



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

UNAUDITED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2019

1(a) CONSOLIDATED INCOME STATEMENT FOR THE SECOND QUARTER ENDED 30 JUNE 2019

	GROUP					
	2Q2019 \$'000	2Q2018 \$'000	Change %	1H2019 \$'000	1H2018 \$'000	Change %
Revenue	28,689	38,902	(26.3)	59,215	73,884	(19.9)
Changes in inventories of finished goods and work-in-progress	3,056	2,205	38.6	4,499	3,018	49.1
Raw materials	(24,161)	(33,070)	(26.9)	(48,980)	(61,700)	(20.6)
Gain/(loss) on disposal of property, plant and equipment	2	1	n.m.	(1)	(1)	0.0
Gain on divestment of an associate	-	-	n.m.	1,209	-	n.m.
Interest income	130	82	58.5	219	131	67.2
Dividend income	46	32	43.8	250	286	(12.6)
Other income	540	604	(10.6)	1,083	1,196	(9.4)
Exchange (loss)/gain	(177)	615	n.m.	(145)	222	n.m.
Allowance for doubtful debts and bad debts written off, net	(798)	(529)	50.9	(798)	(529)	50.9
Depreciation of property, plant and equipment	(1,101)	(1,126)	(2.2)	(2,234)	(2,244)	(0.4)
Depreciation of right-of-use assets	(138)	-	n.m.	(278)	-	n.m.
Amortisation of intangible assets	(22)	(20)	10.0	(44)	(40)	10.0
Net change in fair value of financial assets at fair value through profit or loss	1,194	(162)	n.m.	2,420	604	n.m.
Staff costs	(3,396)	(3,404)	(0.2)	(6,678)	(6,574)	1.6
Rental expenses	(147)	(470)	(68.7)	(256)	(939)	(72.7)
Other expenses	(3,842)	(3,975)	(3.3)	(7,380)	(7,492)	(1.5)
Interest expense	(322)	(60)	n.m.	(669)	(131)	n.m.
(Loss)/profit before share of profit of associates and joint ventures	(447)	(375)	19.2	1,432	(309)	n.m.
Share of profit of associates and joint ventures, net of tax	3,096	3,767	(17.8)	3,954	3,929	0.6
Profit before tax	2,649	3,392	(21.9)	5,386	3,620	48.8
Tax expense	(231)	(362)	(36.2)	(351)	(395)	(11.1)
Profit for the period	2,418	3,030	(20.2)	5,035	3,225	56.1
Attributable to:						
Owners of the Company	2,402	2,954	(18.7)	5,089	3,236	57.3
Non-controlling interests	16	76	(78.9)	(54)	(11)	n.m.
Profit for the period	2,418	3,030	(20.2)	5,035	3,225	56.1

n.m. - not meaningful

1(b) **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2019**

	GROUP					
	2Q2019	2Q2018	Change	1H2019	1H2018	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Profit for the period	2,418	3,030	(20.2)	5,035	3,225	56.1
Other comprehensive income:						
Items that are or maybe reclassified subsequently to profit or loss:						
Foreign currency translation differences for foreign operations	(1,589)	(1,695)	(6.3)	(721)	(209)	n.m.
Exchange differences on monetary items forming part of the net investment in foreign operations	(92)	1,432	n.m.	(298)	751	n.m.
Other comprehensive income for the period, net of tax	(1,681)	(263)	n.m.	(1,019)	542	n.m.
Total comprehensive income for the period	737	2,767	(73.4)	4,016	3,767	6.6
Total comprehensive income attributable to:						
Owners of the Company	758	2,684	(71.8)	4,081	3,784	7.8
Non-controlling interests	(21)	83	n.m.	(65)	(17)	n.m.
Total comprehensive income for the period	737	2,767	(73.4)	4,016	3,767	6.6

n.m. - not meaningful

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

	GROUP		GROUP	
	2Q2019	2Q2018	1H2019	1H2018
	Cents	Cents	Cents	Cents
Earnings per ordinary shares attributable to owners of the Company:				
(i) Based on weighted average number of ordinary shares in issue	2.02	2.49	4.29	2.73
(ii) On a fully diluted basis	2.02	2.49	4.29	2.73

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

	GROUP		COMPANY	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
	\$'000	\$'000	\$'000	\$'000
<u>ASSETS</u>				
Property, plant and equipment	7,247	9,283	2,621	2,790
Subsidiaries	-	-	66,138	65,665
Intangible assets	421	452	117	125
Associates and joint ventures	100,028	101,676	60,255	60,555
Other investments	40,738	37,372	16,996	16,996
Other assets	78	78	78	78
Right-of-use assets	1,215	-	680	-
Non-current assets	149,727	148,861	146,885	146,209
Other investments	7,554	10,712	3,016	3,191
Inventories	16,621	12,687	9,086	3,910
Trade and other receivables	44,342	51,966	24,285	26,778
Loan to a subsidiary	-	-	5,012	4,933
Cash and cash equivalents	34,487	33,005	19,278	22,090
Current assets	103,004	108,370	60,677	60,902
TOTAL ASSETS	252,731	257,231	207,562	207,111
<u>EQUITY</u>				
Share capital	85,270	85,270	85,270	85,270
Reserves	146,153	145,726	106,948	105,941
Equity attributable to owners of the Company	231,423	230,996	192,218	191,211
Non-controlling interests	1,147	1,212	-	-
Total equity	232,570	232,208	192,218	191,211
<u>LIABILITIES</u>				
Loans and borrowings	1,012	1,805	-	-
Lease liabilities	1,734	-	919	-
Deferred tax liabilities	576	591	-	-
Non-current liabilities	3,322	2,396	919	-
Loans and borrowings	2,732	2,916	11,356	8,930
Trade and other payables	13,890	19,711	3,002	6,970
Lease liabilities	217	-	67	-
Current liabilities	16,839	22,627	14,425	15,900
TOTAL LIABILITIES	20,161	25,023	15,344	15,900
TOTAL EQUITY AND LIABILITIES	252,731	257,231	207,562	207,111

STATEMENTS OF FINANCIAL POSITION (cont'd)

ANALYSIS OF STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment decreased by \$2.0 million due to depreciation charges of \$2.2 million, partially offset by acquisition of \$0.2 million.

Right-of-use assets of \$1.2 million refers to operating lease commitments recognised in accordance with the adoption of SFRS(I)16 effective 1 January 2019.

Net increase of \$0.2 million in other investments was a result of additional investments of \$1.6 million and fair value gain of \$2.3 million, offset by disposals of \$2.7 million and cash distributions of \$1.0 million.

Inventories increased by \$3.9 million largely due to lower base of cement stock as at 31 December 2018.

Trade and other receivables decreased by \$7.6 million in line with lower revenue during 1H 2019 and collection of trade receivables.

Loans and borrowings decreased by \$1.0 million, due to repayment of finance lease liabilities, while lease liabilities of \$2.0 million relates to the discounted future rental payments recognised upon the adoption of SFRS(I)16 on 1 January 2019.

Trade and other payables decreased by \$5.8 million due to slow down in purchases during 1H 2019, in line with lower revenue.

1(e) GROUP BORROWINGS

	As at 30 Jun 2019 \$'000	As at 31 Dec 2018 \$'000
Amount repayable in one year		
Secured	1,647	1,825
Unsecured	1,085	1,091
	<u>2,732</u>	<u>2,916</u>
Amount repayable after one year		
Secured	1,012	1,805
Unsecured	-	-
	<u>1,012</u>	<u>1,805</u>
Total	<u>3,744</u>	<u>4,721</u>

Details of any collateral

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

1(f) NET ASSET VALUE

	<u>GROUP</u>		<u>COMPANY</u>	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
	\$	\$	\$	\$
Net asset value per ordinary share at end of the financial period	1.95	1.95	1.62	1.61

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2019

	GROUP	
	2Q2019	2Q2018
	\$'000	\$'000
Cash flows from operating activities		
Profit before tax	2,649	3,392
Adjustments for:		
Amortisation of intangible assets	22	20
Depreciation of property, plant and equipment	1,101	1,126
Depreciation of right-of-use assets	138	-
Dividend income	(46)	(32)
Gain on disposal of property, plant and equipment	(2)	(1)
Allowance for doubtful debts and bad debts written off, net	798	529
Interest expense	322	60
Interest income	(130)	(82)
Net change in fair value of financial assets at fair value through profit or loss	(1,194)	162
Share of profits of associates and joint ventures, net of tax	(3,096)	(3,767)
	<u>562</u>	<u>1,407</u>
Changes in working capital:		
Inventories	(3,051)	(2,346)
Trade and other payables	(1,487)	641
Trade and other receivables	3,423	2,910
Cash (used in)/from operations	<u>(553)</u>	<u>2,612</u>
Tax paid	(333)	(156)
Net cash (used in)/from operating activities	<u>(886)</u>	<u>2,456</u>
Cash flows from investing activities		
Distribution from other investments	12	490
Dividends received from:		
- other investments	46	32
- associates and joint ventures	3,963	1,240
Interest received	130	82
Proceeds from disposal of:		
- other investments	2,699	15,845
- property, plant and equipment	1	102
Purchase of other investments	(1,176)	(1,289)
Purchase of intangible assets	(2)	(11)
Purchase of property, plant and equipment	(94)	(644)
Net cash from investing activities	<u>5,579</u>	<u>15,847</u>
Cash flows from financing activities		
Dividends paid	(2,966)	(2,966)
Interest paid	(322)	(60)
Repayment of finance lease liabilities	(453)	(590)
Repayment of lease liabilities	(123)	-
Repayment of trust receipts	-	(4,135)
Net cash used in financing activities	<u>(3,864)</u>	<u>(7,751)</u>
Net increase in cash and cash equivalents	829	10,552
Cash and cash equivalents at beginning of the period	33,713	19,607
Effect of exchange rate fluctuations on cash held	(55)	113
Cash and cash equivalents at end of the period	<u>34,487</u>	<u>30,272</u>

2 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2019
(cont'd)

ANALYSIS OF CONSOLIDATED STATEMENT OF CASH FLOWS

Net cash used in operating activities in 2Q 2019 was \$0.9 million, arising from net changes in working capital of \$1.1 million and tax payment of \$0.3 million partially offset by operating profit before working capital changes of \$0.6 million.

Investing activities generated net cash inflows of \$5.6 million, largely from dividends received from associates and joint ventures amounting to \$4.0 million and disposal of other investment of \$2.7 million, partially offset by cash used in acquisition of other investments of \$1.2 million.

Net cash used in financing activities of \$3.9 million mainly relates to dividend payment of \$3.0 million.

The cash and cash equivalent as at end of 2Q 2019 was \$34.5 million, an increase of \$4.2 million compared to 2Q 2018.

3 STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2019

	Share capital	Capital reserve	Reserve for own shares	Share option reserve	Foreign currency translation reserve	Fair value reserve	Accumulated profits	Total	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group										
At 1 April 2018	85,270	(41)	(72)	22	(2,721)	-	133,447	215,905	1,069	216,974
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	2,954	2,954	76	3,030
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	-	-	(1,702)	-	-	(1,702)	7	(1,695)
Exchange differences on monetary items forming part of the net investment in foreign operations	-	-	-	-	1,432	-	-	1,432	-	1,432
Total comprehensive income	-	-	-	-	(270)	-	-	(270)	7	(263)
Total comprehensive income for the period	-	-	-	-	(270)	-	2,954	2,684	83	2,767
Transactions with owners, recognised directly in equity										
Distributions to owners										
Final one-tier dividend declared of 2.5 cents per share	-	-	-	-	-	-	(2,966)	(2,966)	-	(2,966)
Total transactions with owners	-	-	-	-	-	-	(2,966)	(2,966)	-	(2,966)
At 30 June 2018	85,270	(41)	(72)	22	(2,991)	-	133,435	215,623	1,152	216,775
At 1 April 2019	85,270	(41)	(72)	22	(5,400)	(435)	154,287	233,631	1,168	234,799
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	2,402	2,402	16	2,418
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	-	-	(1,552)	-	-	(1,552)	(37)	(1,589)
Exchange differences on monetary items forming part of the net investment in foreign operations	-	-	-	-	(92)	-	-	(92)	-	(92)
Total other comprehensive income	-	-	-	-	(1,644)	-	-	(1,644)	(37)	(1,681)
Total comprehensive income for the period	-	-	-	-	(1,644)	-	2,402	758	(21)	737
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Final one-tier dividend declared of 2.5 cents per share	-	-	-	-	-	-	(2,966)	(2,966)	-	(2,966)
Total transactions with owners	-	-	-	-	-	-	(2,966)	(2,966)	-	(2,966)
At 30 June 2019	85,270	(41)	(72)	22	(7,044)	(435)	153,723	231,423	1,147	232,570

3 STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2019 (cont'd)

	Share capital \$'000	Capital reserve \$'000	Reserve for own shares \$'000	Share option reserve \$'000	Fair value reserve \$'000	Accumulated profits \$'000	Total equity \$'000
Company							
At 1 April 2018	85,270	(41)	(72)	22	-	88,675	173,854
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	2,751	2,751
Total comprehensive income for the period	-	-	-	-	-	2,751	2,751
Transactions with owners, recognised directly in equity							
Distributions to owners							
Final one-tier dividend declared of 2.5 cents per share	-	-	-	-	-	(2,966)	(2,966)
Total transactions with owners	-	-	-	-	-	(2,966)	(2,966)
At 30 June 2018	85,270	(41)	(72)	22	-	88,460	173,639
At 1 April 2019	85,270	(41)	(72)	22	(137)	107,528	192,570
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	2,614	2,614
Total comprehensive income for the period	-	-	-	-	-	2,614	2,614
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners							
Final one-tier dividend declared of 2.5 cents per share	-	-	-	-	-	(2,966)	(2,966)
Total transactions with owners	-	-	-	-	-	(2,966)	(2,966)
At 30 June 2019	85,270	(41)	(72)	22	(137)	107,176	192,218

3(a) CHANGES IN COMPANY'S SHARE CAPITAL

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

	<u>Number of Shares</u>
Issued share capital of the Company (excluding treasury shares) as at 31 December 2018	<u>118,623,300</u>
Issued share capital of the Company (excluding treasury shares) as at 30 June 2019	<u>118,623,300</u>

There were 79,200 treasury shares held by the Company as at 30 June 2019 (30 June 2018: 79,200), which has been excluded in the number of issued ordinary shares stated above.

As at 30 June 2019, options to subscribe to 135,000 ordinary shares remained unexercised (30 June 2018: 135,000 ordinary shares).

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

	<u>As at 30 Jun 2019</u>	<u>As at 31 Dec 2018</u>
Total number of issued shares excluding treasury shares	<u>118,623,300</u>	<u>118,623,300</u>

3(c) TREASURY SHARES

	<u>Number of shares for the quarter ended</u>	
<u>Group and Company</u>	<u>30 Jun 2019</u>	<u>30 Jun 2018</u>
As at beginning/end of the quarter	<u>79,200</u>	<u>79,200</u>

4 AUDIT

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

5 AUDITORS' REPORT

Not applicable.

6 ACCOUNTING POLICIES

Except as disclosed in Section 7 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those used in the audited financial statements for the financial year ended 31 December 2018.

7 CHANGES IN ACCOUNTING POLICIES

The Group has adopted the Singapore Financial Reporting Standards (International) ("SFRS(I)s") that are effective for annual periods beginning on or after 1 January 2019 and are relevant to its operations. The adoption of these new SFRS(I)s, specifically SFRS(I) 16 Leases, does not result in any changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current financial period or prior financial years.

8 REVIEW OF GROUP PERFORMANCE

The Group achieved a total revenue of \$28.7 million in 2Q 2019, a decrease of 26.3% compared to \$38.9 million reported in 2Q 2018 largely due to lower revenue from our Specialty Polymer and Integral Cement and Ready-Mix Concrete businesses.

Overall performance of the Group for 2Q 2019 was weighed down by weaker performance from our Korea JV amidst supply shortage and share of loss from a residential development project currently in progress in Tangshan, China. The poorer performance was however cushioned by higher fair value gain from our Investment segment, as well as higher profits from our JVs in China. As a result, the Group achieved a profit after tax of \$2.4 million in 2Q 2019 against \$3.0 million a year ago.

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

Actual results were in line with prospect statement made in 1Q 2019 announcement.

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

Performance of our Integral Cement and RMC segment in Singapore and Malaysia is expected to be subdued in the coming quarters posed by challenging market conditions amidst the ongoing US-China trade tensions.

China's growth slowed to its weakest pace in almost three decades in the 2Q 2019 at 6.2%, weighed down by US-China trade war and weakening global demand. The GDP figure is expected to be within the government's target range of 6.0-6.5% for 2019. Despite challenges and uncertainty ahead, we are cautiously optimistic that demand for our Green Cement will continue to be sustained by government spending in infrastructure projects.

11 DIVIDENDS

(a) Current financial period reported on

No

(b) Corresponding period of the immediately preceding financial year

No

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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

No dividend has been declared/recommendeded for the current financial period.

13 INTERESTED PERSON TRANSACTIONS

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

14 UNDERTAKINGS PURSUANT TO RULE 720 (1)

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

CONFIRMATION BY THE BOARD

We, TAN CHENG GAY and TAN YOK KOON being two of the Directors of EnGro Corporation Limited (the "Company"), do hereby confirm on behalf of the Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the period ended 30 June 2019 to be false or misleading in any material aspect.

On behalf of the Board of Directors

TAN CHENG GAY
Chairman and CEO

TAN YOK KOON
Director

BY ORDER OF THE BOARD

Joanna Lim
Company Secretary
7 August 2019