are entitled to participate in these two schemes subject to the rules and limits set out therein.

8.3 **POLICY IN RESPECT OF NON – EXECUTIVE DIRECTORS' REMUNERATION**

In reviewing the recommendation for Independent Non-Executive Directors' remuneration for FY2017, the RC had continued to adopt a framework of base fees for serving on the Board and Board Committees, as well as fees for chairing Board Committees and the role as Lead Independent Director. The fees take into consideration the amount of time and effort that each Board member may be required to devote to their role.

Save for Directors' fees, which have to be approved by the shareholders at every annual general meeting ("AGM"), the Independent Non-Executive Directors do not receive any other forms of remuneration from the Company.

8.4 In setting remuneration packages, the Company takes into consideration the remuneration and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the individuals. The Company has not adopted the use of contractual provisions to reclaim incentive components of the remuneration of Executive Directors and key management personnel as it was considered unnecessary in the Company's current context.

Corporate **GOVERNANCE** REPORT

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Guidelines of the Code

Corporate Governance Practices of the Company

9.1 **LEVEL AND MIX OF REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (WHO ARE NOT ALSO DIRECTORS OR THE CEO) FOR THE YEAR ENDED 31 DECEMBER 2017.**

Also Rules
1207(12) to
1207(15) of
the SGX-ST
Listing Rules

Although the remuneration of each Director and the top five key management personnel are not fully disclosed, the Company discloses their remuneration in bands of S\$250,000 and also discloses in aggregate the total remuneration paid to the Directors and the top five key management personnel.

The compensation structure for the key management personnel of the Group consists of three key components – fixed salary, bonus and other benefits.

Table 4 and **Table 4A** sets out the breakdown of the remuneration of the Directors and the top five key management personnel for FY2017, respectively.

9.2 & 9.3 Regarding the Code's recommendation to fully disclose the remuneration of Directors and the top five key management personnel, given the highly competitive environment it is operating in and the confidentiality attached to the remuneration matters, the Company believes that disclosing remuneration in bands of S\$250,000 and disclosing in aggregate the total remuneration paid to the Directors and the top five key management personnel provide sufficient overview of the remuneration of Directors and the top five key management personnel.

9.4 **REMUNERATION OF EMPLOYEES WHO ARE IMMEDIATE FAMILY MEMBERS OF A DIRECTOR OR THE CHIEF EXECUTIVE OFFICER**

Save as disclosed in Table 4, there is no immediate family member (defined in the SGX-ST Listing Manual) as the spouse, child, adopted child, step-child, brother sister and parent) of a Director or the CEO in the employment of the Company whose annual remuneration exceeded S\$50,000 during FY2017.

9.5 The Circular to Shareholders containing the details of the EnGro Corporation Limited Performance Share Award Scheme and the EnGro Corporation Limited 2011 Employees' Share Option Scheme are available to shareholders upon their request.

9.6 Matters which are required to be disclosed in the annual remuneration report have been sufficiently disclosed in this report under Principles 7, 8 and 9 and in the financial statements of the Company and the Group.

Corporate **GOVERNANCE** REPORT

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

Guidelines

of the Code Corporate Governance Practices of the Company

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

The Group prepares its financial statements in accordance with the Singapore Financial Reporting Standards ("SFRS") prescribed by the Accounting Standards Council. The Company releases its quarterly and full-year financial results through announcements to the SGX-ST.

10.2 In its interim quarterly financial statements announcements, the Board provides a negative assurance statement confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

The Company has also procured undertakings from all its Directors and executive officers in compliance with Listing Rule 720(1).

10.3 Management had provided each member of the Board with management accounts on a quarterly and monthly basis so that they will be better informed on how the Group and Company are performing. The CEO and the Group Financial Controller ("Group FC") provide assurance to the Board on the integrity of these financial statements through a written representation.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Guidelines

of the Code Corporate Governance Practices of the Company

11.1 The Group's system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss. During the year, the AC, on behalf of the Board and through the assistance of internal and external auditors, had reviewed the effectiveness of the Group's material internal control systems, including financial, operational, compliance and information technology controls, as well as risk management policies and systems. The process used by the AC to monitor and review the effectiveness of the system of internal controls and risk management includes:-

- (a) discussions with management on risks identified by management;

Corporate **GOVERNANCE REPORT**

- (b) the audit processes;
- (c) the review of internal and external audit plans; and
- (d) the review of significant issues arising from internal and external audits.

11.2 The Directors recognise that risk management is integral to the whole business of the Group. In 2013, the Company developed the risk identification and management framework with the assistance of a reputable consultant, following which management has been tasked with the responsibility of overseeing and regularly reviewing the Group's internal controls, including financial, operational, compliance and information technology controls, as well as risk management policies and systems.

11.3 Based on the Group's framework of management controls in place; the internal control policies and procedures established and maintained by the Group; the work performed by the internal and external auditors and the documentation on the Group's key risks referred to above, reviews performed by Management, the AC and the Board, the Board with the concurrence of AC is of the opinion that the risk management and internal control systems within the Group, addressing the financial, operational, compliance and information technology risks, are adequate and effective as at 31 December 2017.

Also Rule 1207(10) of the SGX-ST Listing Rules For the financial year under review, the CEO and the Group FC have provided assurance to the Board that the financial statements give a true and fair view of the Group's business operations and finances and the Group's risk management and internal control systems in place are adequate and effective in addressing the material risks in the Group in its current business environment including financial, operational, compliance and information technology.

11.4 As the Company does not have a Risk Management Committee, the Board, AC and Management assume the responsibility of the risk management function. Management reviews regularly the Group's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant policies and procedures and highlights all significant matters to the Board and the AC.

AUDIT COMMITTEE

Principle 12: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

Guidelines of the Code

Corporate Governance Practices of the Company

- 12.1 The AC, regulated by a set of written terms of reference, comprises three members, all of whom are Independent Non-Executive Directors. The names of the members of the AC are disclosed in **Table 2**.
- 12.2 The AC has three members namely Mr Tan Soo Nan, Mr Ronnie Teo Heng Hock and Mr Steven Ong Kay Eng, who have accounting or related financial management expertise or experience.
- 12.3 The AC has full access to and full co-operation of the Management and external auditors. It also has the full discretion to invite any Director or executive officer to attend its meetings. The AC also has the power to conduct or authorise investigations into any matters within its terms of reference.

Corporate **GOVERNANCE** REPORT

- 12.4 The AC has specific written terms of reference and performed the following functions:
- 12.4
- (i) reviews and evaluates with the external auditors on their audit plan, financial results of the Group and any material non-compliance and internal control weaknesses reported by the external auditors;
 - (ii) monitors the scope and results of the external audit, its cost effectiveness, independence, objectivity and gives its recommendations to the Board and the Company regarding the appointment, re-appointment or removal of the external auditors;
 - (iii) reviews the draft quarterly and full year financial statements of the Group and the Company before submission to the Board, including announcements relating thereto, to Shareholders and the Singapore Exchange Securities Trading Limited (“SGX-ST”);
 - (iv) reviews the adequacy of (a) Internal Audit (“IA”) function’s activities to ensure that IA has adequate resources and appropriate standing within the Company and (b) the internal audit programme and (c) ensures co-ordination between the internal auditors, external auditors and Management; and
 - (v) ensures that IA meets the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The AC had recommended and the Board had approved to table the re-appointment of KPMG LLP as auditors of the Company for shareholders’ approval at the forthcoming AGM.

The AC shall continue to monitor the scope and results of the external audit, its cost effectiveness, as well as the independence and objectivity of the external auditors and give its recommendations to the Board and the Company regarding the appointment, re-appointment or removal of the external auditors.

KPMG LLP, the Company’s external auditors, carried out, as part of their statutory audit, a review of the effectiveness of the Company’s internal accounting controls relevant to the audit on an annual basis. Any material internal accounting control weaknesses noted in the course of the statutory audit were reported by the external auditors to the AC.

- 12.5 Annually, the AC meets with the external auditors without the presence of management. Where warranted, the AC shall meet with the internal auditors without the presence of management to review any matters that must be raised.

- 12.6 The amount of audit and non-audit fees paid to the external auditors in FY2017 is disclosed on page 107 of the Annual Report.

The AC has reviewed the non-audit services provided by the external auditors to the Group in FY2017 and is satisfied that such services would not impair the independence of the external auditors in their conduct of the statutory audit.

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

Corporate **GOVERNANCE** REPORT

12.8 **Summary of AC's activities in FY2017**

During the year, the AC:

- (i) reviewed the financial statements of the Company before the announcement of the Company's quarterly and full-year results;
- (ii) reviewed the key areas of Management judgement applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have a material impact on the financials;
- (iii) reviewed and approved both the Group internal auditor's and external auditor's plans to ensure that the plans covered sufficiently in terms of audit scope in reviewing the significant internal controls comprise financial, operational and compliance controls of the Company;
- (iv) reviewed the independence and objectivity of the internal and external auditors through discussions with the internal and external auditors;
- (v) reviewed audit and non-audit fees;
- (vi) reviewed the appointment of a different auditor for its subsidiaries;
- (vii) reviewed the accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained in the Group;
- (viii) reviewed the internal audit functions and discusses accounting implications of major transactions including significant financial reporting issues; and
- (ix) reviewed interested party transactions.

Financial reporting and significant financial judgement

The role of the AC in relation to financial reporting is to monitor the integrity of the quarterly and full year financial statements and that of any formal announcements relating to the Group's financial performance. For the financial year under review, the AC has considered whether accounting standards are consistently applied across the Group and whether disclosures to the financial statements are clear and sufficient.

Corporate **GOVERNANCE** REPORT

Following discussions with the management and the external auditors, the AC has determined that the following areas are the key audit matters of the Group's financial statements. The table below summarised how these key audit matters were deliberated and addressed:

Matters Considered	Action
<p>Valuation and impairment of non-financial assets – \$113.5 million (46% of Group's total assets)</p>	<p>The AC considered the approach and methodology applied to the valuation and impairment assessment of the non-financial assets of the Group and discussed with external auditors on their review of the reasonableness and relevance of the assumptions used in the assessment.</p> <p>As a result of the above processes, the AC was satisfied that the key assumptions used in the assessments were balanced in comparison with the Group's historical performance against market data. The AC therefore concurred with the management's assessment that provision for impairment losses for non-financial assets was not required.</p>
<p>Valuation of available-for-sale financial assets – \$13.7 million (6% of Group's total assets)</p>	<p>In consideration of this matter, the AC reviewed the methodology applied to the valuation assessment of the available-for-sale financial assets which, comprise mainly investments in Venture Capital Funds (VCFs). The AC also obtained understanding on the work performed by the external auditors.</p> <p>It was satisfied that the fair values of VCFs recorded are consistent with the latest available valuation reports issued by professional fund managers.</p>
<p>Valuation of trade receivables – \$38.0 million (16% of Group's total assets)</p>	<p>In assessing the recoverability of the trade receivables, the AC considered the improvement in the trade receivables' aging, the historical default rate and the post year end collections. The AC has also considered inherent risk of the industry and the findings presented by the external auditors with reference to review of key controls over trade receivables.</p> <p>The above procedures provided the AC with the assurance on the approach and conclusion drawn by management that the impairment allowance of the trade receivables was adequate.</p>

12.9

None of the AC members were previous partners or directors of the existing auditing firm within the previous twelve months and none of the AC members hold any financial interest in the auditing firm.

Corporate **GOVERNANCE REPORT**

Internal Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audit.

Guidelines of the Code Corporate Governance Practices of the Company

- 13.1 The internal audit function reports directly to the Audit Committee. The AC reviews and approves the annual audit plan and resources to ensure that the internal auditors have the necessary resources to adequately perform their duties.
- 13.2 to 13.5 Our in-house internal audit team reports directly to the Chairman of the AC on internal audit matters. The AC has reviewed the adequacy of the in-house internal audit function and is satisfied that the team is adequately resourced and has appropriate standing within the Company.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Guidelines of the Code Corporate Governance Practices of the Company

- 14.1 The Company is committed to regular and timely communication with shareholders as part of the organisation's development to build systems and procedures that will enable the Group to compete internationally. The Company strives to maintain a high standard of transparency and to promote better investor communications. It aims to provide investors with clear, balanced and useful information, on a timely basis, about the Group's performance, financial position and prospects.
- 14.2 Management supported the Code's principle to encourage shareholder participation. Shareholders are encouraged to attend the AGM to ensure a high level of accountability and to stay informed of the Company's strategy and goals. Notice of the AGM is despatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 days or 21 days, as the case may be, before the meeting. The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at the AGM.
- 14.3 The Constitution of the Company allows each shareholder to appoint up to two proxies to attend and vote at AGMs on his/her behalf.
- The Company allows relevant intermediaries such as the Central Provident Fund Board or corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such bodies can attend and participate in general meetings as proxies.

Corporate **GOVERNANCE** REPORT

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Guidelines of the Code

Corporate Governance Practices of the Company

- 15.1 The Company provides sufficient and regular information to its shareholders on a timely and fair basis regarding its business developments and financial performance that could have a material impact on the price or value of its shares. The Board embraces openness and transparency in the conduct of the Company's affairs, whilst safeguarding its commercial interests.
- 15.2 The Company does not practise selective disclosure. In line with continuous obligations of the Company pursuant to the SGX-ST Listing Manual and the Companies Act (Cap 50) of Singapore, the Board's policy is that all shareholders should be equally and timely informed of all major developments that will impact the Company or the Group. Information is communicated to shareholders on a timely basis through the Singapore Exchange Network (the "SGXNET") and the press.
- 15.3 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.
- 15.4 The Company has adopted quarterly reporting of its financial results since FY2003. Accordingly, in FY2017, quarterly financial results of the Company were published via SGXNET.
- 15.5 The Company's seeks to balance dividend return to shareholders with the need for long-term sustainable growth whilst aiming for an efficient capital structure.
- The declaration of a first and final tax-exempt (1-tier) dividend of 2.5 cents per ordinary share has been proposed for FY2017.

Corporate **GOVERNANCE REPORT**

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Guidelines

of the Code **Corporate Governance Practices of the Company**

16.1 In general meetings, shareholders are given the opportunity to communicate their views and direct questions to Directors and Management regarding the Company. The Chairpersons of Board Committees are present at the AGM and other general meetings of shareholders, to assist the Board in addressing shareholders' questions. The minutes of AGM are available to shareholders upon their request.

Shareholders have the opportunity to participate effectively and to vote in the AGM either in person or by proxy.

The Company is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

16.2 Resolutions to be passed at general meetings are always separate and distinct in terms of issue and are consistent with the Code's recommendation that companies avoid 'bundling' resolutions unless the resolutions are interdependent and linked so as to form one significant proposal.

16.3 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.

16.4 & 16.5 To have greater transparency in the voting process, with effect from FY2013, the Company conducts the voting of all its resolutions by poll at its AGM. The detailed voting results of each of the resolutions tabled are announced on the same day after the meetings. The total numbers of votes cast for or against the resolutions are also announced after the meetings via SGXNET.

Rule 1207(19)
of the SGX-ST
Listing Rules

DEALING IN SECURITIES

An internal code, which complies with Rule 1207(19) of the Listing Manual of the SGX-ST, with respect to dealings in securities of the Company, has been issued to Directors and officers. The Company's Directors and officers are not allowed to deal in the Company's shares within two weeks before the announcement of its results for the first three quarters of the year. The Directors and officers are not allowed to deal in the Company's shares one month before the announcement of its full year results.

Directors and officers are not expected to deal in the Company's securities on considerations of a short-term nature. Directors and officers are required to observe insider trading provisions under the Securities and Futures Act at all times even when dealing in the Company's securities within the permitted periods. Directors of the Company are required to report all dealings to the Company Secretary.

Corporate **GOVERNANCE** REPORT

Rule 1207(8)
of the SGX-ST
Listing Rules

MATERIAL CONTRACTS

Save as the service agreement entered with the CEO and the other Executive Director, no other material contracts involving the interests of the CEO, Directors or controlling shareholders of the Company has been entered into by the Company and its subsidiaries, which were either subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

Rule 1207(17)
of the SGX-ST
Listing Manual

INTERESTED PERSON TRANSACTION (“IPT”)

The Company has established procedures to ensure that all transactions with interested persons are reported on in a timely manner to the AC and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

During the year under review, there have been no material interested person transactions requiring disclosure pursuant to the SGX-ST Listing Manual. No IPT Mandate has been obtained from shareholders.

Rule 711A -
711B of the
SGX-ST Listing
Rules

SUSTAINABILITY REPORTING

As Singapore moves towards becoming a more sustainable city, we continue to play our part in promoting sustainability. We believe that the effective management of environmental, social and governance (ESG) risks and opportunities can help us to deliver long-term value to our stakeholders.

EnGro intends to publish our augural Sustainability Report (the “Report”), which is aligned to SGX-ST’s Listing Rules – Sustainability Reporting Guide, by December 2018. This Report will be publicly accessible through EnGro’s website as well as on SGXNet.

TABLE 1 – ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS FOR FY2017

Directors	Board of Directors		Nominating Committee		Audit Committee		Remuneration Committee	
	Number of Meetings							
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Tan Cheng Gay	5	5	–	–	–	–	–	–
Tan Yok Koon	5	4	1	0	–	–	–	–
Ronnie Teo Heng Hock	5	5	1	1	4	4	2	2
Tan Soo Nan ⁽¹⁾	4	3	1	1	3	2	–	–
Steven Ong Kay Eng ⁽²⁾	3	3	1	1	2	2	–	–

(1) Appointed on 2 May 2017

(2) Appointed on 1 July 2017

Corporate **GOVERNANCE REPORT**

TABLE 2 – BOARD AND BOARD COMMITTEES

	Board	Nominating Committee	Audit Committee	Remuneration Committee
Non-Independent Directors				
Tan Cheng Gay (executive)	Chairman	–	–	–
Tan Yok Koon (executive)	Member	Member	–	–
Independent Non-Executive Directors				
Ronnie Teo Heng Hock	Member	Member	Member	Chairman
Tan Soo Nan (also Lead Independent Director)	Member	Member	Chairman	Member
Steven Ong Kay Eng	Member	Chairman	Member	Member

TABLE 3 – DATE OF DIRECTOR'S INITIAL APPOINTMENT & LAST RE-ELECTION & THEIR DIRECTORSHIPS

Name of Director	Age	Date of initial appointment	Date of last re-election	Present directorships in listed companies	Past (preceding 3 years) directorships in listed companies
Tan Cheng Gay	71	27/11/1973	28/04/2017	EnGro Corporation Limited	–
Tan Yok Koon	69	17/05/1974	29/04/2016	EnGro Corporation Limited	–
Ronnie Teo Heng Hock	69	05/01/2012	28/04/2017	1) EnGro Corporation Limited 2) Uni-Asia Group Limited	–
Tan Soo Nan	69	02/05/2017	N/A	1) EnGro Corporation Limited 2) Raffles Medical Group 3) SATS Limited	OSIM International Ltd
Steven Ong Kay Eng	71	01/07/2017	N/A	1) EnGro Corporation Limited 2) Sino Land Company Limited 3) Tsim Sha Tsui Properties Limited 4) Sino Hotels (Holdings) Limited	–

Corporate **GOVERNANCE** REPORT

TABLE 4 – REMUNERATION OF DIRECTORS

The breakdown of the total remuneration of the Directors of the Company for the year ended 31 December 2017 is set out below:

Name of Directors	Position	Breakdown of Remuneration in Percentage (%)					Actual Total Remuneration in Compensation Bands of S\$250,000
		Directors' Fee %	Salary %	Bonus %	Other Benefits %	Total %	
Tan Cheng Gay	ED	–	73	24	3	100%	500,001 – 750,000
Tan Yok Koon	ED	1	49	19	31	100%	500,001 – 750,000
Ronnie Teo Heng Hock	NEID	100	–	–	–	100%	<250,000
Ng Tat Pun ⁽¹⁾	NEID	100	–	–	–	100%	<250,000
Soh Kim Soon ⁽²⁾	NEID	100	–	–	–	100%	<250,000
Tan Soo Nan ⁽³⁾	NEID	100	–	–	–	100%	<250,000
Steven Ong Kay Eng ⁽⁴⁾	NEID	100	–	–	–	100%	<250,000
The Aggregate Total Remuneration (S\$'000) of Directors						1,586	

(1) Resigned on 31 December 2017

(2) Resigned on 30 June 2017

(3) Appointed on 2 May 2017

(4) Appointed on 1 July 2017

Notes

ED: Executive Director

NEID: Non-Executive Independent Director

Corporate **GOVERNANCE** REPORT

TABLE 4A – REMUNERATION OF TOP FIVE KEY MANAGEMENT PERSONNEL (WHO ARE NOT ALSO DIRECTORS OR THE CEO)

The breakdown of total remuneration of the top five key management personnel (who are not also Directors or the CEO) of the Group for the year ended 31 December 2017 is set out below:

Name of Top Five Management Personnel	Position	Breakdown of Remuneration in Percentage (%)				Actual Total Remuneration in Compensation Bands of \$250,000
		Salary %	Bonus %	Other Benefits %	Total %	
Ho Pol Lim Eugene	Senior General Manager Building Materials	73	22	5	100	250,001 – 500,000
Chen En Yi	General Manager Specialty Cement	70	27	3	100	<250,000
Wong Toon Hong	Manager, Strategic Business Unit	84	13	3	100	<250,000
Vincent Loh	Manager, Knowledge Management & Business Development	68	26	6	100	<250,000
Len Cheng ⁽¹⁾	Chief Financial Officer	94	0	6	100	<250,000
The Aggregate Total Remuneration (S\$'000) of Top Five Key Management Personnel					1,195	

(1) Resigned on 5 December 2017

Legend:

Salary: Basic salary and Employer's Central Provident Fund ("CPF") contribution

Bonus: Bonus is based on the Company and individual performance and includes Employer's CPF contribution.

Other Benefits: Transport allowance and other benefits.

Directors' STATEMENT

YEAR ENDED 31 DECEMBER 2017

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 2017.

In our opinion:

- (a) the financial statements set out on pages 56 to 128 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, 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.

Directors

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

Tan Cheng Gay	Executive Chairman	
Tan Yok Koon	Executive Director	
Ronnie Teo Heng Hock	Independent and Non-Executive Director	
Tan Soo Nan	Lead Independent and Non-Executive Director	(Appointed on 2 May 2017)
Steven Ong Kay Eng	Independent and Non-Executive Director	(Appointed on 1 July 2017)

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 in the Company are as follows:

Name of Director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
The Company		
<u>Ordinary shares</u>		
– direct interests held		
Tan Cheng Gay	636,750	636,750
Tan Yok Koon	366,000	366,000
Soh Kim Soon*	46,500	–

* Resigned on 30 June 2017

Directors' STATEMENT

YEAR ENDED 31 DECEMBER 2017

Directors' interests (Continued)

Name of Director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
The Company		
<u>Ordinary shares</u>		
– deemed interests held		
Tan Cheng Gay	16,500,500	16,500,500
Tan Yok Koon	15,674,500	15,674,500

Except as disclosed in this statement, no Director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, 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 2018.

Except as disclosed under the "Share options" section of this statement, 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.

Share options

(i) *Ssangyong Cement (Singapore) Limited 2000 Employees' Share Option Scheme (the "ESOS 2000")*

The Ssangyong Cement (Singapore) Limited 2000 Employees' Share Option Scheme (the "ESOS 2000") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 15 January 2001. The ESOS 2000 is administered by the Company's Remuneration Committee, comprising three directors, Ronnie Teo Heng Hock (Chairman), Tan Soo Nan and Steven Ong Kay Eng.

Other information regarding the ESOS 2000 is set out below:

- (a) Options were granted on 1 December 2006 (Option 1), 8 January 2008 (Option 2) and 30 March 2009 (Option 3).
- (b) The exercise prices of the options are set at \$0.75 per share (Option 1), \$1.17 per share (Option 2) and \$0.55 per share (Option 3).
- (c) The options can be exercised after 1 December 2007 (Option 1), 8 January 2009 (Option 2) and 30 March 2010 (Option 3).
- (d) The options granted shall expire on 1 December 2016 (Option 1), 8 January 2018 (Option 2) and 30 March 2019 (Option 3).

Option 1 expired on 1 December 2016 while Option 3 had been fully exercised in prior year.

Directors' STATEMENT

YEAR ENDED 31 DECEMBER 2017

Share options (Continued)

(II) *EnGro Corporation Limited 2011 Employees' Share Option Scheme (the "ESOS 2011")*

The EnGro Corporation Limited 2011 Employees' Share Option Scheme (the "ESOS 2011") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 27 April 2011. The ESOS 2011 is administered by the Company's Remuneration Committee, comprising three directors, Ronnie Teo Heng Hock (Chairman), Tan Soo Nan and Steven Ong Kay Eng.

Other information regarding the ESOS 2011 is set out below:

- (a) Option was granted on 18 April 2012.
- (b) The exercise price of the option is set at \$0.79 per share.
- (c) The option can be exercised after 18 April 2013.
- (d) The option granted shall expire on 18 April 2022.

At the end of the financial year, details of the options granted under the ESOS 2000 and ESOS 2011 on the unissued ordinary shares of the Company, are as follows:

Date of grant of options	Exercise price per share	Options outstanding at			Options outstanding at		Number of option holders at 31 December 2017	Exercise period
		1 January 2017	Options exercised	Options forfeited	31 December 2017	31 December 2017		
ESOS 2000*								
08/01/2008	\$1.17	740,000	–	–	740,000	8	09/01/2009 – 07/01/2018	
ESOS 2011								
18/04/2012	\$0.79	205,000	(55,000)	(15,000)	135,000	3	19/04/2013 – 17/04/2022	
		<u>945,000</u>	<u>(55,000)</u>	<u>(15,000)</u>	<u>875,000</u>			

* No further options will be granted under ESOS 2000.

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

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.

Directors' STATEMENT

YEAR ENDED 31 DECEMBER 2017

Audit Committee

The members of the Audit Committee at the date of this statement are:

Tan Soo Nan (Chairman)
Ronnie Teo Heng Hock
Steven Ong Kay Eng

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

The Audit Committee has held four meetings since the last directors' statement. 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 LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company, subsidiaries and significant associated companies, we have complied with Rules 712 and 715 of the SGX Listing Manual.

Directors' **STATEMENT**

YEAR ENDED 31 DECEMBER 2017

Auditors

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

On behalf of the Board of Directors

Tan Cheng Gay

Director

Tan Yok Koon

Director

2 April 2018

Independent AUDITORS' REPORT

MEMBERS OF THE COMPANY
ENGRO CORPORATION LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of EnGro Corporation Limited ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 56 to 128.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent AUDITORS' REPORT

Valuation and impairment of non-financial assets (Refer to Note 4 to the financial statements)

The key audit matter

As at 31 December 2017, the Group's net asset value exceeded its market capitalisation by approximately \$103.1 million. This is an indication that the Group's non-financial assets may be impaired. The carrying value of the Group's non-financial assets, which comprise mainly investments in associates and joint ventures with a carrying amount of \$100.6 million, and property, plant and equipment ("PPE") with a carrying amount of \$12.8 million, accounted for approximately 46% of the Group's total assets.

In accordance with FRS 36 *Impairment of Assets*, the Group performed an assessment of the recoverable amounts of the Group's non-financial assets as at the reporting date for the Group's significant cash generating units ("CGUs"). The recoverable amounts of these CGUs have been determined using their values in use. Various assumptions which involve estimates and judgements made by the Group are used in the value in use calculations. These estimates and judgements include revenue growth, selling price growth and the discount rates.

How the matter was addressed in our audit

We assessed management's identification of CGUs based on our understanding of the Group's businesses. For those significant CGUs, we evaluated management's value in use calculations prepared based on cash flow forecasts. We determined the appropriateness of key assumptions used, including revenue growth, selling price growth and discount rate, by comparing to historical sales data and market data drawn from independent data sources.

Our findings

We found that the Group's CGUs with impairment indicators have been appropriately identified. The key assumptions used in the value in use calculations were balanced in comparison with the Group's historical performance and against market data.

Independent **AUDITORS' REPORT**

Valuation of available-for-sale financial assets (Refer to Note 25 to the financial statements)

The key audit matter

The Group has significant investments in available-for-sale financial assets. These investments comprise mainly investments in venture capital funds ("VCFs").

For investments in VCFs, their fair values are derived based on the valuation of the underlying assets prepared by the VCF fund managers, which consist of quoted and unquoted debt and equity securities measured at fair value. For certain unquoted debt and equity securities, there are unobservable inputs used in the determination of fair value.

The valuation of the unquoted securities requires the use of expertise and judgement.

How the matter was addressed in our audit

Our audit procedures performed on the valuation of the VCFs included, among others, checking to the latest available valuation reports of the VCFs to ascertain the accuracy of their fair values. The VCF valuations were performed by the VCF fund managers, utilising valuation models which are generally accepted by market participants, such as last round financing price and similar recent transactions in the private market led by a reputable valuer. In placing reliance on the VCF valuations, we evaluated the competency and objectivity of the VCF fund managers by reviewing their professional credentials and corroborating the valuation inputs used to observable market data.

Our findings

We found the fair values of VCFs recorded to be consistent with the latest available valuation reports and after taking into consideration all capital calls and distributions that have occurred subsequent to the date of the valuation reports. We also identified no concerns over the competence and objectivity of the VCF fund managers in performing the valuations as a basis for placing reliance.

Independent AUDITORS' REPORT

Valuation of trade receivables (Refer to Note 25 to the financial statements)

The key audit matter

The Group is exposed to credit risk relating to construction companies based in Singapore and Malaysia. Risk exists over the recovery of trade receivables from these companies. The estimate of the allowance for impairment of trade receivables requires the use of judgement on the customers' ability to pay.

How the matter was addressed in our audit

We evaluated the Group's specific and collective impairment assessment on doubtful trade receivables as at year end. Our audit procedures performed included performing a retrospective review to assess the reliability of management's estimation by comparing the amount of provisions made in previous year against the actual subsequent utilisation of these provisions, discussing with management on the recoverability of trade receivables that were past due, selecting samples of trade receivables and checking to collections subsequent to year end and comparing the ageing profile of the trade receivables to the payment patterns of the customers.

Our findings

We found the Group's estimate of the allowance for impairment of trade receivables as described in note 25 to be balanced.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Independent **AUDITORS' REPORT**

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit 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 Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists management's going concern assumption related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent **AUDITORS'** REPORT

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Low Gin Cheng, Gerald.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

2 April 2018

Statements of FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Assets					
Property, plant and equipment	4	12,824	14,250	2,336	2,760
Subsidiaries	5	–	–	55,766	54,475
Intangible assets	6	512	425	154	131
Associates and joint ventures	7	100,630	101,096	60,555	60,555
Other investments	8	16,452	17,742	1,217	1,217
Other assets	9	78	97	78	97
Amounts due from associates and joint ventures	11	–	1,037	–	–
Loan to a subsidiary	12	–	–	–	5,059
Deferred tax assets	17	–	29	–	–
Non-current assets		130,496	134,676	120,106	124,294
Other investments	8	26,110	21,717	–	–
Inventories	10	12,318	10,132	3,956	5,114
Trade and other receivables	11	51,524	47,964	49,364	49,012
Loan to a subsidiary	12	–	–	5,059	–
Cash and cash equivalents	13	23,869	39,393	8,878	20,363
Current assets		113,821	119,206	67,257	74,489
Total assets		244,317	253,882	187,363	198,783
Equity					
Share capital	14	85,270	85,270	85,270	85,270
Reserves	14	129,971	133,938	89,118	90,112
Equity attributable to owners of the Company		215,241	219,208	174,388	175,382
Non-controlling interests		1,169	123	–	–
Total equity		216,410	219,331	174,388	175,382
Liabilities					
Loans and borrowings	16	3,558	6,919	–	244
Deferred tax liabilities	17	481	756	–	–
Non-current liabilities		4,039	7,675	–	244
Loans and borrowings	16	4,963	3,633	8,339	13,775
Trade and other payables	18	18,699	22,881	4,636	9,382
Current tax liabilities		206	362	–	–
Current liabilities		23,868	26,876	12,975	23,157
Total liabilities		27,907	34,551	12,975	23,401
Total equity and liabilities		244,317	253,882	187,363	198,783

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

Consolidated statement of profit or loss AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2017

	Note	2017 \$'000	2016 \$'000
Revenue	19	141,826	153,297
Other income		2,221	2,883
Changes in inventories of finished goods and work in progress		(611)	(2,507)
Raw materials		(111,764)	(114,659)
Depreciation of property, plant and equipment	4	(4,464)	(4,358)
Amortisation of intangible assets	6	(74)	(77)
Staff costs		(12,909)	(14,296)
Other expenses		(18,606)	(22,318)
Results from operating activities		(4,381)	(2,035)
Finance income	20	2,803	5,679
Finance costs	20	(2,898)	(1,676)
Net finance (costs)/income		(95)	4,003
Share of profit of associates and joint ventures, net of tax		8,633	4,884
Profit before tax		4,157	6,852
Tax expense	21	(344)	(971)
Profit for the year	22	3,813	5,881
Profit attributable to:			
Owners of the Company		3,636	5,768
Non-controlling interests		177	113
Profit for the year		3,813	5,881
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(488)	(2,937)
Exchange differences on monetary items forming part of net investment in foreign operations		(3,084)	941
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		(15)	(3,486)
Net change in fair value of available-for-sale financial assets		(1,233)	(1,528)
Other comprehensive income for the year, net of tax		(4,820)	(7,010)
Total comprehensive income for the year		(1,007)	(1,129)
Total comprehensive income attributable to:			
Owners of the Company		(1,151)	(1,190)
Non-controlling interests		144	61
Total comprehensive income for the year		(1,007)	(1,129)
Earnings per share			
Basic earnings per share (cents)	23	3.07	4.86
Diluted earnings per share (cents)	23	3.07	4.86

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

Consolidated statement of CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company							Total \$'000	Non- controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Capital reserve \$'000	Reserve for own shares \$'000	Share option reserve \$'000	Foreign currency translation reserve \$'000	Fair value reserve \$'000	Accumulated profits* \$'000			
At 1 January 2016	85,270	(21)	(73)	168	3,180	9,927	125,000	223,451	62	223,513
Total comprehensive income for the year										
Profit for the year	-	-	-	-	-	-	5,768	5,768	113	5,881
Other comprehensive income										
Foreign currency translation differences	-	-	-	-	(2,885)	-	-	(2,885)	(52)	(2,937)
Exchange differences on monetary items forming part of net investment in foreign operations	-	-	-	-	941	-	-	941	-	941
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	-	-	-	(3,486)	-	(3,486)	-	(3,486)
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	(1,528)	-	(1,528)	-	(1,528)
Total other comprehensive income	-	-	-	-	(1,944)	(5,014)	-	(6,958)	(52)	(7,010)
Total comprehensive income for the year	-	-	-	-	(1,944)	(5,014)	5,768	(1,190)	61	(1,129)
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Final one-tier dividend declared of 2.5 cents per share in respect of year ended 31 December 2015	-	-	-	-	-	-	(2,968)	(2,968)	-	(2,968)
Issue of treasury shares under share option scheme	-	(24)	144	(14)	-	-	-	106	-	106
Own shares acquired	-	-	(191)	-	-	-	-	(191)	-	(191)
Total contributions by and distributions to owners	-	(24)	(47)	(14)	-	-	(2,968)	(3,053)	-	(3,053)
At 31 December 2016	85,270	(45)	(120)	154	1,236	4,913	127,800	219,208	123	219,331

* Included in accumulated profits is the Group's share of statutory common reserves of its associates and joint ventures of \$15,694,000 that are not distributable as cash dividends.

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

Consolidated statement of CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company									
	Share capital \$'000	Capital reserve \$'000	Reserve for own shares \$'000	Share option reserve \$'000	Foreign currency translation reserve \$'000	Fair value reserve \$'000	Accumulated profits* \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
At 1 January 2017	85,270	(45)	(120)	154	1,236	4,913	127,800	219,208	123	219,331
Total comprehensive income for the year										
Profit for the year	-	-	-	-	-	-	3,636	3,636	177	3,813
Other comprehensive income										
Foreign currency translation differences	-	-	-	-	(455)	-	-	(455)	(33)	(488)
Exchange differences on monetary items forming part of net investment in foreign operations	-	-	-	-	(3,084)	-	-	(3,084)	-	(3,084)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	-	-	-	(15)	-	(15)	-	(15)
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	(1,233)	-	(1,233)	-	(1,233)
Total other comprehensive income	-	-	-	-	(3,539)	(1,248)	-	(4,787)	(33)	(4,820)
Total comprehensive income for the year	-	-	-	-	(3,539)	(1,248)	3,636	(1,151)	144	(1,007)
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Final one-tier dividend declared of 2.5 cents per share in respect of year ended 31 December 2016	-	-	-	-	-	-	(2,964)	(2,964)	-	(2,964)
Issue of treasury shares under share option scheme	-	4	48	(8)	-	-	-	44	-	44
Share options forfeited	-	-	-	(20)	-	-	20	-	-	-
Total contributions by and distributions to owners	-	4	48	(28)	-	-	(2,944)	(2,920)	-	(2,920)
Contribution by non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	1,022	1,022
Acquisition of a non-controlling interest without a change in control	-	-	-	-	-	-	104	104	(120)	(16)
At 31 December 2017	85,270	(41)	(72)	126	(2,303)	3,665	128,596	215,241	1,169	216,410

* Included in accumulated profits is the Group's share of statutory common reserves of its associates and joint ventures of \$16,130,000 that are not distributable as cash dividends.

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

Consolidated statement of CASH FLOWS

YEAR ENDED 31 DECEMBER 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Profit before tax		4,157	6,852
Adjustments for:			
Depreciation of property, plant and equipment	4	4,464	4,358
Allowance for inventory obsolescence		–	64
Amortisation of intangible assets	6	74	77
Dividend income		(326)	(436)
Gain on disposal of property, plant and equipment	22	(273)	(230)
(Reversal of)/allowance for doubtful receivables	22	(270)	688
Impairment loss on other assets	9	–	75
Impairment loss on available-for-sale financial assets	20	665	1,261
Interest income	20	(196)	(766)
Interest expense		315	415
Other investment income	20	(435)	(220)
Gain on disposal of available-for-sale financial assets	20	(680)	(3,466)
Net change in fair value of financial assets at fair value through profit or loss		(1,166)	(745)
Share of profits of associates and joint ventures, net of tax		(8,633)	(4,884)
		(2,304)	3,043
Changes in:			
Inventories		(2,200)	3,526
Trade and other receivables		(4,195)	(2,258)
Trade and other payables		(623)	1,097
Cash (used in)/generated from operations		(9,322)	5,408
Tax paid		(792)	(465)
Net cash (used in)/generated from operating activities		(10,114)	4,943
Cash flows from investing activities			
Acquisition of property, plant and equipment		(2,963)	(2,765)
Distributions from available-for-sale financial assets		1,270	835
Dividends received from:			
– associates and joint ventures		2,790	1,960
– other investments		278	384
Interest received		196	183
Proceeds from disposal of:			
– available-for-sale financial assets		680	2,634
– financial assets at fair value through profit or loss		671	3,285
– property, plant and equipment		523	668
– other assets		40	–
Purchase of available-for-sale financial assets		(2,722)	(1,374)
Purchase of financial assets at fair value through profit or loss		(988)	(613)
Purchase of intangible asset		(18)	–
Purchase of other assets		(20)	–
Investment in a joint venture		–	(312)
Repayment of non-trade amount from a joint venture		–	6,071
Net cash (used in)/from investing activities		(263)	10,956

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

Consolidated statement of **CASH FLOWS**

YEAR ENDED 31 DECEMBER 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from financing activities			
Acquisition of non-controlling interest		(16)	–
Capital contribution from non-controlling interest of a subsidiary		1,022	–
Refund of deposits pledged		–	500
Dividends paid		(2,964)	(7,326)
Interest paid		(315)	(415)
Payment of finance lease liabilities		(2,826)	(3,106)
Proceeds from exercise of share options		44	106
Proceeds from trust receipts		223	1,273
Repayment of loan from a non-controlling interest of a subsidiary		–	(947)
Repurchase of own shares		–	(191)
Loan from a non-controlling interest of a subsidiary		–	569
Net cash used in financing activities		(4,832)	(9,537)
Net (decrease)/increase in cash and cash equivalents		(15,209)	6,362
Cash and cash equivalents at 1 January		39,393	33,121
Effect of exchange rate fluctuations on cash held		(315)	(90)
Cash and cash equivalents at 31 December	13	23,869	39,393

Significant non-cash transaction

The following significant non-cash transactions are not included in the statement of cash flows:

	2017 \$'000	2016 \$'000
Acquisition of property, plant and equipment under finance leases	535	1,457

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

Notes to the **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 2 April 2018.

1 DOMICILE AND ACTIVITIES

EnGro Corporation Limited (“the Company”) is incorporated in the Republic of Singapore. The address of the Company’s registered office is 29 International Business Park, #08-05/06 Acer Building Tower B, Singapore 609923.

The financial statements of the Group as at and for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as “the Group” and individually as “Group entities”) and the Group’s interests in equity-accounted investees.

The principal activities of the Group are those relating to the manufacture and sale of cement and building materials and specialty polymers and that of an investment holding company.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

Management is of the opinion that there are no critical judgements made in applying the accounting policies.

Notes to the **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 4 – Impairment of property, plant and equipment
- Note 25 – Impairment of trade and other receivables
- Note 25 – Valuation of available-for-sale financial assets

Information about other estimates applied are included in the following notes:

- Note 4 – Useful economic lives of property, plant and equipment
- Note 5 – Impairment of investments in subsidiaries
- Note 10 – Allowance for inventory obsolescence

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 25 – Financial instruments.

2.5 Changes in accounting policies

Disclosure Initiative (Amendment to FRS 7)

From 1 January 2017, as a result of the amendments to FRS 7, the Group has provided additional disclosure (see note 16) in relation to the changes in liabilities arising from financing activities for the year ended 31 December 2017. Comparative information has not been presented.

Notes to the **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the date of acquisition, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Notes to the **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in subsidiaries are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interest(s) and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Investments in associates and joint-ventures (“equity-accounted investees”)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, 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 equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

Notes to the **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Subsidiaries, associates and joint ventures in the separate financial statements

Investments in subsidiaries, associates and joint ventures are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the translation of available-for-sale equity instruments which are recognised in other comprehensive income (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss).

Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and are translated at the exchange rates at the reporting date. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Notes to the **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency (Continued)

Foreign operations (Continued)

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the foreign currency translation reserve in equity.

3.3 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

Non-derivative financial assets (Continued)

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's investment strategy. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Financial assets classified as held for trading comprise equity and debt securities actively managed by the Group.

Financial assets designated at fair value through profit or loss comprise investment funds that otherwise would have been classified as available-for-sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise loan to a subsidiary, cash and cash equivalents, and trade and other receivables (excluding prepayments).

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise investments in equity securities and venture capital funds.

Notes to the **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

Non-derivative financial assets (Continued)

Available-for-sale financial assets (Continued)

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

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

Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. These financial liabilities comprise loans and borrowings, and trade and other payables.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own share account. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in non-distributable capital reserve.

Notes to the **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

Derivative financial instruments

Non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

Intra-group financial guarantees in the separate financial statements

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

Financial guarantee contracts issued by Group entities to external parties are accounted for as insurance contracts. A provision is recognised based on the Company's estimate of the ultimate cost of setting all claims incurred but unpaid at the reporting date. The provision is assessed by reviewing individual claims and tested for adequacy by Company against the amount that would be required to settle the guarantee contracts.

3.4 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use; and
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Notes to the **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (Continued)

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of assets under construction, from the date that the asset is ready for use.

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

Leasehold property	– over remaining lease term of 30 years
Buildings and civil works	– 3 to 20 years
Plant, machinery and equipment	– 4 to 10 years
Office equipment, furniture and fittings	– 5 to 10 years
Computers	– 3 to 5 years
Motor vehicles and transport equipment	– 5 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.5 Intangible assets

Intangible assets acquired by the Group that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Notes to the **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Intangible assets (Continued)

Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

Franchise rights	–	10 years
Software	–	8 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.6 Leased assets

Leases in term of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

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

3.8 Other trading investments

Other trading investments comprise those investments which are tradeable on exchanges. Such assets are measured at fair value less costs to sell.

Notes to the **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss, including an interest in equity-accounted investees, is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor will enter bankruptcy or economic conditions that correlate with defaults. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Group considers a decline of 30% to be significant and a period of nine months to be prolonged.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss recognised previously in profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Notes to the **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (Continued)

Associates and joint ventures

An impairment loss in respect of an associate or joint venture is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of assets in the CGU (group of CGUs) on a *pro rata* basis.

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.

3.10 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Notes to the **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Employee benefits (Continued)

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

3.11 Revenue

Sales of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. The timing of the transfer of risks and rewards vary depending on the individual trade terms of the sales transactions.

3.12 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Notes to the **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss and reclassifications of net gains previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, losses on disposal of available-for-sale financial assets, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables) and reclassifications of net losses previously recognised in other comprehensive income.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.14 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of 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:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries, associates and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Notes to the **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Tax (Continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.15 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

3.16 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO (the chief operating decision maker) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise interest-earning fixed deposits and the related interest income, interest-bearing loans and the related interest expense, headquarter expense, support expenses of associates and joint ventures, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets.

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Full convergence with International Financial Reporting Standards (“IFRS”) and adoption of new standards

Applicable to 2018 financial statements

In December 2017, the Accounting Standards Council (“ASC”) issued the Singapore Financial Reporting Standards (International) (“SFRS(I)”). SFRS(I) comprises standards and interpretations that are equivalent to the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) at 31 December 2017 that are applicable for annual periods beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

The Group’s financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I). As a result, this will be the last set of financial statements prepared under the current FRS.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*.

In addition to the adoption of the new framework, the Group will also concurrently apply the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes the clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes the amendments to IFRS 4 *Insurance Contracts – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and Measurement of Share-based Payment Transactions* issued by the IASB in June 2016;
- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of Investment Property* issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The Group does not expect the application of the above standards and interpretations to impact on the financial statements, except for SFRS(I) 1 and SFRS(I) 9, as described below.

Notes to the **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Full convergence with International Financial Reporting Standards (“IFRS”) and adoption of new standards (Continued)

SFRS(I) 1

When the Group adopts SFRS(I) in 2018, the Group will apply SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. Except as described below, the Group does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements.

Foreign currency translation reserve (“FCTR”)

The Group considers that restating FCTR to comply with SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* may not be practicable as certain acquisitions and disposals were transacted at dates that preceded the statutory record keeping periods.

The Group plans to elect the optional exemption in SFRS(I) 1 to reset its cumulative FCTR for all foreign operations to nil at the date of transition, and reclassify the cumulative FCTR of \$1,236,000 as at 1 January 2017 determined in accordance with FRS at that date to accumulated profits. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

The Group expects the cumulative FCTR to decrease by \$1,236,000 and accumulated profits to increase by the same amount as at 31 December 2017 as a result of the reclassification.

SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group plans to adopt SFRS(I) 15 in its financial statements for the year ending 31 December 2018. The Group does not expect any significant adjustments arising from the application of SFRS(I) 15.

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Full convergence with International Financial Reporting Standards (“IFRS”) and adoption of new standards (Continued)

SFRS(I) 9

SFRS(I) 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

The Group plans to take advantage of the exemption in SFRS(I) 1 allowing it not to restate comparative information in the 2018 SFRS(I) financial statements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in accumulated profits and reserves as at 1 January 2018.

The following assessments have to be made on the basis of facts and circumstances that existed at 1 January 2018.

- The determination of the business model within which a financial asset is held.
- The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- The designation of an investment in equity instruments that is not held for trading as at fair value through other comprehensive income (“FVOCI”).
- The designation and revocation of previous designations of certain financial assets and financial liabilities measured at fair value through profit or loss (“FVTPL”).

If an investment in a debt instrument has low credit risk at 1 January 2018, the Group plans to assume that the credit risk on the asset has not increased significantly since its initial recognition.

New hedge accounting requirements are applied prospectively. All hedging relationships designated under FRS 39 *Financial Instruments: Recognition and Measurement* at 31 December 2017 that meet the criteria for hedge accounting under SFRS(I) 9 at 1 January 2018 will be regarded as continuing hedging relationships.

Classification and measurement: financial assets

For financial assets currently measured at fair value, the Group intends to continue measuring these assets at fair value under SFRS(I) 9. Available-for-sale (“AFS”) financial assets are expected to be reclassified as financial assets measured at FVTPL as the default classification. For investments that are currently classified as financial assets designated at FVTPL, the Group expects to classify these assets as financial assets measured at FVTPL.

On adoption of the standard at 1 January 2018, the Group expects fair value reserve to decrease by \$3,665,000 and accumulated profits to increase by \$3,665,000.

Notes to the **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Full convergence with International Financial Reporting Standards (“IFRS”) and adoption of new standards (Continued)

SFRS(I) 9 (Continued)

Impairment

SFRS(I) 9 replaces the current “incurred loss” model with a forward-looking expected credit loss (“ECL”) model. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments.

Under SFRS(I) 9, loss allowances of the Group will be measured on either of the following bases:

- 12-month ECLs: These are ECLs that result from possible default events within the 12 months after the reporting date; or
- lifetime ECLs: These are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group plans to apply the simplified approach and record lifetime ECL on all trade receivables. The Group expects an increase in impairment for trade receivables of \$436,000 as at 1 January 2018.

The Group is currently finalising the testing of its expected credit loss model and the quantum of the final transition adjustments may be different upon finalisation.

Applicable to financial statements for the year 2019 and thereafter

The following new SFRS(I), amendments to and interpretations of SFRS(I) are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28).

The Group is still in the process of assessing the impact of the new SFRS(I)s, amendments to and interpretations of SFRS(I)s on the financial statements. The Group’s preliminary assessment of SFRS(I) 16, which is expected to impact the Group, is described below.

Notes to the **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Full convergence with International Financial Reporting Standards (“IFRS”) and adoption of new standards (Continued)

SFRS(I) 16

SFRS(I) 16 replaces existing lease accounting guidance. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if SFRS(I) 15 is also applied. SFRS(I) 16 eliminates the lessee’s classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (“ROU”) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Group plans to adopt the standard when it becomes effective in 2019 and expects to apply the standard using the modified retrospective approach. The Group also expects the ROU assets recognised at date of initial application to be equal to their lease liabilities.

The Group is likely to elect the practical expedient not to reassess whether a contract contains a lease at the date of initial application, 1 January 2019. Accordingly, existing lease contracts that are still effective on 1 January 2019 continue to be accounted for as lease contracts under SFRS(I) 16. The Group is currently assessing the impact of adopting SFRS(I) 16 on its financial statements based on its existing operating lease arrangements.

Until 2018, the approximate financial impact of the standard is unknown due to factors that impact calculation of lease liabilities such as discount rate, expected term of leases including renewal options and exemptions for short-term leases. The Group will continue to assess its portfolio of leases to calculate the impending impact of transition to the new standard.

The Group as lessee

The Group expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. The operating lease commitments on an undiscounted basis amount to approximately 5% of the consolidated total assets of \$244,317,000 and 46% of consolidated total liabilities of \$27,907,000. Under the new standard, remaining lease payments of the operating leases will be recognised at their present value discounted using appropriate discount rates. In addition, the nature of expenses related to those leases will now change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of ROU assets and interest expense on lease liabilities.

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

4 PROPERTY, PLANT AND EQUIPMENT

	Note	Leasehold property \$'000	Buildings 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
Group									
Cost									
At 1 January 2016		419	23,047	24,089	1,387	634	15,768	243	65,587
Additions		–	251	738	19	6	2,340	868	4,222
Reclassification		–	202	37	–	–	–	(239)	–
Reclassification to intangible assets	6	–	–	–	–	–	–	(174)	(174)
Disposals/write-offs		–	(728)	(566)	(223)	–	(2,055)	–	(3,572)
Effect of movements in exchange rates		(18)	(57)	(102)	(32)	–	(133)	(16)	(358)
At 31 December 2016		401	22,715	24,196	1,151	640	15,920	682	65,705
Additions		–	874	753	118	20	770	963	3,498
Reclassification		–	1,047	463	–	–	–	(1,510)	–
Reclassification to intangible assets	6	–	–	–	–	–	–	(144)	(144)
Disposals/write-offs		–	(3,458)	(6,217)	(175)	(423)	(388)	–	(10,661)
Effect of movements in exchange rates		(5)	19	66	(8)	–	92	15	179
At 31 December 2017		396	21,197	19,261	1,086	237	16,394	6	58,577
Accumulated depreciation									
At 1 January 2016		196	22,051	20,206	963	578	6,394	–	50,388
Depreciation for the year		18	436	817	189	23	2,875	–	4,358
Disposals/write-offs		–	(651)	(564)	(117)	–	(1,803)	–	(3,135)
Effect of movements in exchange rates		(9)	(41)	(50)	(11)	–	(45)	–	(156)
At 31 December 2016		205	21,795	20,409	1,024	601	7,421	–	51,455
Depreciation for the year		18	734	921	137	18	2,636	–	4,464
Disposals/write-offs		–	(3,334)	(6,217)	(174)	(423)	(92)	–	(10,240)
Effect of movements in exchange rates		(2)	9	20	(3)	–	50	–	74
At 31 December 2017		221	19,204	15,133	984	196	10,015	–	45,753
Carrying amounts									
At 1 January 2016		223	996	3,883	424	56	9,374	243	15,199
At 31 December 2016		196	920	3,787	127	39	8,499	682	14,250
At 31 December 2017		175	1,993	4,128	102	41	6,379	6	12,824

During the year, the Group acquired property, plant and equipment with an aggregate cost of \$3,498,000 (2016: \$4,222,000), of which \$535,000 (2016: \$1,457,000) were acquired under finance leases.

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Buildings 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
Company								
Cost								
At 1 January 2016		17,211	14,731	843	170	1,288	219	34,462
Additions		-	89	4	6	471	-	570
Reclassifications		-	37	-	-	-	(37)	-
Reclassification to intangible assets	6	-	-	-	-	-	(174)	(174)
Disposals/write-offs		-	(204)	(14)	-	(92)	-	(310)
At 31 December 2016		17,211	14,653	833	176	1,667	8	34,548
Additions		-	57	48	8	89	37	239
Reclassification to intangible assets	6	-	-	-	-	-	(43)	(43)
Disposals/write-offs		-	-	-	-	(44)	-	(44)
At 31 December 2017		17,211	14,710	881	184	1,712	2	34,700
Accumulated depreciation								
At 1 January 2016		17,211	13,112	577	142	472	-	31,514
Depreciation for the year		-	266	37	17	264	-	584
Disposals/write-offs		-	(204)	(14)	-	(92)	-	(310)
At 31 December 2016		17,211	13,174	600	159	644	-	31,788
Depreciation for the year		-	265	37	13	305	-	620
Disposals/write-offs		-	-	-	-	(44)	-	(44)
At 31 December 2017		17,211	13,439	637	172	905	-	32,364
Carrying amounts								
At 1 January 2016		-	1,619	266	28	816	219	2,948
At 31 December 2016		-	1,479	233	17	1,023	8	2,760
At 31 December 2017		-	1,271	244	12	807	2	2,336

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

At 31 December, the net carrying amount of property, plant and equipment, and motor vehicles acquired under finance leases is as follows:

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Plant, machinery and equipment	1,749	1,766	-	-
Motor vehicles	4,668	7,257	387	570

Impairment assessment

The Group reviews the carrying amounts of property, plant and equipment as at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. The recoverable amounts are determined based on the future cash flows expected to be generated from the continued use of the assets, which requires the use of estimates and assumptions. Based on management's assessment, there were no impairment loss to be recognised at the reporting date.

Source of estimation uncertainty

Property, plant and equipment are depreciated on a straight-line basis over its useful economic lives. Management estimates the useful economic lives of property, plant and equipment to be between 3 to 30 years. The Group reviews annually the estimated useful economic lives of property, plant and equipment based on factors that include asset utilisation, internal technical evaluation, technological changes and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful economic lives of property, plant and equipment would increase depreciation expense and decrease non-current assets.

5 SUBSIDIARIES

	Company	
	2017 \$'000	2016 \$'000
Equity investments at cost	61,817	56,802
Accumulated impairment losses	(45,201)	(45,201)
	16,616	11,601
Loans to subsidiaries	56,394	60,118
Accumulated impairment losses	(17,244)	(17,244)
	39,150	42,874
	55,766	54,475

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

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

5 SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Group	
			2017 %	2016 %
<u>Held by the Company</u>				
CemtecAsia (H.K.) Limited ⁽³⁾	Inactive	Hong Kong	100	100
CemtecAsia (M) Sdn Bhd ⁽²⁾	Trading of construction chemicals and building materials	Malaysia	100	100
Pacific Climate Solutions Pte. Ltd.	Carbon consultancy services	Singapore	100	100
EnGro Global Resources Pte. Ltd.	Investment holding	Singapore	100	100
S3 Technologies Pte Ltd	Investment holding	Singapore	100	100
Sancem Investment Pte Ltd	Investment trading	Singapore	100	100
Shanghai S3 Building Materials Co Ltd ⁽²⁾	Manufacture and sale of construction and building materials	People's Republic of China	100	100
SsangYong Cement (S) Pte. Ltd.	Investment holding	Singapore	100	100
e-Invest Limited ⁽¹⁾	Investment holding	Hong Kong	100	100
Juniper Capital Ventures (Pte) Ltd	Investment holding	Singapore	100	100
SsangYong Cement Investment (S) Pte. Ltd.	Investment holding	Singapore	100	100
SsangYong Cement Singapore (China) Pte Ltd	Investment holding	Singapore	100	100
SsangYong LTI (Pte) Ltd	Investment holding	Singapore	100	100
EnGro (Asia) Private Limited	Investment holding	Singapore	80	80
Shanghai VCEM Commercial Co Ltd ⁽³⁾	Trading, wholesale and distribution of building materials	People's Republic of China	100	100

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

5 SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Group	
			2017 %	2016 %
<u>Held by subsidiaries</u>				
EnGro Chemicals Pte. Ltd. ⁽⁴⁾	Inactive	Singapore	100	100
MPT Pacific Technology Sdn Bhd ⁽⁴⁾	Inactive	Malaysia	100	100
Top-Mix Concrete Pte Ltd	Manufacture and sale of concrete and other building materials	Singapore	100	100
Top Mix Concrete (Malaysia) Sdn Bhd ⁽¹⁾	Manufacture and sale of concrete and other building materials	Malaysia	100	100
Pelopor Niaga Sdn Bhd ⁽²⁾	Inactive	Malaysia	100	100
Tianjin Ang De Food & Beverages Management Co., Ltd ⁽²⁾	Operation of food and beverage outlets	People's Republic of China	100	100
Wuhan VCEM Technology Development Company Limited ⁽³⁾	Trading, wholesale and distribution of building materials	People's Republic of China	100	–
Burkill (Singapore) Pte. Ltd. ⁽⁴⁾	Inactive	Singapore	100	98.57
Resin & Pigment Technologies Sdn Bhd ⁽⁴⁾	Inactive	Malaysia	100	98.57
Resin & Pigment Technologies (Wuxi) Co Ltd ⁽⁴⁾	Inactive	People's Republic of China	100	98.57
R&P Technologies Pte. Ltd. ⁽²⁾	Manufacture of thermosetting synthetic resin and plastic materials	Singapore	60	–
<u>Jointly held by the Company and a subsidiary</u>				
R&P (Pte.) Ltd.	Manufacture of thermosetting synthetic resin and plastic materials	Singapore	100	98.57

KPMG LLP is the auditor of all subsidiaries, except for the following:

- ⁽¹⁾ Member firms of KPMG International in the respective country of incorporation.
- ⁽²⁾ Audited by other certified public accountants in the respective country of incorporation.
- ⁽³⁾ Inactive company and thus not required to be audited by laws of country of incorporation.
- ⁽⁴⁾ In the process of striking off as at 31 December 2017.

Source of estimation uncertainty

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

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

6 INTANGIBLE ASSETS

	Note	Software \$'000	Franchise rights \$'000	Total \$'000
Group				
Cost				
At 1 January 2016		–	333	333
Reclassification from property, plant and equipment	4	174	–	174
At 31 December 2016		174	333	507
Additions		17	–	17
Reclassification from property, plant and equipment	4	144	–	144
At 31 December 2017		335	333	668
Accumulated amortisation				
At 1 January 2016		–	5	5
Amortisation for the year		43	34	77
At 31 December 2016		43	39	82
Amortisation for the year		39	35	74
At 31 December 2017		82	74	156
Carrying amounts				
At 1 January 2016		–	328	328
At 31 December 2016		131	294	425
At 31 December 2017		253	259	512
			Note	Software \$'000
Company				
Cost				
At 1 January 2016				–
Reclassification from property, plant and equipment			4	174
At 31 December 2016				174
Additions				6
Reclassification from property, plant and equipment			4	43
At 31 December 2017				223
Accumulated amortisation				
At 1 January 2016				–
Amortisation for the year				43
At 31 December 2016				43
Amortisation for the year				26
At 31 December 2017				69
Carrying amounts				
At 1 January 2016				–
At 31 December 2016				131
At 31 December 2017				154

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

7 ASSOCIATES AND JOINT VENTURES

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Associates				
Equity investments at cost	2,436	2,436	320	320
Loan to an associate	15,213	15,213	15,213	15,213
Share of reserves*	1,288	4,698	–	–
	18,937	22,347	15,533	15,533
Joint ventures				
Equity investments at cost	57,629	57,629	45,022	45,022
Share of reserves*	24,064	21,120	–	–
	81,693	78,749	45,022	45,022
	100,630	101,096	60,555	60,555

* Included in share of reserves is the Group's share of statutory common reserves of its associates and joint ventures of \$16,130,000 (2016: \$15,694,000) that are not distributable as cash dividends.

The loan to an associate is non-trade in nature, unsecured and interest-free. The settlement of the amount is neither planned nor likely to occur in the foreseeable future. As the loan is in substance, a part of the Group's net investment in the associate, it is classified as non-current and stated at cost less accumulated impairment losses.

Details of the associates and joint ventures are as follows:

Name of associates	Principal activities	Country of incorporation	Effective equity held by the Group	
			2017 %	2016 %
<u>Held by the Company</u>				
HBS Investments Pte Ltd ⁽¹⁾	Investment holding	Singapore	30	30
HB Investments (China) Pte. Ltd. ⁽¹⁾	Investment holding	Singapore	20	20
<u>Held by subsidiaries</u>				
Changshu Changlong Concrete Co Ltd ⁽⁴⁾	Manufacture and sale of building materials	People's Republic of China	40	40
Changshu Changxin Ready Mix Concrete Co Ltd ⁽⁴⁾	Manufacture and sale of building materials	People's Republic of China	40	40

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

7 ASSOCIATES AND JOINT VENTURES (CONTINUED)

Name of joint ventures	Principal activities	Country of incorporation	Effective equity held by the Group	
			2017 %	2016 %
<u>Held by the Company</u>				
Jiangsu Huailong Materials Co Ltd ^{(2), (4)}	Manufacture and sale of specialty cement	People's Republic of China	40	40
Jinan Luxin Materials Co Ltd ^{(2), (4)}	Manufacture and sale of specialty cement	People's Republic of China	40	40
Tangshan Tanglong Materials Co Ltd ⁽⁴⁾	Manufacture and sale of specialty cement	People's Republic of China	40	40
Tangshan TangAng Materials Co Ltd ⁽⁴⁾	Manufacture and sale of specialty cement	People's Republic of China	40	40
Wuhan Wuxin Materials Co Ltd ^{(2), (4)}	Manufacture and sale of specialty cement	People's Republic of China	33	33
Xin-shan Ang-de (Zibo) Materials Co., Ltd. ⁽⁵⁾	Manufacture and sale of specialty cement	People's Republic of China	40	40
<u>Held by subsidiaries</u>				
VGEM Materials Co Ltd ⁽³⁾	Manufacture and sale of specialty cement	South Korea	40	40
Changshu Changyin Ready Mix Concrete Co Ltd ⁽⁴⁾	Manufacture and sale of building materials	People's Republic of China	40	40
Qingdao Evergreen Materials and Technologies Co Ltd ^{(2), (4)}	Manufacture and sale of specialty cement	People's Republic of China	34.40	34.40
Kunshan R&P Co., Ltd. ⁽⁴⁾	Manufacture of thermosetting synthetic resin and plastic materials	People's Republic of China	40	–

The auditors of the associates and joint ventures are as follows:

⁽¹⁾ KPMG LLP, Singapore.

⁽²⁾ For consolidation purposes, a member firm of KPMG International performed specified audit procedures on certain specified significant accounts in accordance with International Standards on Auditing.

⁽³⁾ Member firm of KPMG International in the country of incorporation.

⁽⁴⁾ Audited by other certified public accountants in the respective country of incorporation.

⁽⁵⁾ Inactive company and thus not required to be audited by laws of country of incorporation.

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

7 ASSOCIATES AND JOINT VENTURES (CONTINUED)

Associates

The Group has interest in one (2016: one) associate which is considered to be material and a number of associates that are individually immaterial to the Group. All associates are equity accounted.

HB Investments (China) Pte. Ltd.

Nature of relationship with the Group	Investment in property and real estate
Principal place of business/Country of incorporation	Singapore
Ownership interest/Voting rights held	20% (2016: 20%)

The following summarises the financial information of the Group's material associate based on its financial statements prepared in accordance with FRS. The table also analyses, in aggregate, the carrying amount and share of results and other comprehensive income of the remaining individually immaterial associates.

	HB Investments (China) Pte. Ltd. \$'000	Immaterial associates \$'000	Total \$'000
2017			
Revenue	-		
Profit from continuing operations	6,534		
Other comprehensive income	(5,835)		
Total comprehensive income	699		
Non-current assets	68,132		
Current assets	223		
Non-current liabilities	(76,066)		
Current liabilities	(11)		
Net assets	(7,722)		
Add: Non-current liabilities	76,066*		
Adjusted net assets	68,344		
Group's interest in net assets of investee at beginning of the year	13,528	8,819	22,347
Group's share of:			
– profit from continuing operations	1,307	65	1,372
– other comprehensive income	(1,167)	(105)	(1,272)
– total comprehensive income	140	(40)	100
Less: Dividends recognised during the year	-	(3,510)	(3,510)
Carrying amount of interest in investee at end of the year	13,668	5,269	18,937

* The non-current liabilities of the associate are, in substance, part of the net investment in the associate. Settlement of the amounts is neither planned nor likely to occur in the foreseeable future.

Notes to the FINANCIAL STATEMENTS

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7 ASSOCIATES AND JOINT VENTURES (CONTINUED)

Associates (Continued)

	HB Investments (China) Pte. Ltd. \$'000	Immaterial associates \$'000	Total \$'000
2016			
Revenue	–		
Profit from continuing operations	1,255		
Other comprehensive income	2,030		
Total comprehensive income	3,285		
Non-current assets	67,417		
Current assets	237		
Non-current liabilities	(76,066)		
Current liabilities	(11)		
Net assets	(8,423)		
Add: Non-current liabilities	76,066*		
Adjusted net assets	67,643		
Group's interest in net assets of investee at beginning of the year	12,871	8,477	21,348
Group's share of:			
– profit from continuing operations	251	615	866
– other comprehensive income	406	(273)	133
– total comprehensive income	657	342	999
Carrying amount of interest in investee at end of the year	13,528	8,819	22,347

* The non-current liabilities of the associate are, in substance, part of the net investment in the associate. Settlement of the amounts is neither planned nor likely to occur in the foreseeable future.

Joint ventures

Jiangsu Huailong Materials Co Ltd, Jinan Luxin Materials Co Ltd, Wuhan Wuxin Materials Co Ltd, Qingdao Evergreen Materials and Technologies Co Ltd and VCEM Materials Co Ltd are joint arrangements in which the Group has joint control via investors' agreement and holds 40%, 40%, 33%, 43% and 40% (2016: 40%, 40%, 33%, 43% and 40%) ownership interest respectively. These investees are incorporated in the People's Republic of China and South Korea, principally engaged in the manufacture and sale of specialty cement.

Jiangsu Huailong Materials Co Ltd, Jinan Luxin Materials Co Ltd, Wuhan Wuxin Materials Co Ltd, Qingdao Evergreen Materials and Technologies Co Ltd and VCEM Materials Co Ltd are structured as separate vehicles and the Group has residual interests in their net assets. Accordingly, the Group classified its interests in these investees as joint ventures, which are equity-accounted.

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

7 ASSOCIATES AND JOINT VENTURES (CONTINUED)

Joint ventures (Continued)

The following summarises the financial information of each of the Group's material joint ventures based on their respective financial statements prepared in accordance with FRS. The table also analyses, in aggregate, the carrying amount and share of results and other comprehensive income of the individually immaterial joint ventures.

	Jiangsu Huailong Materials Co Ltd \$'000	Jinan Luxin Materials Co Ltd \$'000	Wuhan Wuxin Materials Co Ltd \$'000	Qingdao Evergreen Materials and Technologies Co Ltd \$'000	VCEM Materials Co Ltd \$'000	Immaterial joint ventures \$'000	Total \$'000
2017							
Revenue	40,477	79,499	84,286	31,877	47,926		
Profit from continuing operations ^a	5,166	1,453	3,289	2,054	3,065		
Other comprehensive income	(535)	(1,138)	(740)	(195)	1,652		
Total comprehensive income	4,631	315	2,549	1,859	4,717		
^a Includes:							
– depreciation	2,107	6,154	4,180	1,736	1,055		
– income tax expense	1,760	181	871	684	992		
Non-current assets	11,931	43,382	75,965	38,414	12,867		
Current assets ^b	27,138	24,453	24,274	10,146	17,486		
Non-current liabilities	–	–	(819)	(16,955)	(3)		
Current liabilities	(6,577)	(10,237)	(54,867)	(16,218)	(9,241)		
Net assets	32,492	57,598	44,553	15,387	21,109		
Includes							
^b Cash and cash equivalents	9,573	4,957	14,377	3,811	3,798		
Group's interest in net assets of investee at beginning of the year	11,900	22,913	13,861	5,817	7,078	17,180	78,749
Group's share of:							
– profit from continuing operations	2,066	581	1,085	883	1,226	1,420	7,261
– other comprehensive income	(214)	(455)	(244)	(84)	661	(161)	(497)
– total comprehensive income	1,852	126	841	799	1,887	1,259	6,764
Dividends recognised during the year	(755)	–	–	–	(521)	(2,544)	(3,820)
Carrying amount of interest in investee at end of the year	12,997	23,039	14,702	6,616	8,444	15,895	81,693

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

7 ASSOCIATES AND JOINT VENTURES (CONTINUED)

Joint ventures (Continued)

	Jiangsu Huailong Materials Co Ltd \$'000	Jinan Luxin Materials Co Ltd \$'000	Wuhan Wuxin Materials Co Ltd \$'000	Qingdao Evergreen Materials and Technologies Co Ltd \$'000	VCEM Materials Co Ltd \$'000	Immaterial joint ventures \$'000	Total \$'000
2016							
Revenue	26,400	67,319	59,001	14,605	42,805		
Profit from continuing operations ^a	2,178	2,950	712	286	2,916		
Other comprehensive income	(918)	(1,918)	(1,112)	(776)	(490)		
Total comprehensive income	1,260	1,032	(400)	(490)	2,426		
^a Includes:							
– depreciation	2,709	5,087	3,974	1,486	801		
– income tax expense	846	631	138	–	883		
Non-current assets	13,188	39,710	74,275	37,124	12,704		
Current assets ^b	21,063	28,570	48,559	8,705	15,648		
Non-current liabilities	–	–	(998)	(22,079)	–		
Current liabilities	(4,501)	(10,998)	(79,834)	(10,222)	(10,658)		
Net assets	29,750	57,282	42,002	13,528	17,694		
Includes							
^b Cash and cash equivalents	8,603	9,518	15,488	1,594	4,394		
Group's interest in net assets of investee at beginning of the year	11,396	23,676	15,099	6,028	6,240	17,220	79,659
Group's share of:							
– profit from continuing operations	871	1,180	235	123	1,166	443	4,018
– other comprehensive income	(367)	(767)	(367)	(334)	(196)	(263)	(2,294)
– total comprehensive income	504	413	(132)	(211)	970	180	1,724
Dividends recognised during the year	–	(1,176)	(1,106)	–	(132)	(220)	(2,634)
Carrying amount of interest in investee at end of the year	11,900	22,913	13,861	5,817	7,078	17,180	78,749

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

8 OTHER INVESTMENTS

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Non-current investments				
Available-for-sale financial assets:				
– Equity securities	2,796	3,429	1,217	1,217
– Venture capital funds	13,656	14,313	–	–
	16,452	17,742	1,217	1,217
Current investments				
Convertible loan	1,336	1,447	–	–
Financial assets classified as held for trading:				
– Equity securities	7,216	6,472	–	–
– Debt securities	1,708	1,228	–	–
Financial assets designated as at fair value through profit or loss:				
– Investment funds	12,894	12,570	–	–
Other trading investments	2,956	–	–	–
	26,110	21,717	–	–
	42,562	39,459	1,217	1,217

An impairment loss of \$665,000 (2016: \$1,261,000) in respect of available-for-sale financial assets of the Group was recognised in profit or loss during the year.

Information about the Group's and the Company's exposures to credit and market risks, and fair value measurement, is included in note 25.

9 OTHER ASSETS

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Club memberships, at cost	219	238	219	238
Accumulated impairment losses	(141)	(141)	(141)	(141)
	78	97	78	97

In the prior year, the club memberships were impaired by \$75,000 due to a decline in their market values.

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

10 INVENTORIES

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Raw materials	4,919	2,126	–	–
Goods-in-transit	1,102	2,935	1,103	2,175
Finished goods	6,297	5,071	2,853	2,939
	12,318	10,132	3,956	5,114

Source of estimation uncertainty

The Group recognises allowance on inventory obsolescence when inventory items are identified as obsolete and the allowance is charged to profit or loss. Obsolescence is based on the physical and internal condition of inventory items. Obsolescence is also established when inventory items are no longer marketable. In addition to an allowance for specifically identified obsolete inventory, estimation is made on a group basis based on the age of the inventory items. The Group believes such estimates represent a fair charge of the level of inventory obsolescence in a given year. The Group reviews on a monthly basis the condition of its inventory. An increase in the Group's allowance for obsolescence would increase the Group's recorded changes in finished goods and decrease its inventories (current assets).

11 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade receivables due from				
– Third parties	35,223	36,846	14,528	15,792
– Subsidiaries	–	–	10,732	7,524
– Joint venture	3,931	–	–	–
	39,154	36,846	25,260	23,316
Allowance for doubtful receivables	(1,137)	(1,526)	(246)	(246)
Net trade receivables	38,017	35,320	25,014	23,070
Non-trade receivables due from				
– Subsidiaries	–	–	25,851	26,716
– Joint ventures	605	620	169	139
	605	620	26,020	26,855
Allowance for doubtful receivables	–	–	(4,009)	(4,466)
	605	620	22,011	22,389
Deposits	471	564	31	28
Other receivables	3,124	2,146	535	472
Dividend receivable from associates and joint ventures	6,281	2,143	–	1,106
Loans and receivables	48,498	40,793	47,591	47,065
Prepayments	3,026	8,208	1,773	1,947
	51,524	49,001	49,364	49,012
Non-current	–	1,037	–	–
Current	51,524	47,964	49,364	49,012

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

All outstanding balances with subsidiaries, associates and joint ventures are unsecured, interest-free and repayable on demand.

The Group's and the Company's exposures to credit and currency risks, and impairment losses related to trade and other receivables, are disclosed in note 25.

12 LOAN TO A SUBSIDIARY

The loan to a subsidiary of \$5,059,000 (2016: \$5,059,000) is unsecured, bear interest at 3% (2016: 3%) per annum and is repayable in 2018. No impairment loss has been recognised in respect of the loan to a subsidiary.

13 CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Fixed deposits	5,807	13,751	3,007	10,033
Bank balances	18,062	25,642	5,871	10,330
	23,869	39,393	8,878	20,363

The weighted average effective interest rates per annum relating to cash and cash equivalents at 31 December 2017 for the Group and the Company are 0.46% (2016: 0.38%) and 0.43% (2016: 0.42%) per annum respectively.

14 CAPITAL AND RESERVES

Share capital

	Ordinary shares			
	2017 No. of shares '000	2017 \$'000	2016 No. of shares '000	2016 \$'000
Company				
In issue at 1 January and 31 December	118,703	85,270	118,703	85,270

All issued shares are fully paid, with no par value.

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

Ordinary shares

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.

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

14 CAPITAL AND RESERVES (CONTINUED)

Reserves

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Foreign currency translation reserve	(2,303)	1,236	-	-
Fair value reserve	3,665	4,913	-	-
Share option reserve	126	154	126	154
Reserve for own shares	(72)	(120)	(72)	(120)
Capital reserve	(41)	(45)	(41)	(45)
Accumulated profits	128,596	127,800	89,105	90,123
	129,971	133,938	89,118	90,112

Foreign currency translation reserve

The foreign currency translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company, as well as foreign exchange differences on monetary items which form part of the Group's net investment in foreign operations as described in note 3.2.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

Share option reserve

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

Reserve for own shares

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. As at 31 December 2017, the Group held 79,200 (2016: 134,200) of the Company's shares.

Capital reserve

Capital reserve arises from the difference between proceeds from the disposal of treasury shares and the cost of the treasury shares disposed.

Notes to the **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

15 EMPLOYEE SHARE OPTIONS

Ssangyong Cement (Singapore) Limited 2000 Employees' Share Option Scheme (the "ESOS 2000")

The Ssangyong Cement (Singapore) Limited 2000 Employees' Share Option Scheme (the "ESOS 2000") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 15 January 2001. The ESOS 2000 is administered by the Company's Remuneration Committee comprising three directors, Ronnie Teo Heng Hock (Chairman), Tan Soo Nan and Steven Ong Kay Eng.

Other information regarding the ESOS 2000 is set out below:

- (a) Options were granted on 1 December 2006 (Option 1), 8 January 2008 (Option 2) and 30 March 2009 (Option 3).
- (b) The exercise prices of the options are set at \$0.75 per share (Option 1), \$1.17 per share (Option 2) and \$0.55 per share (Option 3).
- (c) The options can be exercised after 1 December 2007 (Option 1), 8 January 2009 (Option 2) and 30 March 2010 (Option 3).
- (d) The options granted shall expire on 1 December 2016 (Option 1), 8 January 2018 (Option 2) and 30 March 2019 (Option 3).

EnGro Corporation Limited 2011 Employees' Share Option Scheme (the "ESOS 2011")

The EnGro Corporation Limited 2011 Employees' Share Option Scheme (the "ESOS 2011") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 27 April 2011. The ESOS 2011 is administered by the Company's Remuneration Committee, comprising three directors, Ronnie Teo Heng Hock (Chairman), Tan Soo Nan and Steven Ong Kay Eng.

Other information regarding the ESOS 2011 is set out below:

- (a) Option was granted on 18 April 2012.
- (b) The exercise price of the option is set at \$0.79 per share.
- (c) The option can be exercised after 18 April 2013.
- (d) The option granted shall expire on 18 April 2022.

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

15 EMPLOYEE SHARE OPTIONS (CONTINUED)

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

	2017		2016	
	Weighted average exercise price \$	No. of options '000	Weighted average exercise price \$	No. of options '000
Outstanding at 1 January	1.09	945	1.05	1,232
Forfeited	0.79	(15)	0.75	(142)
Exercised	0.79	(55)	0.75	(145)
Outstanding at 31 December	1.11	875	1.09	945
Exercisable at 31 December	1.11	875	1.09	945

The details of shares issued from the exercising of share options are as follows:

Options exercised and exercise price	2017		2016	
	No. of ordinary shares issued '000	No. of treasury shares issued '000	No. of ordinary shares issued '000	No. of treasury shares issued '000
ESOS 2000				
Option 1 – \$0.75 each	–	–	–	145
ESOS 2011				
Option 1 – \$0.79 each	–	55	–	–

At 31 December 2017, outstanding share options granted under the Ssangyong Cement (Singapore) Ltd 2000 Employees' Share Option Scheme amounted 740,000 shares (2016: 740,000 shares) and under the EnGro Corporation Limited 2011 Employees' Share Option Scheme amounted to 135,000 shares (2016: 205,000 shares).

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

15 EMPLOYEE SHARE OPTIONS (CONTINUED)

Fair value of share options and assumptions

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

	ESOS 2000			ESOS 2011
	Option 1 1 December 2006	Option 2 8 January 2008	Option 3 30 March 2009	18 April 2012
Date of grant of options				
Fair value at measurement date	\$0.10	\$0.14	\$0.08	\$0.15
Share price	\$1.12	\$1.17	\$0.55	\$0.79
Exercise price	\$1.13	\$1.17	\$0.55	\$0.79
Exercise price adjusted	\$0.75	–	–	–
Expected volatility	19.4%	31.6%	32.6%	42.1%
Expected option life	5 years	5 years	5 years	5 years
Expected dividends	5.38%	7.64%	6.02%	6.66%
Risk-free interest rate	3.01%	2.39%	2.04%	1.53%

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.

16 LOANS AND BORROWINGS

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Non-current liabilities				
Loan from a non-controlling interest of a subsidiary	–	1,145	–	–
Finance lease liabilities	3,558	5,774	–	244
	3,558	6,919	–	244

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

16 LOANS AND BORROWINGS (CONTINUED)

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current liabilities				
Loans from subsidiaries	-	-	6,626	12,312
Loan from a non-controlling interest of a subsidiary	1,131	-	-	-
Trust receipts	1,496	1,273	1,496	1,273
Finance lease liabilities	2,336	2,360	217	190
	4,963	3,633	8,339	13,775
	8,521	10,552	8,339	14,019

The loans from subsidiaries and a non-controlling interest of a subsidiary are unsecured, interest-free and repayable on demand.

Information about the Group's and the Company's exposures to interest rate, foreign currency and liquidity risks are disclosed in note 25.

Terms and debt repayment schedule

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

	Nominal interest rate %	Year of maturity	2017		2016	
			Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Group						
Loan from a non-controlling interest of a subsidiary	-	2018	1,131	1,131	1,145	1,145
Trust receipts	3.23%	2018	1,500	1,496	1,279	1,273
Finance lease liabilities	1.30% – 3.52%	2018 – 2021	6,244	5,894	8,689	8,134
			8,875	8,521	11,113	10,552
Company						
Trust receipts	3.23%	2018	1,500	1,496	1,279	1,273
Finance lease liabilities	1.50%	2018	224	217	452	434
			1,724	1,713	1,731	1,707

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

16 LOANS AND BORROWINGS (CONTINUED)

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2017		2016	
	Future minimum lease payments \$'000	Present value of minimum lease payments \$'000	Future minimum lease payments \$'000	Present value of minimum lease payments \$'000
Group				
Within one year	2,527	2,336	2,619	2,360
Between two to five years	3,717	3,558	6,070	5,774
	<u>6,244</u>	<u>5,894</u>	8,689	<u>8,134</u>
Less: Future finance charges	(350)		(555)	
Present value of obligation	<u>5,894</u>		<u>8,134</u>	
Company				
Within one year	224	217	200	190
Between two to five years	-	-	252	244
	<u>224</u>	<u>217</u>	452	<u>434</u>
Less: Future finance charges	(7)		(18)	
Present value of obligation	<u>217</u>		<u>434</u>	

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Other loans and borrowings \$'000	Finance lease liabilities \$'000	Total \$'000
As at 1 January 2017	2,418	8,134	10,552
Changes from financing cash flows			
Interest paid	(38)	(277)	(315)
Payment of finance lease liabilities	-	(2,826)	(2,826)
Proceeds from trust receipts	223	-	223
Total changes from financing cash flows	<u>185</u>	<u>(3,103)</u>	<u>(2,918)</u>
The effect of changes in foreign exchange rates	(14)	51	37
Other changes			
Liability-related			
New finance leases	-	535	535
Interest expense	38	277	315
Total liability-related other changes	<u>38</u>	<u>812</u>	<u>850</u>
As at 31 December 2017	<u>2,627</u>	<u>5,894</u>	<u>8,521</u>

Notes to the FINANCIAL STATEMENTS

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17 DEFERRED TAX (ASSETS)/LIABILITIES

Movements in deferred tax (assets)/liabilities of the Group during the year are as follows:

	At 1 January \$'000	Recognised in profit or loss (note 21) \$'000	Withholding tax paid \$'000	At 31 December \$'000
Group 2017				
Property, plant and equipment	(29)	29	-	-
Withholding tax on share of profits of associates and joint ventures	756	169	(444)	481
2016				
Property, plant and equipment	(29)	-	-	(29)
Withholding tax on share of profits of associates and joint ventures	655	172	(71)	756

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

	Group	
	2017 \$'000	2016 \$'000
Unabsorbed tax losses	38,345	33,524
Unabsorbed wear and tear allowances	286	286
Deductible temporary differences	14,756	12,170
	53,387	45,980
Unutilised donations	1,095	2,263

The tax losses and unabsorbed wear and tear allowances of Singapore incorporated subsidiaries at 31 December 2017 are available for carry forward and set off against future taxable income subject to agreement with the Comptroller of Income Tax and compliance with Section 37 of the Income Tax Act Chapter 134. Foreign subsidiaries' unabsorbed tax losses are subject to agreement by the local tax authorities and compliance with tax regulations in the respective countries in which the subsidiaries operate in. 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 Group's accounting policy as set out in note 3.14.

Notes to the FINANCIAL STATEMENTS

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18 TRADE AND OTHER PAYABLES

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade payables:				
– Third parties	12,454	11,771	1,619	2,599
Advances received from:				
– Third parties	68	39	–	–
– Joint ventures	1	4	–	–
Accrued expenses	3,837	8,524	2,453	4,727
Non-trade payables due to:				
– Subsidiaries	–	–	–	332
Other payables	2,076	2,543	301	1,724
Forward exchange contracts	263	–	263	–
	18,699	22,881	4,636	9,382

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

The Group's and the Company's exposures to currency and to liquidity risks related to trade and other payables are disclosed in note 25.

19 REVENUE

Revenue of the Group represents net sales of goods billed to external customers. Transactions within the Group are eliminated.

20 FINANCE INCOME AND FINANCE COSTS

	Group	
	2017 \$'000	2016 \$'000
Finance income		
Dividend income from:		
– Financial assets classified as held for trading	226	286
– Available-for-sale financial assets	100	150
Interest income	196	766
Other investment income	435	220
Net change in fair value of financial assets:		
– Held for trading	548	227
– Designated as at fair value through profit or loss	618	518
Net change in fair value of available-for-sale financial assets reclassified to profit or loss:		
– Gain on disposal of available-for-sale financial assets	680	3,466
Net foreign exchange gain	–	46
	2,803	5,679

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

20 FINANCE INCOME AND FINANCE COSTS (CONTINUED)

	Group	
	2017 \$'000	2016 \$'000
Finance costs		
Interest expense on trust receipts	(38)	(90)
Interest expense on finance lease liabilities	(277)	(325)
Impairment loss on available-for-sale financial assets	(665)	(1,261)
Net foreign exchange loss	(1,918)	–
	<u>(2,898)</u>	<u>(1,676)</u>
Net finance (costs)/income	<u>(95)</u>	<u>4,003</u>

21 TAX EXPENSE

	Group	
	2017 \$'000	2016 \$'000
Current tax expense		
Current year	353	667
(Over)/Under provided in prior years	(207)	132
	<u>146</u>	<u>799</u>
Deferred tax expense		
Origination and reversal of temporary differences	198	172
	<u>198</u>	<u>172</u>
	<u>344</u>	<u>971</u>
Reconciliation of effective tax rate		
Profit before tax	4,157	6,852
Less: Share of profits of associates and joint ventures (net of tax)	(8,633)	(4,884)
	<u>(4,476)</u>	<u>1,968</u>
Tax using the Singapore tax rate of 17% (2016: 17%)	(761)	335
Effect of tax rates in foreign jurisdictions	61	210
Non-deductible expenses	257	444
Tax exempt income	(434)	(785)
Utilisation of deferred tax benefits previously not recognised	(61)	(226)
Tax on unremitted profits	169	172
Unrecognised deferred tax assets	1,320	689
(Over)/Under provided in prior years	(207)	132
	<u>344</u>	<u>971</u>

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

22 PROFIT FOR THE YEAR

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

	Group	
	2017	2016
	\$'000	\$'000
(Reversal of)/allowance for doubtful receivables	(270)	688
Bad debts recovered	–	(18)
Gain on disposal of property, plant and equipment	(273)	(230)
Contributions to defined contribution plans, included in staff costs	1,035	1,019
Audit fees paid to:		
– auditors of the Company	348	341
– other auditors	31	37
Non-audit fees paid to:		
– other auditors	3	3
Operating lease expense	2,581	2,854

23 EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 31 December 2017 was based on the profit attributable to ordinary shareholders of \$3,636,000 (2016: \$5,768,000), and a weighted average number of ordinary shares outstanding of 118,598,000 (2016: 118,631,000), calculated as follows:

Weighted average number of ordinary shares

	Group	
	2017	2016
	No. of shares	No. of shares
	'000	'000
Issued ordinary shares at 1 January (excluding treasury shares)	118,568	118,628
Effect of share options exercised	30	114
Effect of own shares held	–	(111)
Weighted average number of ordinary shares during the year	118,598	118,631

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

23 EARNINGS PER SHARE (CONTINUED)

Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2017 was based on profit attributable to ordinary shareholders of \$3,636,000 (2016: \$5,768,000), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 118,621,000 (2016: 118,678,000), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Group	
	2017	2016
Profit attributable to owners of Company (\$'000)	3,636	5,768
Weighted average number of ordinary shares (basic) ('000)	118,598	118,631
Potential ordinary shares issuable under share options ('000)	23	47
Weighted average number of ordinary shares (diluted) during the year ('000)	118,621	118,678
Basic earnings per share (cents)	3.07	4.86

24 OPERATING SEGMENTS

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products or services, and are managed separately. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- Cement and building materials: Manufacture and sale of cement, ready-mix concrete and building materials.
- Specialty polymer: Manufacture and sale of thermosetting synthetic resin and plastic materials.
- Investments: Trading of equity securities, debt securities and holding of investments in venture capital funds.
- Food and beverage: Operation of food and beverage outlets under franchise.

Other operations include the provision of carbon consultancy services. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2017 or 2016.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise headquarter expenses and support expenses of associates and joint ventures.

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

24 OPERATING SEGMENTS (CONTINUED)

Information about reportable segments

	Cement and building materials \$'000	Specialty polymer \$'000	Investments \$'000	Food & Beverage \$'000	Total \$'000
Revenue and expenses					
2017					
External revenues, representing consolidated revenue	107,977	31,520	–	2,329	141,826
Dividend income	–	–	326	–	326
Reportable segment profit/(loss) before tax	1,870	656	(869)	(602)	1,055
Share of profits of associates and joint ventures	7,364	–	1,269	–	8,633
	<u>9,234</u>	<u>656</u>	<u>400</u>	<u>(602)</u>	<u>9,688</u>
Headquarter expenses					(3,674)
Support expenses of associates and joint ventures					(1,738)
Interest expense					(315)
Interest income					196
Tax expense					(344)
Profit for the year					<u>3,813</u>
2016					
External revenues, representing consolidated revenue	125,569	25,933	–	1,795	153,297
Dividend income	–	–	436	–	436
Reportable segment profit/(loss) before tax	5,286	303	3,224	(1,178)	7,635
Share of profits of associates and joint ventures	4,825	–	59	–	4,884
	<u>10,111</u>	<u>303</u>	<u>3,283</u>	<u>(1,178)</u>	<u>12,519</u>
Headquarter expenses					(4,125)
Support expenses of associates and joint ventures					(1,893)
Interest expense					(415)
Interest income					766
Tax expense					(971)
Profit for the year					<u>5,881</u>

Notes to the FINANCIAL STATEMENTS

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24 OPERATING SEGMENTS (CONTINUED)

Information about reportable segments (Continued)

	Cement and building materials \$'000	Specialty polymer \$'000	Investments \$'000	Food & Beverage \$'000	Others \$'000	Total \$'000
Assets and liabilities						
2017						
Total assets for reportable segments	61,640	20,859	52,772	2,402	18	137,691
Investments in associates and joint ventures						100,630
Other unallocated amounts						5,996
Consolidated total assets						<u>244,317</u>
Total liabilities for reportable segments	20,090	4,069	59	372	4	24,594
Other unallocated amounts						3,313
Consolidated total liabilities						<u>27,907</u>
2016						
Total assets for reportable segments	57,462	14,860	62,978	3,556	45	138,901
Investments in associates and joint ventures						101,096
Other unallocated amounts						13,885
Consolidated total assets						<u>253,882</u>
Total liabilities for reportable segments	25,997	4,706	66	242	5	31,016
Other unallocated amounts						3,535
Consolidated total liabilities						<u>34,551</u>
Other segment information						
2017						
Capital expenditure	<u>3,343</u>	<u>48</u>	<u>-</u>	<u>124</u>	<u>-</u>	<u>3,515</u>
Depreciation and amortisation	<u>4,399</u>	<u>9</u>	<u>-</u>	<u>130</u>	<u>-</u>	<u>4,538</u>
Impairment loss on available-for-sale financial assets	<u>-</u>	<u>-</u>	<u>665</u>	<u>-</u>	<u>-</u>	<u>665</u>
2016						
Capital expenditure	<u>4,187</u>	<u>26</u>	<u>-</u>	<u>9</u>	<u>-</u>	<u>4,222</u>
Depreciation and amortisation	<u>4,290</u>	<u>2</u>	<u>-</u>	<u>143</u>	<u>-</u>	<u>4,435</u>
Impairment loss on available-for-sale financial assets	<u>-</u>	<u>-</u>	<u>1,261</u>	<u>-</u>	<u>-</u>	<u>1,261</u>

Notes to the FINANCIAL STATEMENTS

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24 OPERATING SEGMENTS (CONTINUED)

Reconciliation of reportable segment profit or loss

	2017 \$'000	2016 \$'000
Profit or loss		
Total profit for reportable segments	1,055	7,635
Unallocated amounts	(5,531)	(5,667)
Share of profit of associates and joint ventures	8,633	4,884
Consolidated profit before tax	<u>4,157</u>	<u>6,852</u>

Geographical segments

The Group's operations are mainly in Singapore, Malaysia and People's Republic of China. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	Singapore \$'000	Malaysia \$'000	People's Republic of China \$'000	Others \$'000	Elimination \$'000	Total \$'000
2017						
External customers	86,112	24,533	26,108	5,073	-	141,826
Inter-segment revenue	4,815	3,865	-	-	(8,680)	-
Total revenue	<u>90,927</u>	<u>28,398</u>	<u>26,108</u>	<u>5,073</u>	<u>(8,680)</u>	<u>141,826</u>
Total assets for reportable segments	104,555	19,253	13,883	-	-	137,691
Investments in associates and joint ventures						100,630
Other unallocated amounts						5,996
Consolidated total assets						<u>244,317</u>
2016						
External customers	92,416	33,686	25,431	1,764	-	153,297
Inter-segment revenue	7,145	9,225	-	-	(16,370)	-
Total revenue	<u>99,561</u>	<u>42,911</u>	<u>25,431</u>	<u>1,764</u>	<u>(16,370)</u>	<u>153,297</u>
Total assets for reportable segments	107,343	20,743	10,815	-	-	138,901
Investments in associates and joint ventures						101,096
Other unallocated amounts						13,885
Consolidated total assets						<u>253,882</u>

Notes to the **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

24 OPERATING SEGMENTS (CONTINUED)

Major customer

For the year ended 31 December 2017, there is no customer that individually contribute more than 10 percent of the Group's total revenues. In the prior year, revenues from one customer of the Specialty Polymer segment represent approximately \$20,909,000 of the Group's total revenues.

25 FINANCIAL INSTRUMENTS

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

25 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (Continued)

Exposure to credit risk

The maximum exposure to credit risk at the reporting date was as follows:

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Convertible loan	8	1,336	1,447	–	–
Financial assets classified as held for trading:					
– Debt securities	8	1,708	1,228	–	–
Loans and receivables	11	48,498	40,793	47,591	47,065
Loans to a subsidiary	12	–	–	5,059	5,059
Cash and cash equivalents	13	23,869	39,393	8,878	20,363
		75,411	82,861	61,528	72,487

The carrying amounts of financial assets in the statements of financial position represents the Group and the Company's respective maximum exposures to credit risk, before taking into account any collateral held. The Group and the Company do not hold any collateral in respect of its financial assets.

Guarantees

The Group's policy is to provide financial guarantees only for subsidiaries' liabilities.

The maximum exposure to the Company in respect of intra-group financial guarantees at the reporting date if the facilities are drawn down amount to \$6,413,000 (2016: \$10,489,000). At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantee.

Trade and other receivables

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit, taking into account their financial position and past payment experience with the Group.

At 31 December 2017, the Group's exposure to credit risk primarily comprises \$19,004,000 (2016: \$20,824,000), \$9,467,000 (2016: \$9,760,000) and \$9,129,000 (2016: \$9,878,000) due from companies in Singapore, People's Republic of China and Malaysia respectively.

At 31 December 2017, the Group's exposure to credit risk primarily comprises \$27,731,000 (2016: \$29,176,000) due from construction companies.

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

25 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (Continued)

Trade and other receivables (Continued)

The Group's historical experience in the collection of trade receivables falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

The ageing of loans and receivables (excluding cash and cash equivalents) at the reporting date was:

	2017		2016	
	Gross \$'000	Impairment losses \$'000	Gross \$'000	Impairment losses \$'000
Group				
Not past due	32,815	-	30,843	-
Past due 1 – 30 days	7,320	-	6,911	-
Past due 31 – 90 days	6,423	(59)	2,283	(208)
Past due 91 days	3,077	(1,078)	2,282	(1,318)
	49,635	(1,137)	42,319	(1,526)
Company				
Not past due	49,396	(4,009)	42,890	(4,466)
Past due 1 – 30 days	3,953	-	5,312	-
Past due 31 – 90 days	3,125	-	2,310	-
Past due 91 days	431	(246)	6,324	(246)
	56,905	(4,255)	56,836	(4,712)

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour and extensive analyses of customer credit risk.

An analysis of the credit quality of loans and receivables that are neither past due nor impaired indicates that the balances are of acceptable risk.

Impairment losses

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The component of this allowance is a specific loss component that relates to individually significant exposures.

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

25 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (Continued)

Impairment losses (Continued)

The movements in the allowance for impairment in respect of loans and receivables (excluding cash and cash equivalents) during the year was as follows:

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
At 1 January	1,526	842	4,712	4,765
Impairment loss recognised in profit or loss	67	920	–	–
Amounts written back	(337)	(232)	(457)	(53)
Amounts utilised	(120)	(8)	–	–
Translation difference	1	4	–	–
At 31 December	<u>1,137</u>	<u>1,526</u>	<u>4,255</u>	<u>4,712</u>

Based on the Group's monitoring of customer credit risk and historical default rates, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days. These receivables are mainly with customers that have good payment records with the Group.

Source of estimation uncertainty

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

Derivatives

Forward contracts are entered into with banks which are regulated.

Cash and cash equivalents

The Group and Company held cash and cash equivalents of \$23,869,000 and \$8,878,000 respectively at 31 December 2017 (2016: \$39,393,000 and \$20,363,000 respectively), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with banks and financial institutions which are regulated.

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

25 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivery cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Generally, the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount \$'000	Cash flows		
		Contractual cash flows \$'000	Within 1 year \$'000	Between 2 to 5 years \$'000
Group				
2017				
Non-derivative financial liabilities				
Loan from a non-controlling interest of a subsidiary	1,131	(1,131)	(1,131)	-
Finance lease liabilities	5,894	(6,244)	(2,527)	(3,717)
Trust receipts	1,496	(1,500)	(1,500)	-
Trade and other payables*	18,367	(18,367)	(18,367)	-
	26,888	(27,242)	(23,525)	(3,717)
Derivative financial instruments				
Forward exchange contracts (gross-settled)	263			
- Inflow		9,352	9,352	-
- Outflow		(9,615)	(9,615)	-
	263	(263)	(263)	-
	27,151	(27,505)	(23,788)	(3,717)
2016				
Non-derivative financial liabilities				
Loan from a non-controlling interest of a subsidiary	1,145	(1,145)	-	(1,145)
Finance lease liabilities	8,134	(8,689)	(2,619)	(6,070)
Trust receipts	1,273	(1,279)	(1,279)	-
Trade and other payables*	22,838	(22,838)	(22,838)	-
	33,390	(33,951)	(26,736)	(7,215)

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

25 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (Continued)

	Carrying amount \$'000	Cash flows		
		Contractual cash flows \$'000	Within 1 year \$'000	Between 2 to 5 years \$'000
Company				
2017				
Non-derivative financial liabilities				
Finance lease liabilities	217	(224)	(224)	-
Trust receipts	1,496	(1,500)	(1,500)	-
Trade and other payables*	4,373	(4,373)	(4,373)	-
Loans from subsidiaries	6,626	(6,626)	(6,626)	-
	12,712	(12,723)	(12,723)	-
Derivative financial instruments				
Forward exchange contracts (gross-settled)	263			
- Inflow		9,352	9,352	-
- Outflow		(9,615)	(9,615)	-
	263	(263)	(263)	-
	12,975	12,986	12,986	-
2016				
Non-derivative financial liabilities				
Finance lease liabilities	434	(452)	(200)	(252)
Trust receipts	1,273	(1,279)	(1,279)	-
Trade and other payables*	9,382	(9,382)	(9,382)	-
Loans from subsidiaries	12,312	(12,312)	(12,312)	-
	23,401	(23,425)	(23,173)	(252)

* excludes advances received and forward exchange contracts

The maturity analyses show the contractual undiscounted cash flows of the Group and the Company's financial liabilities on the basis of their earliest possible contractual maturity. The cash inflows/(outflows) disclosed for derivative financial instruments relate to those instruments held for risk management purposes and which are usually not closed out prior to contractual maturity. The disclosure shows gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement e.g. forward exchange contracts.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

25 FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (Continued)

Currency risk

The Group is exposed to currency risk on sales, purchases, investments and borrowings, including inter-company sales, purchases and inter-company balances that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions are denominated are mainly the Singapore dollar, US dollar and China renminbi.

At 31 December, the Group's and the Company's exposure to currency risk are as follows:

	Singapore dollar \$'000	US dollar \$'000	China renminbi \$'000
Group			
2017			
Trade and other receivables	623	39	7,856
Cash and cash equivalents	168	3,523	2,082
Other investments	88	19,503	2,956
Loan from a non-controlling interest of a subsidiary	-	-	(1,131)
Trust receipts	-	(1,496)	-
Trade and other payables	(487)	(677)	(91)
	392	20,892	11,672
2016			
Trade and other receivables	1,538	227	2,709
Cash and cash equivalents	419	2,721	1,372
Other investments	584	17,964	-
Loan from a non-controlling interest of a subsidiary	-	-	(1,145)
Trust receipts	-	(1,273)	-
Trade and other payables	(1,527)	(7)	(137)
	1,014	19,632	2,799
		US dollar \$'000	China renminbi \$'000
Company			
2017			
Trade and other receivables		6,679	7,103
Cash and cash equivalents		1,998	2,047
Loans to subsidiaries		21,672	-
Trade and other payables		(677)	(12)
Loans from subsidiaries		(3,428)	-
Trust receipts		(1,496)	-
		24,748	9,138

Notes to the FINANCIAL STATEMENTS

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25 FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (Continued)

Currency risk (Continued)

	US dollar \$'000	China renminbi \$'000
Company		
2016		
Trade and other receivables	6,941	4,170
Cash and cash equivalents	458	1,311
Loans to subsidiaries	39,986	-
Trade and other payables	(134)	-
Loans from subsidiaries	(9,752)	(1,960)
Trust receipts	(1,273)	-
	<u>36,226</u>	<u>3,521</u>

Sensitivity analysis

A 10% strengthening of the group entities' functional currencies, as indicated below, against the following currencies at 31 December would have decreased equity and profit or loss before tax by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2016, as indicated below:

	Group		Company	
	Profit or loss \$'000	Equity \$'000	Profit or loss \$'000	Equity \$'000
31 December 2017				
Singapore dollar	(39)	-	-	-
US dollar	(2,086)	(3)	(2,475)	-
China renminbi	(1,167)	-	(914)	-
31 December 2016				
Singapore dollar	(101)	-	-	-
US dollar	(1,959)	(4)	(3,623)	-
China renminbi	(280)	-	(352)	-

A 10% weakening of the group entities' functional currencies against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Notes to the **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

25 FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (Continued)

Interest rate risk

Exposure to interest rate risk

At the reporting date, the Group's interest-bearing financial instruments are as follows:

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Financial assets classified as held for trading					
– Debt securities	8	1,708	1,228	–	–

Fair value sensitivity analysis for fixed rate instruments

A change of 100 basis points in interest rates would have increased or decreased profit or loss by approximately \$57,000 (2016: \$37,000) for the Group. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis is performed on the same basis for 2016.

Cash flow sensitivity analysis for variable rate instruments

There is no significant interest rate risk relating to variable rate instruments.

Equity price risk

Sensitivity analysis

For investments classified as available-for-sale financial assets, a 10% increase in the equity prices of quoted equity securities at the reporting date would have increased equity by \$9,000 (2016: \$58,000). For investments classified as held for trading, the impact on profit or loss would have been an increase of \$722,000 (2016: \$647,000). The analysis is performed on the same basis for 2016. A 10% decrease in equity prices would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

Capital management

The Board's policy is to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, reserves and accumulated profits of the Group. The Board of Directors monitors return on capital, as well as the level of dividends to ordinary shareholders.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

25 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values

Fair values versus carrying amounts

The carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy, are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximate of fair value.

	Note	Carrying amount				Fair value					
		Held for trading \$'000	Designated at fair value \$'000	Loans and receivables \$'000	Available-for-sale \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Group											
31 December 2017											
Financial assets measured at fair value											
Available-for-sale financial assets											
– Equity securities	8	-	-	-	115	-	115	88	27	-	115
– Venture capital funds		-	-	-	13,656	-	13,656	-	-	13,656	13,656
Financial assets classified as held for trading											
– Debt securities	8	1,708	-	-	-	-	1,708	-	1,708	-	1,708
– Equity securities	8	7,216	-	-	-	-	7,216	7,216	-	-	7,216
Financial assets designated as at fair value through profit or loss											
– Investment funds	8	-	12,894	-	-	-	12,894	890	12,004	-	12,894
Financial assets not measured at fair value											
Convertible loan	8	-	-	1,336	-	-	1,336	-	-	-	1,336
Available-for-sale financial assets											
– Equity securities	11	-	-	-	2,681	-	2,681	-	-	-	2,681
Trade and other receivables	13	-	-	48,498	-	-	48,498	-	-	-	48,498
Cash and cash equivalents											
		-	-	73,703	2,681	-	76,384	-	-	-	76,384
Financial liabilities measured at fair value											
Forward exchange contracts	18	-	(263)	-	-	-	(263)	-	(263)	-	(263)
Financial liabilities not measured at fair value											
Finance lease liabilities	16	-	-	-	-	(5,894)	(5,894)	-	-	-	(5,894)
Loan from a non-controlling interest of a subsidiary	16	-	-	-	-	(1,131)	(1,131)	-	-	-	(1,131)
Trust receipts	16	-	-	-	-	(1,496)	(1,496)	-	-	-	(1,496)
Trade and other payables	18	-	-	-	-	(18,630)	(18,630)	-	-	-	(18,630)
		-	-	-	-	(27,151)	(27,151)	-	-	-	(27,151)

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

25 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

Fair values versus carrying amounts (Continued)

Group	Note	Held for trading \$'000	Designated at fair value \$'000	Carrying amount			Fair value				
				Loans and receivables \$'000	Available-for-sale \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2016											
Financial assets measured at fair value											
Available-for-sale financial assets											
- Equity securities		-	-	-	627	-	627	584	43	-	627
- Venture capital funds	8	-	-	-	14,313	-	14,313	-	-	14,313	14,313
Financial assets classified as held for trading											
- Debt securities	8	1,228	-	-	-	-	1,228	-	1,228	-	1,228
- Equity securities	8	6,472	-	-	-	-	6,472	6,472	-	-	6,472
Financial assets designated as at fair value through profit or loss											
- Investment funds	8	-	12,570	-	-	-	12,570	3,178	9,392	-	12,570
Financial assets not measured at fair value											
Convertible loan	8	-	-	1,447	-	-	1,447	-	-	-	1,447
Available-for-sale financial assets											
- Equity securities		-	-	-	2,802	-	2,802	-	-	-	2,802
Trade and other receivables	11	-	-	40,793	-	-	40,793	-	-	-	40,793
Cash and cash equivalents	13	-	-	39,393	-	-	39,393	-	-	-	39,393
		-	-	81,633	2,802	-	84,435	-	-	-	84,435
Financial liabilities not measured at fair value											
Finance lease liabilities	16	-	-	-	-	(8,134)	(8,134)	-	-	-	(8,134)
Loan from a non-controlling interest of a subsidiary	16	-	-	-	-	(1,145)	(1,145)	-	-	-	(1,145)
Trust receipts	16	-	-	-	-	(1,273)	(1,273)	-	-	-	(1,273)
Trade and other payables	18	-	-	-	-	(22,838)	(22,838)	-	-	-	(22,838)
		-	-	-	-	(33,390)	(33,390)	-	-	-	(33,390)

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

25 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

Fair values versus carrying amounts (Continued)

Company	Note	Held for trading \$'000	Designated at fair value \$'000	Carrying amount			Fair value				
				Loans and receivables \$'000	Available-for-sale \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2017											
Financial assets not measured at fair value											
Available-for-sale financial assets											
- Equity securities	8	-	-	-	1,217	-	1,217	-	-	-	1,217
Trade and other receivables	11	-	-	47,591	-	-	47,591	-	-	-	47,591
Loan to a subsidiary	12	-	-	5,059	-	-	5,059	-	-	-	5,059
Cash and cash equivalents	13	-	-	8,878	-	-	8,878	-	-	-	8,878
		-	-	61,528	1,217	-	62,745	-	-	-	62,745
Financial liabilities measured at fair value											
Forward exchange contracts	18	-	(263)	-	-	-	(263)	-	(263)	-	(263)
		-	(263)	-	-	-	(263)	-	(263)	-	(263)
Financial liabilities not measured at fair value											
Finance lease liabilities	16	-	-	-	-	(217)	(217)	-	-	-	(217)
Trust receipts	16	-	-	-	-	(1,496)	(1,496)	-	-	-	(1,496)
Loan from subsidiaries	16	-	-	-	-	(6,626)	(6,626)	-	-	-	(6,626)
Trade and other payables	18	-	-	-	-	(4,636)	(4,636)	-	-	-	(4,636)
		-	-	-	-	(12,975)	(12,975)	-	-	-	(12,975)
31 December 2016											
Financial assets not measured at fair value											
Available-for-sale financial assets											
- Equity securities	8	-	-	-	1,217	-	1,217	-	-	-	1,217
Trade and other receivables	11	-	-	47,065	-	-	47,065	-	-	-	47,065
Loan to a subsidiary	12	-	-	5,059	-	-	5,059	-	-	-	5,059
Cash and cash equivalents	13	-	-	20,363	-	-	20,363	-	-	-	20,363
		-	-	72,487	1,217	-	73,704	-	-	-	73,704
Financial liabilities not measured at fair value											
Finance lease liabilities	16	-	-	-	-	(434)	(434)	-	-	-	(434)
Trust receipts	16	-	-	-	-	(1,273)	(1,273)	-	-	-	(1,273)
Loan from subsidiaries	16	-	-	-	-	(12,312)	(12,312)	-	-	-	(12,312)
Trade and other payables	18	-	-	-	-	(9,382)	(9,382)	-	-	-	(9,382)
		-	-	-	-	(23,401)	(23,401)	-	-	-	(23,401)

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

25 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

Fair values versus carrying amounts (Continued)

In the prior year, available-for-sale financial assets with a carrying amount \$11,000 were transferred out of Level 3 into Level 1 because the quoted securities held by a venture capital fund was distributed as equity shares directly to the Group. There were no transfers of financial assets from Level 2 to Level 1 during the years ended 31 December 2017 and 31 December 2016.

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Level 3 fair values

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	Available-for-sale financial assets	
	2017	2016
	\$'000	\$'000
Group		
At 1 January	14,313	15,598
Total losses recognised in profit or loss		
– Impairment loss on available-for-sale financial assets, included in finance costs	(241)	(305)
Total losses recognised in other comprehensive income		
– Net change in fair value of available-for-sale financial assets	(561)	(1,299)
Purchases	2,722	1,070
Settlements	(1,558)	(1,169)
Transfer out of Level 3	–	(11)
Exchange movement	(1,019)	429
At 31 December	13,656	14,313

At 31 December 2017 and 31 December 2016, the Group did not have any liabilities classified in Level 3 of the fair value hierarchy.

Available-for-sale equity securities in Level 3 of the fair value hierarchy consist of investments in venture capital funds ("VCFs"). Fair values of VCFs are derived based on the latest available net asset values ("NAV") obtained from the Fund Managers of the VCFs, adjusted for any capital contributions and distributions where relevant up to 31 December 2017, to determine the fair values of these venture capital funds as at 31 December 2017.

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

25 FINANCIAL INSTRUMENTS (CONTINUED)

Level 3 fair values (Continued)

The underlying assets of the VCFs consist of quoted and unquoted debt and equity securities which are measured at fair value. On a quarterly basis, the VCF fund managers perform a valuation of the portfolio of their respective investments. The fair values of investments in quoted equity and debt securities are determined by reference to their quoted closing bid price in an active market at the measurement date. Fair value of investments in unquoted debt and equity securities are determined by obtaining broker quotes, last round financing price or similar recent transactions in the private market led by a reputable valuer.

<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
NAV	Value of the underlying assets (mainly investments) of the VCFs	The estimated fair value would increase/decrease if NAV was higher/lower

For the fair value of Level 3 available-for-sale financial assets, increasing the significant unobservable input by 10% at the reporting date would have increased equity by \$1,366,000 (2016: \$1,431,000). A 10% decrease in the significant unobservable input would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

Sources of estimation uncertainty

Fair values of investments in VCFs are derived based on latest available valuations obtained from the General Partners of the funds, which are determined with reference to the net asset values of the funds. Changes in the unobservable inputs used to value the funds would increase/decrease the carrying value of the investments and fair value reserve.

Carrying amounts of unquoted equity securities are stated at cost less impairment losses when the fair values cannot be reliably measured because of variability in the range of reasonable fair value estimates is significant or that investment or probabilities of various estimates within the range cannot be reasonably assessed and used in estimating fair value.

26 MEASUREMENT OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Equity and debt securities, other trading investments and investment funds

The fair values of investments in equity and debt securities, other trading investments and investment funds are determined by reference to their quoted closing bid price in an active market at the measurement date, or where such information is unavailable, based on broker quotes (Level 2 fair values).

Forward exchange contracts

The fair values of forward exchange contracts are based on broker quote. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

26 MEASUREMENT OF FAIR VALUES (CONTINUED)

Non-derivative financial liabilities

Non-derivative financial liabilities are measured at fair value at initial recognition and for disclosure purposes, at each annual reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

Other financial assets and liabilities

The carrying 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) approximate their fair values due to the short period to maturity.

27 ACQUISITION OF NON-CONTROLLING INTEREST

On 28 December 2017, the Group acquired an additional 1.43% interest in R&P (Pte.) Ltd. for \$16,000 in cash, increasing its ownership from 98.57% to 100%. The Group recognised a decrease in non-controlling interests of \$120,000, an increase in retained earnings of \$104,000, resulting in a net increase in equity attributable to owners of the Group of \$104,000.

The following summarises the effect of changes in the Group's ownership interest in R&P (Pte.) Ltd.:

	\$'000
Carrying amount of NCI acquired	120
Consideration paid to NCI	(16)
Increase in equity attributable to owners of the Company	104

28 OPERATING LEASES

Leases as lessee

At reporting date, the Group and the Company had operating lease commitments for future minimum lease payments under non-cancellable operating leases of warehouse, factory and office space as follows:

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Within one year	1,729	2,161	815	805
Between two to five years	4,560	3,124	2,548	1,838
More than five years	6,620	6,633	5,551	5,551
	12,909	11,918	8,914	8,194

29 CAPITAL COMMITMENTS

As at year end, the Group has commitments amounting to \$9,570,000 (2016: \$8,970,000) in respect of additional investments in venture capital funds.

As at 31 December 2017, the Group has entered into contracts to purchase property, plant and equipment for \$29,000 (2016: \$2,816,000).

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

30 RELATED PARTIES

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

Key management personnel compensation

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

Key management personnel compensation comprised:

	Group	
	2017 \$'000	2016 \$'000
Directors' fees	307	263
Short-term employee benefits:		
– directors	1,264	1,101
– other management personnel	1,117	1,168
Post-employment benefits:		
– directors	15	15
– other management personnel	78	82
	2,781	2,629

During the year, the Group received dividends amounting to \$100,000 from Ho Bee Cove Pte Ltd (2016: \$150,000), a company in which a substantial shareholder of the Company has interest in.

Other related party transactions

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

	Group	
	2017 \$'000	2016 \$'000
Joint ventures		
Purchases of goods	(7,688)	(9,912)
Sales of goods	10,752	–
Sales of machinery and equipment	284	–

31 CONTINGENCIES

The Company has given formal undertakings, which are unsecured, to provide financial support to its subsidiaries. As at 31 December 2017, the net current liabilities and net liabilities of these subsidiaries amounted to approximately \$12,025,000 and \$20,380,000 (2016: \$13,843,000 and \$21,252,000) respectively.

Notes to the FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

32 NON-CONTROLLING INTERESTS

On 19 September 2017, the Group incorporated a new subsidiary, R&P Technologies Pte. Ltd., holding 60% ownership interest. Accordingly, the following information is only for the period from 19 September 2017 to 31 December 2017 and no comparative information is presented.

R&P Technologies Pte. Ltd. has a non-controlling interest that is material to the Group as at 31 December 2017:

Name	Principal place of business/Country of incorporation	Operating segment	Ownership interests held by non-controlling interest	
			2017	2016
			%	%
R&P Technologies Pte. Ltd.	Singapore	Specialty polymer	40	-

The following summarised financial information for the above subsidiary are prepared in accordance with FRS:

	R&P Technologies Pte. Ltd. \$'000	Other individually immaterial subsidiaries \$'000	Intra- group elimination \$'000	Total \$'000
2017				
Revenue	-			
Loss from continuing operations	(28)			
Other comprehensive income	(50)			
Total comprehensive income	(78)			
Attributable to non-controlling interest:				
- (Loss)/Profit	(11)	188	-	177
- Other comprehensive income	(20)	(13)	-	(33)
- Total comprehensive income	(31)	175	-	144
Non-current assets	1,504			
Current assets	1,110			
Current liabilities	(137)			
Net assets	2,477			
Net assets attributable to non-controlling interest	991	178	-	1,169
Cash flows used in investing activities	(1,650)			
Cash flows from financing activities	2,556			
Net increase in cash and cash equivalents	906			

33. SUBSEQUENT EVENT

On 23 March 2018, the Company entered into a sales and purchase agreement to dispose of its shareholdings in a subsidiary, Shanghai S3 Building Materials Co., Ltd., for cash consideration of approximately \$2,303,000.

Supplementary **INFORMATION**

(SGX-ST LISTING MANUAL DISCLOSURE REQUIREMENTS)

1 DIRECTORS' REMUNERATION – GROUP AND COMPANY

The number of directors in each of the remuneration bands are as follows:

	Number of directors	
	2017	2016
\$500,001 to \$750,000	2	2
Below \$250,000	5	3
Total	7	5

2 INTERESTED PERSON TRANSACTIONS

There were no transactions entered into by the Group with interested persons and their affiliates, as defined in the SGX Listing Manual.

Statistics of SHAREHOLDINGS

AS AT 13 MARCH 2018

SHARE CAPITAL

Issued and fully paid-up Share Capital	:	S\$85,270,272
Class of Shares	:	Ordinary Shares
Voting Rights	:	one vote for every ordinary share (excluding treasury share)
Number of issued shares excluding treasury shares	:	118,623,300
Number of treasury shares (percentage)	:	79,200 (0.07%)

The Company has no *subsidiary holdings.

* subsidiary holdings – as defined in the SGX-ST Listing Manual to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Cap 50.

DISTRIBUTION OF SHAREHOLDERS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	41	2.30	831	0.00
100 – 1,000	292	16.35	197,099	0.17
1,001 – 10,000	1,035	57.95	4,355,007	3.67
10,001 – 1,000,000	406	22.73	24,371,078	20.54
1,000,001 and above	12	0.67	89,699,285	75.62
TOTAL	1,786	100.00	118,623,300	100.00

20 LARGEST SHAREHOLDERS AS AT 13 MARCH 2018

NO.	NAME	NO. OF SHARES	%
1	AFRO-ASIA INTERNATIONAL ENTERPRISES PTE LIMITED	44,463,000	37.48
2	AFRO ASIA SHIPPING CO PTE LTD	14,270,500	12.03
3	UOB KAY HIAN PRIVATE LIMITED	13,154,010	11.09
4	CHUA WEE KENG	5,902,300	4.98
5	DBS NOMINEES (PRIVATE) LIMITED	2,132,725	1.80
6	MORPH INVESTMENTS LTD	1,596,500	1.35
7	NG SOO GIAP OR CHEW SOOI GUAT	1,495,500	1.26
8	TAN CHOO SUAN	1,419,000	1.20
9	PERFORMANCE INVESTMENT PTE LTD	1,404,000	1.18
10	CHUA HOONG TAT FRANZ	1,336,000	1.13
11	ZEN PROPERTY MANAGEMENT PTE LTD	1,282,500	1.08
12	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,243,250	1.05
13	NEW TOWN DEVELOPMENT PTE LTD	826,000	0.70
14	LIM CHER KHIANG	793,182	0.67
15	SON FONG MENG	756,000	0.64
16	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	722,000	0.61
17	KWOK HAE MENG	714,250	0.60
18	LIM & TAN SECURITIES PTE LTD	644,100	0.54
19	TAN CHOO HOON @TAN CHENG GAY	636,750	0.54
20	CHEN ENYI	620,000	0.52
	TOTAL	95,411,567	80.45

Statistics of SHAREHOLDINGS

AS AT 13 MARCH 2018

SHAREHOLDING HELD IN THE HANDS OF PUBLIC

Based on the information provided to the Company as at 13 March 2018, approximately 44.04% of the total number of issued shares of the Company is held by the public. Accordingly, the Company has complied with Rule 723 of the SGX-ST Listing Manual.

SUBSTANTIAL SHAREHOLDERS as at 13 March 2018 as shown in the Company's Register of Substantial Shareholders

Name of Substantial Shareholder	Direct	Deemed	Total Number of Shares	% of Issued Share Capital
	Interest	Interest		
	No. of Shares	No. of Shares		
Tan Cheng Gay	636,750	16,500,500 ⁽¹⁾	17,137,250	14.45
Tan Yok Koon	366,000	15,674,500 ⁽²⁾	16,040,500	13.52
Tan Chin Hoon	–	16,500,500 ⁽³⁾	16,500,500	13.91
Chua Thian Poh	165,000	45,745,500 ⁽⁴⁾	45,910,500	38.70
Ho Bee Holdings (Pte) Ltd	–	45,745,500 ⁽⁵⁾	45,745,500	38.56
Afro-Asia International Enterprises Pte. Limited	44,463,000	–	44,463,000	37.48
Afro Asia Shipping Co Pte Ltd	14,270,500	1,404,000 ⁽⁶⁾	15,674,500	13.21

Notes:

- (1) This represents Tan Cheng Gay's deemed interest of 16,500,500 shares held in the name of the following:–
 - (a) 14,270,500 shares held by Afro Asia Shipping Co Pte Ltd;
 - (b) 1,404,000 shares held by Performance Investment Pte Ltd; and
 - (c) 826,000 shares held by New Town Development Pte Ltd
- (2) This represents Tan Yok Koon's deemed interest of 15,674,500 shares held in the name of the following:–
 - (a) 14,270,500 shares held by Afro Asia Shipping Co Pte Ltd; and
 - (b) 1,404,000 shares held by Performance Investment Pte Ltd
- (3) This represents Tan Chin Hoon's deemed interest of 16,500,500 shares held in the name of the following:–
 - (a) 14,270,500 shares held by Afro Asia Shipping Co Pte Ltd;
 - (b) 1,404,000 shares held by Performance Investment Pte Ltd; and
 - (c) 826,000 shares held by New Town Development Pte Ltd
- (4) This represents Mr Chua Thian Poh's deemed interest of 45,745,500 shares held indirectly by Ho Bee Holdings (Pte) Ltd.
- (5) This represents Ho Bee Holdings (Pte) Ltd's deemed interest of 45,745,500 shares held in the name of the following:–
 - (a) 44,463,000 shares held by Afro-Asia International Enterprises Pte. Limited; and
 - (b) 1,282,500 shares held by Zen Property Management Pte Ltd.
- (6) This represents Afro Asia Shipping Co Pte Ltd's deemed interest of 1,404,000 shares held by its wholly-owned subsidiary Performance Investment Pte Ltd.

Notice of ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“AGM”) of EnGro Corporation Limited (the “Company”) will be held at 25 International Business Park, German Centre, Stuttgart Room, 5th floor, East Wing, Singapore 609916 on Friday, 27 April 2018 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2017, the Directors’ Statement and Report of the Auditors thereon. **(Resolution 1)**
2. To declare a first and final tax-exempt (1-tier) dividend of 2.5 cents per ordinary share for the financial year ended 31 December 2017. **(Resolution 2)**
- 3(a) To re-elect Mr Tan Yok Koon who retires pursuant to Article 87 of the Company’s Constitution. **(Resolution 3)**
- 3(b) To re-elect Mr Tan Soo Nan who retires pursuant to Article 94 of the Company’s Constitution. **(Resolution 4)**

Mr Tan Soo Nan will, upon re-election as a Director of the Company, remain as the Chairman 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.

- 3(c) To re-elect Mr Steven Ong Kay Eng who retires pursuant to Article 94 of the Company’s Constitution. **(Resolution 5)**

Mr Steven Ong Kay Eng will, upon re-election as a Director of the Company, remain as a member 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.

[See Explanatory Note]

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

AS SPECIAL BUSINESS

5. To approve the payment of Directors’ fees of S\$307,250 for the financial year ended 31 December 2017 (2016: S\$262,500). **(Resolution 7)**
6. To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

Notice of **ANNUAL GENERAL MEETING**

6.1 Authority to allot and issue shares pursuant to the Share Issue Mandate

“That pursuant to Section 161 of the Companies Act, Chapter 50 and the Listing Rules of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), authority be and is hereby given to the Directors to:–

- (A) (i) issue shares in the capital of the Company (“**shares**”) whether by way of rights, bonus or otherwise, and/or
- (ii) make or grant offers, agreements or options (collectively “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (a) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company (as calculated in accordance with sub-paragraph (b) below);
- (b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company at the time this Resolution is passed, after adjusting for:–
 - (i) new shares arising from the conversion or exercise of any convertible securities;
 - (ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with the provisions of the Listing Manual of the SGX-ST; and
 - (iii) any subsequent bonus issue, consolidation or subdivision of shares;
- (c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

Notice of ANNUAL GENERAL MEETING

- (d) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier; or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.”

(Resolution 8)

- 6.2 Authority to grant options and to allot and issue shares under with the EnGro Corporation Limited 2011 Employees' Share Option Scheme (the “ESOS 2011”)

“That authority be and is hereby given to the Directors of the Company to offer and grant options in accordance with the provisions of the ESOS 2011 and to allot and issue from time to time such number of ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of options under the ESOS 2011, whether granted during subsistence of this authority or otherwise, provided always that the aggregate number of new shares to be allotted and issued pursuant to the ESOS 2011 and other share based schemes of the Company (which shall include the EnGro Performance Share Award Scheme) shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.”

(Resolution 9)

- 6.3 Authority to issue shares under the EnGro Performance Share Award Scheme (the “EnGro PSA Scheme”)

“That authority be and is hereby given to the Directors of the Company to allot and issue from time to time such number of fully paid-up shares as may be required to be allotted and issued pursuant to the vesting of awards under the EnGro PSA Scheme, whether granted during subsistence of this authority or otherwise, provided always that the aggregate number of shares to be allotted and issued pursuant to the EnGro PSA Scheme and other share based schemes (including the ESOS 2011) of the Company shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.”

(Resolution 10)

- 6.4 Proposed Renewal of the Share Purchase Mandate

“That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the “**Act**”), the exercise by the directors of all the powers of the Company to purchase or otherwise acquire from time to time issued ordinary shares in the capital of the Company (the “**Shares**”), not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by the directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:–
- (i) on-market purchases (each a “**Market Purchase**”) on the Singapore Securities Trading Limited (the “SGX-ST”); and/or

Notice of ANNUAL GENERAL MEETING

- (ii) off-market purchases (each an “**Off-Market Purchase**”) effected in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “**Share Purchase Mandate**”);

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Ordinary Resolution, and expiring on the earlier of:–

- (i) the date on which the next annual general meeting of the Company is held; or
- (ii) the date by which the next annual general meeting of the Company is required by law to be held; or
- (iii) the date on which the purchases of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

- (c) in this Resolution:–

“**Prescribed Limit**” means 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the passing of this Resolution, unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered (excluding treasury shares and subsidiary holdings). Any Shares which are held as treasury shares and subsidiary holdings will be disregarded for the purpose of computing the 10% limit;

“**Relevant Period**” means the period commencing from the date on which the last annual general meeting was held and expiring on the date the next annual general meeting is held or required by law to be held, whichever is the earlier, after the date of this Resolution; and

“**Maximum Price**” in relation to a Share to be purchased or acquired, means an amount (excluding related brokerage, clearance fees, stamp duties, commission, applicable goods and services tax and other related expenses) not exceeding:–

- (i) in the case of a Market Purchase, 105% of the Average Closing Price; and
- (ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price,

where:–

“**Average Closing Price**” means the average of the closing market prices of a Share over the last 5 Market Days (“**Market Day**” being a day on which the SGX-ST is open for securities trading), on which transactions in the Shares were recorded, before the day on which the Market Purchase was made or, as the case may be, before the date of making an announcement by the Company of an offer for an Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant 5 Market Days; and

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- (d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things as they and/or he may consider necessary, desirable, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.”

(Resolution 11)

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

NOTICE OF BOOK CLOSURE DATE FOR DIVIDEND

NOTICE IS ALSO HEREBY GIVEN that, subject to the approval of shareholders being obtained at the Annual General meeting of the Company for the payment of the first and final tax-exempt (1-tier) dividend, the Share Transfer Books and the Register of Members of the Company will be closed on 25 May 2018 for the preparation of dividend warrants. Duly completed transfers received by the Company's Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 24 May 2018 will be registered to determine shareholders' entitlement to the proposed dividends. The first and final tax-exempt (1-tier) dividend of 2.5 cents per ordinary share for the financial year ended 31 December 2017, if approved at the Annual General Meeting, will be paid on 8 June 2018.

By Order of the Board

Joanna Lim
Company Secretary

12 April 2018

EXPLANATORY NOTE

In relation to Ordinary Resolutions 3, 4 and 5 proposed in items 3(a), 3(b) and 3(c) above, the detailed information on Mr Tan Yok Koon, Mr Tan Soo Nan and Mr Steven Ong Kay Eng are set out in the section entitled "Directors Profile" and Table 3 in the Corporate Governance Report of the Company's 2017 Annual Report.

Mr Tan Yok Koon is the brother of Mr Tan Cheng Gay (Chairman/CEO and substantial shareholder of the Company) and Mr Tan Chin Hoon (a substantial shareholder of the Company).

There are no relationships (including immediate family relationships) between Mr Tan Soo Nan and or Mr Steven Ong Kay Eng and the other directors, the Company or its 10% shareholders.

STATEMENT PURSUANT TO ARTICLE 57(3) OF THE COMPANY'S CONSTITUTION

The effect of the resolutions under the heading "Special Business" in this Notice of Annual General Meeting are:-

Ordinary Resolution 7

Resolution 7 is to approve the payment of Directors' fees for the financial year ended 31 December 2017.

Ordinary Resolution 8

Resolution 8 proposed in item 6.1 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to issue shares and convertible securities in the Company. The number of shares and convertible securities that the Directors may issue under this Resolution would not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company at the time of the passing of this Resolution. For issue of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company. The aggregate number of shares which may be issued shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company at the time that Ordinary Resolution 8 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Ordinary Resolution 8 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

Notice of ANNUAL GENERAL MEETING

Ordinary Resolution 9

Resolution 9 proposed in item 6.2 above, if passed, will authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to grant options under the ESOS 2011 which was approved at the Extraordinary General Meeting of the Company on 27 April 2011 and to allot and issue shares upon the exercise of such options granted under the ESOS 2011 in accordance with the rules of the ESOS 2011, provided always that the aggregate number of Shares (comprising new Shares and/or treasury Shares) to be delivered pursuant to the ESOS 2011, when added to the number of new Shares issued and issuable and the number of treasury Shares delivered in respect of all other share schemes or share plans of the Company (if any), shall not exceed fifteen per cent. (15%) of the total issued share capital of the Company (excluding treasury Shares and subsidiary holdings) from time to time. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

Ordinary Resolution 10

Resolution 10 proposed in item 6.3 above, if passed, will authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares in the Company pursuant to the vesting of awards under the EnGro PSA Scheme which was approved at the Extraordinary General Meeting of the Company on 27 April 2011 in accordance with the rules of the EnGro PSA Scheme, provided always that the aggregate number of Shares (comprising new Shares and/or treasury Shares) to be delivered pursuant to the EnGro PSA Scheme, when added to the number of new Shares issued and issuable and the number of treasury Shares delivered in respect of all other share schemes or share plans of the Company (if any), shall not exceed fifteen per cent. (15%) of the total issued share capital of the Company (excluding treasury Shares and subsidiary holdings) from time to time. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

Ordinary Resolution 11

Resolution 11 proposed in item 6.4 above, if passed, will empower the Directors of the Company to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to 10% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in capital of the Company at the Maximum Price. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial statements of the Company and its subsidiaries for the financial year ended 31 December 2017 are set out in greater detail in the Addendum in relation to the proposed renewal of the Share Purchase Mandate.

Notes:

- (1) A member of the Company (other than a depository agent) entitled to attend and vote at the AGM 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) Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of his shareholding concerned to be represented by each proxy shall be specified in the form of proxy. Relevant intermediary is either:
 - (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
 - (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
 - (c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.
- (4) If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
- (5) An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF Approved Nominees and/or SRS Operators to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the AGM.
- (6) 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 AGM.

Personal data privacy:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a shareholder of the Company (i) consents to the collection, use and disclosure of the shareholder's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the shareholder discloses the personal data of the shareholder's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

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ENGRO CORPORATION LIMITED

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

PROXY FORM

IMPORTANT

1. A relevant intermediary may appoint more than two (2) proxies to attend, speak and vote at the Annual General Meeting (please see note 3 for the definition of "relevant intermediary").
2. For investors who have used their CPF/SRS monies to buy shares in the Company, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.

*I/We, _____ (name) _____ (NRIC/Passport Number)

of _____ (address)

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

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	%

*and/or (delete as appropriate)

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or failing whom, the Chairman of the Meeting, as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting ("**AGM**") of the Company to be held at 25 International Business Park, German Centre, Stuttgart Room, 5th floor, East Wing, Singapore 609916 on Friday, 27 April 2018 at 10.00 a.m. and at any adjournment thereof. The *proxy is/proxies are to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/their discretion, as *he/they will on any other matter arising at the Meeting:-

	Ordinary Resolutions	For	Against
Resolution 1	To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2017, the Directors' Statement and the Report of the Auditors thereon.		
Resolution 2	To declare a first and final tax-exempt (1-tier) dividend of 2.5 cents per ordinary share for the financial year ended 31 December 2017.		
Resolution 3	To re-elect Mr Tan Yok Koon (Retiring under Article 87).		
Resolution 4	To re-elect Mr Tan Soo Nan (Retiring under Article 94).		
Resolution 5	To re-elect Mr Steven Ong Kay Eng (Retiring under Article 94).		
Resolution 6	To re-appoint Messrs KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.		
Resolution 7	To approve the payment of Directors' fees of S\$307,250 for the financial year ended 31 December 2017 (2016: S\$262,500).		
Resolution 8	To authorise the Directors to allot and issue shares pursuant to the Share Issue Mandate.		
Resolution 9	To authorise Directors to grant options and to allot and issue shares under EnGro ESOS 2011.		
Resolution 10	To authorise Directors to issue shares under the EnGro PSA Scheme.		
Resolution 11	To approve the Proposed Renewal of the Share Purchase Mandate.		

Please indicate with a tick [✓] in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of the Meeting. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2018

Total Number of Shares Held

--

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

* Delete where applicable



IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM

Notes:-

1. A member of the Company (other than a depository agent) entitled to attend and vote at the AGM 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. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend, speak and vote at the AGM. Where such member's form of proxy appoints more than one proxy, the proportion of his shareholding concerned to be represented by each proxy shall be specified in the form of proxy. Relevant intermediary is either:
 - (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
 - (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
 - (c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
5. 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 AGM, in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.
6. 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 AGM.
7. 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 81SF of the Securities Futures Act, Chapter 289 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.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.
9. A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the AGM.
10. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the AGM in person. CPF and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF Approved Nominees and/or SRS Operators to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the AGM.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2018.

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**Please
Affix
Postage**

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

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