



ENGRO CORPORATION LIMITED

(Registration no: 197302229H)

RESPONSE TO SGX QUERY

Further to the announcement of EnGro Corporation Limited (“Company”) on the Full Yearly Results released on 27 February 2024, and in response to the query by SGX in its electronic mail dated 4 March 2024, the Company wishes to respond to the query as follow:

SGX Query 1:

Please provide a breakdown of other expenses which increased significantly to \$23.38 million as at 31 December 2023 (31 December 2022: \$16.91m), and explain any material movement for each item.

Company’s response:

The material increase in Other Expense was due to:

- 1) the impairment of investment in the China JV Jinan Luxin Materials Co., Ltd amounting to \$3,837,000;
- 2) the loss on disposal of China JV Tangshan Tanglong Materials Co., Ltd. amounting to \$646,000, attributed to the exchange differences relating to this foreign operation, reclassified from equity to profit or loss in accordance with SFRS(I) 1-21.
- 3) Increase in direct overheads for production and delivery in line with the higher production and sales volume.

Breakdown of other expenses:

	Group	
	As at 31 Dec 2023 \$’000	As at 31 Dec 2022 \$’000
Impairment of investment in a joint venture	3,837	–
Loss on disposal of a joint venture	646	–
Direct overheads	14,478	13,021
Other expenses	4,415	3,891
	<u>23,376</u>	<u>16,912</u>

SGX Query 2:

We note that staff costs increased 30.4% to \$14.27 million (31 December 2022: \$10.94 million). Please elaborate on the reasons that contributed to this material increase.

Company's response:

Lower staff costs in FY2022 was due to: (1) the reversal of excess employment related tax provision upon finalization of tax position by IRAS, which was disclosed in the announcement made on 12 April 2023, under SGX reference number SG230412OTHRPP26; (2) the reversal of staff cost provision. Excluding the abovementioned reversals, the staff cost for FY2022 would have been S\$12.4 million, representing a YoY increase of 15% for FY2023.

Higher headcounts and manpower costs in tandem with the increased production and sales volume in FY2023.

BY ORDER OF THE BOARD
ENGRO CORPORATION LIMITED

6 March 2024