ENGRO
BUILDING SUSTAINABILITY

FOUNDED ON SUSTAINABILITY, GROWING THROUGH INNOVATION

ANNUAL REPORT 2019

COMPANY HISTORY

EnGro Corporation Limited ("EnGro", or "the Company" and together with its subsidiaries "the Group") was incorporated on 27 November 1973 under the name SsangYong Cement (S) Pte Ltd. It was originally formed as a joint venture between SsangYong Cement Industrial Co Ltd of South Korea, Afro-Asia Shipping Co (Pte) Ltd and The Development Bank of Singapore Ltd. The Company was converted into a public limited company on 31 May 1983 and assumed the name Ssang Yong Cement (S) Ltd.

In 1976, the Company started off with manufacturing Ordinary Portland Cement (OPC) but from 2003 onwards, it ceased to produce OPC but expanded its product offering to include high performance blended cement, Ready-Mix Concrete (RMC), low carbon Ground Granulated Blastfurnace Slag (GGBS) and other innovative construction materials.

In 2002, the Company marked the beginning of a new chapter as it witnessed the end of the Singapore-Korea partnership over the Company's 30-year history. Afro-Asia International Enterprises Pte Ltd acquired shares divested by SsangYong Cement Industrial Co Ltd and subsequently made a mandatory cash offer for shares not owned by Afro-Asia International Enterprises Pte Ltd or parties acting in concert.

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

Over the years, EnGro diversified its business by investing in specialty polymer, high-tech venture capital funds, property developments as well as food and beverage.

The "Building Sustainability" corporate tagline reflects EnGro's commitment towards promoting green and achieving the triple bottom-line equilibrium of PEOPLE - PLANET - PROFIT.

PEOPLE

PLANET

PROFIT

In line with the Group's efforts towards greater environmental conservation, we have adopted an electronic transmission for our Annual Report and Sustainability Report.

The electronic version of this Annual Report is available on EnGro Corporation Limited's website (www.engro-global.com/annual-report/). Shareholders and other interested parties who wish to receive a printed copy may contact us at email ir@engro-global.com or telephone +65-6561 7978.

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AUDITORS
KPMG LLP
Public Accountants and Chartered Accountants
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581

PARTNER-IN-CHARGE
Low Gin Cheng, Gerald
(with effect from FY2016)

COMPANY SECRETARY
Joanna Lim Lan Sim

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VISION AND MISSION

OUR VISION

To be the preferred integral partner of innovative and sustainable material solutions.

OUR MISSION

To provide integrated material solutions that are value-adding, sustainable and cost-effective.

CORPORATE PHILOSOPHY

Looking Far And Wide From A High Plane
Keeping Calm To Achieve Great Success

高瞻远瞩
寧靜致遠

Standing at a high point through accumulation of knowledge with an open mind, one has a 360 degrees view of the surroundings below. From each angle of view at the top, one absorbs myriads of information.

A sea of knowledge accumulated calls for a calm mind to process and identify relevant information. And with an unobstructed and calm mind, one can then choose the right path and plan the vision for the future.

HARMONY	TRUST	EXCELLENCE	WIN-WIN
和顺	诚信	卓越	共赢

CHAIRMAN'S MESSAGE

Dear Shareholders,

Financial Review

EnGro Group recorded a revenue of S$131.3 million for the year ended 31 December 2019 (FY2019), a 9.0 per cent decrease from the S$144.3 million registered in FY2018, due to lower revenue from Specialty Polymer, and Integral Cement and Ready-Mix Concrete (RMC) segments.

The Group reported a profit after tax of S$11.1 million compared to S$6.0 million in FY2018, attributable to higher fair value gains from our Investment segment, and improved performance from our China Joint Ventures and Integral Cement and RMC business.

Dividend

The Group's overall performance improved compared to 2018 amid highly competitive operating conditions in our key markets. The Board is recommending a first and final dividend of 2.5 cents per share to be declared for FY2019, subject to shareholders' approval at the Annual General Meeting of the Company to be held on 25 June 2020.

BUSINESS REVIEW

Singapore's GDP growth declined from 3.4 per cent in 2018 to 0.7 per cent in 2019. Against a slowdown in Singapore economy, growth of the construction sector reversed from negative 3.5 per cent to positive 2.8 per cent, supported by both public and private sector construction. Demand for cement hit a five-year high. The public sector demand also grew last year supported by industrial and institutional building programmes in the Punggol Digital District, and strong demand from major civil engineering works.

Since the China economy shifted gear, its GDP growth declined to 6.1 per cent in 2019, the weakest recorded over the last thirty years. China continued to leverage on its infrastructure building program as one of the thrusts to sustain GDP growth, which spurred demand for building materials; hence indirectly benefiting our Specialty Cement and RMC businesses in China. A point to note is that cement industry in China witnessed a record performance in 2019 with its cascading effect that saw an increased GGBS demand in most provinces resulting in higher GGBS prices nationwide.

a) Integral Cement and RMC Operations

Singapore's construction demand rose to S$33.4 billion in 2019 from S$30.5 billion in 2018, led by public-sector development program. En bloc redevelopment and commercial projects boosted private sector demand to S$14.4 billion. Top-Mix Singapore (TMS) successfully obtained the requisite permit to set up a new batching plant at Toa Payoh to strengthen its foothold in Singapore.

Change in the Malaysia political arena coupled with the suspension of the Kuala Lumpur-Singapore High-Speed Rail (HSR) and the Kuala Lumpur MRT3 Circle Line project, continue to cast a gloomy outlook on the Malaysian construction sector and residential property market. Our Malaysia RMC operations turned to brand building with niche marketing strategy to mark time.

b) Specialty Cement Operations in China

Our Specialty Cement operations in China scaled new heights as combined Ground Granulated Blastfurnace Slag (GGBS) production capacity increased to 10.8 million tons in tandem with the Central Government's emphasis on sustainability. Our GGBS Joint Ventures (JVs) delivered a commendable performance in 2019 notwithstanding continued environmental control called by the Central Government to rationalise the steel and cement industries. The curtailment in cement production capacity nationwide coupled with rapid development in High Speed Rail (HSR) led to record selling prices of Ordinary Portland Cement (OPC) and GGBS. Intensified infrastructure building will continue to bode well for our Specialty Cement business.

Our digital initiative received a boost with the formation of Wuhan SinoCem Smartec Co. Ltd. (SinoCem Smartec), a JV company headed by a team of young and enterprising software programmers capable of developing and offering smart manufacturing solutions, based on Industry 4.0 revolution, to support the transformation of the manufacturing industry called by the Central Government. Apart from servicing the building material sector, SinoCem Smartec has planned to leverage upon its platform technology to penetrate into other industry verticals.

c) Specialty Polymer

R&P broadened its existing automotive customer base to embrace the Electric Vehicle (EV) opportunity by offering enhanced performance polymer compounds. On top of this, it has further extended its product offerings to non-automotive markets.

d) Investments

EnGro supplemented its Venture Capital fund investment with ***Fund-of-Funds (FoF)*** in an attempt to achieve consistency in annuity-like investment returns. The ***FoF strategy*** offers EnGro the opportunity to invest in top-tier US VC funds focusing on early-stage deals and promising new VC partnerships.

In China, the phase 2 sales of the Tangshan Nanhu Eco City project in Tangshan, Hebei province, showed satisfactory results. Construction of the project is expected to complete in 2020.

PROSPECTS

The Novel Coronavirus 2019 (COVID-19) outbreak came at a time when Singapore's GDP growth was in its decline, down precipitously from 3.2 per cent in 2018 to 0.7 per cent in 2019. Inevitably, the COVID-19 pandemic would dampen Singapore economy in 2020 with growth projected to dip to between negative 4.0 and negative 1.0 per cent range. Against a declining economy, construction activity in Singapore is expected to stay active backed by Singapore Government's commitment to keep ahead of competition as a leading Service Hub in Asia Pacific, which calls for continued public infrastructure building. To keep pace with the momentum, our RMC unit, TMS has successfully secured contracts to supply to a few notable projects such as the North South Corridor (NSC) N108 project and the Tuas Water Reclamation plant project. TMS is positioned for growth.

In China, the COVID-19 pandemic would invariably affect our GGBS operations in the first half of 2020. While the situation remains fluid and uncertain, we continue to project gradual recovery from the second half onwards.

While it is still early to gauge the effectiveness of global efforts to arrest the COVID-19 pandemic, our geographical diversity in operations and healthy balance sheet puts us in a good stead to weather through the COVID-19 fueled financial meltdown after witnessing the concurrent supply-chain shock, demand shock and oil shock. In view of unprecedented depressed market sentiments, the entire 2020 is expected to be a difficult year for EnGro Group to navigate.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to offer my heartfelt thanks to everyone in the EnGro family, our customers, shareholders, business partners, my fellow Directors as well as our Management team and staff for their unwavering support, dedication and confidence in EnGro. The commitment and dedication of our employees is what drives EnGro to chart new frontiers in innovation and sustainability.

Tan Cheng Gay
Chairman

CORPORATE CALENDAR

Financial Year Ended 31 December 2019

2019

27 FEB
Announcement of 4Q FY2018 results

26 APR
Annual General Meeting for FY2018

8 MAY
Announcement of 1Q FY2019 results

7 JUN
Payment of First and Final Dividend

7 AUG
Announcement of 2Q and 1H FY2019 results

5 NOV
Announcement of 3Q FY2019 results

2020

27 FEB
Announcement of 4Q and FY2019 results

25 JUN
Annual General Meeting for FY2019

23 JUL
Payment of First and Final Dividend

AUG
Announcement of 1H FY2020 results

2021

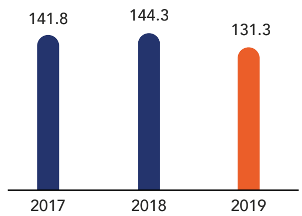
FEB
Announcement of FY2020 results

AUG
Announcement of 1H FY2021 results

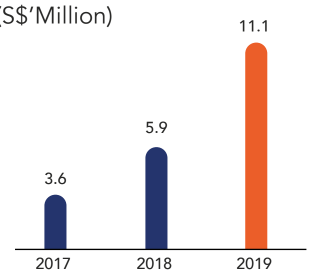
FINANCIAL HIGHLIGHTS

	2017	2018	2019
Consolidated Statement of Comprehensive Income (S$'Million)			
Revenue	141.8	144.3	131.3
Profit for the year	3.8	6.0	11.1
Profit attributable to owners of the Company	3.6	5.9	11.1
Statement of Financial Position (S$'Million)			
Total assets	244.3	257.2	264.5
Equity attributable to owners of the Company	215.2	231.0	236.0
Per Share (Cents)			
Basic earnings	3.07	5.01	9.31
Net asset value	181	195	199
Net dividend	2.50	2.50	2.50

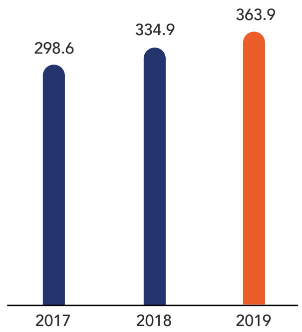
Revenue
(S$'Million)



Profit attributable to owners of the Company
(S$'Million)

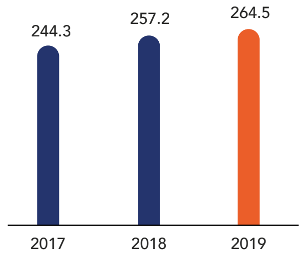


Revenue of EnGro and Associates and Joint Ventures#
(S$'Million)

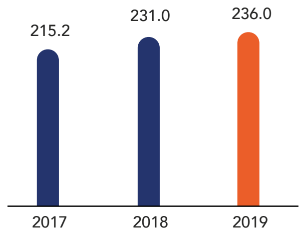


Revenue of Associates and Joint Ventures is calculated based on percentage of interest EnGro has in the Associates and Joint Ventures. Numbers are for illustration purpose only.

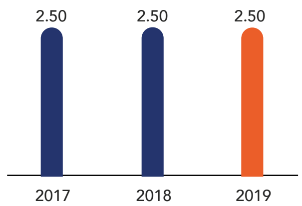
Total Assets
(S$'Million)



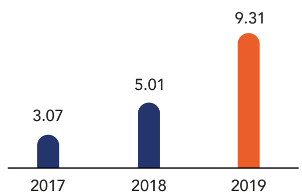
Equity Attributable to Owners of the Company
(S$'Million)



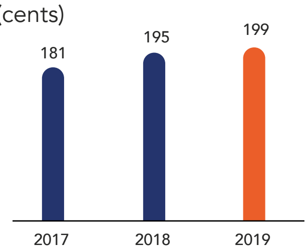
Net dividend per Share
(cents)



Basic Earnings Per Share
(cents)



Net Asset Value per Share
(cents)



BOARD OF DIRECTORS

Tan Cheng Gay
Chairman and Chief Executive Officer

Mr Tan is a stalwart of the Company, having been with the Company 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.

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 the not-for-profit sector. His appointments include Chairman of Temasek Foundation Management Services CLG Limited and Director in Woh Hup Trust and SPD Singapore.

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

William Tan
Chief Financial Officer

Mr Tan is responsible for assisting CEO in overseeing operations and performance of the Group. Beginning his career in SGX-listed Liang Huat Group, his previous roles include AVP, Finance with Resorts World Sentosa, CFO of Ley Choon Group, CFO of Metal Component Engineering and auditor with KPMG. Mr Tan graduated with Honours with a Bachelor of Engineering (Mechanical) from National University of Singapore, holds a Bachelor of Science in Applied Accounting (First Class Honours) from the Oxford Brookes University, UK and obtained his MBA from Manchester Business School, UK. A CA (Singapore) and FCCA, UK, he was also an ACCA Prize Winner and Top 30 Affiliate. Mr Tan was named Executive of the Year – Construction & Materials at the Singapore Business Review Management Excellence Awards 2016.

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. Prior to joining the Company, she served as an Executive Director of the then SGX-listed Rokko Holdings Limited from 2007 to 2013. Ms Lim is an ACCA graduate and a Chartered Accountant of Singapore.

Vincent Loh
Manager, Knowledge Management &
Business Development

Mr Loh joined the Company in 2000 and 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. Mr Loh also attended the General Management Program jointly conducted by Wharton School of the University of Pennsylvania and Singapore Management University (SMU).

Integral Cement and RMC Operations

Eugene Ho
Senior General Manager, Building Materials Division (Singapore)

Mr Ho oversees the Group's Integral Cement and Ready-Mix Concrete 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 major MNC companies both locally and overseas. Mr Ho has a Master of Science (Honours) 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 24 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 extensive 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, Specialty Polymer

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.

Tan Tatt Yao
Manager, Business Development (China)

Mr Tan joined the Company in February 2018 as Business Development Manager. He oversees the business development of the Group's Specialty Polymer unit. He has vast experience in local and overseas banking industry. He has held various positions in both UOB Bank China and Standard Chartered Bank (Shanghai). He is related to Mr Tan Cheng Gay and Mr Tan Yok Koon. Mr Tan holds a Bachelor of Commerce from University of Western Australia. He also attended the Behaviourial Studies in Organisations and International Business studies from London School of Economics.

CORPORATE STRUCTURE

BUILDING MATERIALS

Integral Cement and RMC		EnGro Corporation Limited
	100%	Top-Mix Concrete Pte Ltd
	100%	Top Mix Concrete (Malaysia) Sdn Bhd
GGBS	40%	Tangshan Tanglong Materials Co Ltd
	40%	Tangshan Tang-Ang Materials Co Ltd
	40%	Jiangsu Huailong Materials Co Ltd
	40%	Jinan Luxin Materials Co Ltd
	33%	Wuhan Wuxin Materials Co Ltd
	34.4%	Qingdao Evergreen Materials and Technologies Co Ltd
	40%	VCEM Materials Co Ltd
Green Cement	40%	Xin-shan Ang-de (Zibo) Materials Co Ltd
Other RMC	40%	Changshu Changlong Concrete Co Ltd
	40%	Changshu Changxin Ready Mix Concrete Co Ltd
	40%	Changshu Changyin Ready Mix Concrete Co Ltd

SPECIALTY POLYMER

Specialty Polymer	100%	R&P (Pte) Ltd
	60%	R&P Technologies Pte Ltd
	40%	Kunshan R&P Co Ltd

INVESTMENTS

VC Investment	100%	Juniper Capital Ventures (Pte) Ltd
	100%	e-Invest Limited
	100%	Sancem Investment Pte Ltd
	100%	SsangYong LTI (Pte) Ltd
Property Investments	20%	HB Investments (China) Pte Ltd
	10%	Ho Bee Cove Pte Ltd

OTHERS

Food and Beverage	100%	Tianjin Ang de Food & Beverage Management Co Ltd
Digital	49%	Wuhan SinoCem Smartec Co Ltd

REGIONAL PRESENCE

INTEGRAL CEMENT AND READY-MIX CONCRETE

> Singapore & Malaysia

1.5 million metric tons

Bulk terminal throughput capacity

After the turnaround of Singapore construction industry in year 2018, construction demand recorded 9.5 per cent growth to $33.4 billion in 2019, S$1.4 billion higher than the upper bound of BCA's year 2019 forecast of between S$27.0 billion and S$32.0 billion, due to higher private sector demand.

The public sector construction demand increased to S$19.0 billion in 2019 from S$18.3 billion in 2018, led by more industrial and institutional building projects such as JTC's business park development and Singapore Institute of Technology (SIT)'s campus construction at Punggol Digital District. The civil engineering projects remained the star of the segment, buoyed by the award of several major contracts for Jurong Region Line and North-South Corridor projects.

The private sector construction demand increased to S$14.4 billion in 2019 from S$12.2 billion in 2018, S$1.4 billion higher than the upper bound forecast of S$13.0 billion. The redevelopment of various en-bloc sale sites continued to bolster private residential construction demand to similar level as posted in 2018. Construction demand for all other development types increased, supported by commercial developments at Central Boulevard and Beach Road, Changi Airport Terminal 2 upgrading, berth construction at Tuas Mega Port and major investments in petrochemical facilities.

Total cement delivered in 2019 was attributed to higher sales to public projects comprising of both infrastructure and public housing developments. During the year, EnGro successfully secured three cement supply contracts totalling 480,000 metric tons from the Housing and Development Board (HDB). The supply contracts began in 2Q 2019 and would last till 4Q 2020, with a monthly average of 25,000 metric tons. This enabled EnGro to become main cement supplier to HDB in 2019. As the momentum in public housing construction activities by HDB remain stable with ramp-up of building programs

by HDB, EnGro will continue to support HDB efforts in building affordable homes by actively participating in the upcoming 2020 HDB cement supply tenders.

Based on BCA's latest Development Plans Survey (DPS) conducted in Oct/Nov 2019 as well as the prevailing economic outlook, total construction demand is projected to reach between S$28.0 billion and S$33.0 billion in 2020. The public sector will continue to outweigh private sector demand.

As the construction demand continues to be led by civil engineering projects, EnGro has been supplying substantial volume of cementitious material to various major public infrastructure projects for soil improvement and sub-structure works. One such notable project was the first-of-its-kind polder project in Singapore - *Construction of Polder Development in Pulau Tekong* where high volume of High Slag Portland Blastfurnace Cement (HSPBFC) were sent to Pulau Tekong from our bulk cement terminal via silo barges. EnGro is also involved in supplying specialty cements to meet stringent requirement of infrastructure projects such as the Deep Tunnel Sewerage System (DTSS) Phase 2, North-South Corridors (NSC), Circle Line 6 and Thomson-East Coast Line (TEL), as a leading manufacturer of Ground Granulated Blastfurnace Slag (GGBS) in the region. EnGro's Research and Development (R&D) program will continue to innovate new solutions that meet current and future construction demands.

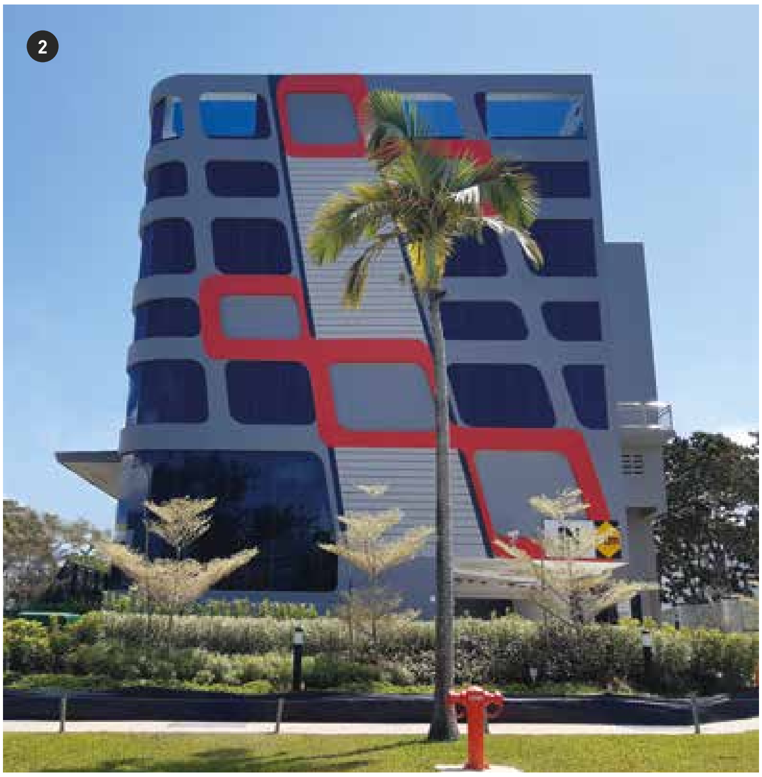
Looking ahead, Singapore's construction activity in 2020 shall very much depend on the severity of the COVID-19 pandemic which will inevitably cause delays to construction progress and impact on the performance of the Group's integral cement and RMC business.

1 EnGro supplying High Slag Portland Blastfurnace Cement (HSPBFC) to Pulau Tekong polder project

2 EnGro bulk terminal in Pulau Damar Laut at Jurong Port

INTEGRAL CEMENT AND READY-MIX CONCRETE

> Singapore & Malaysia



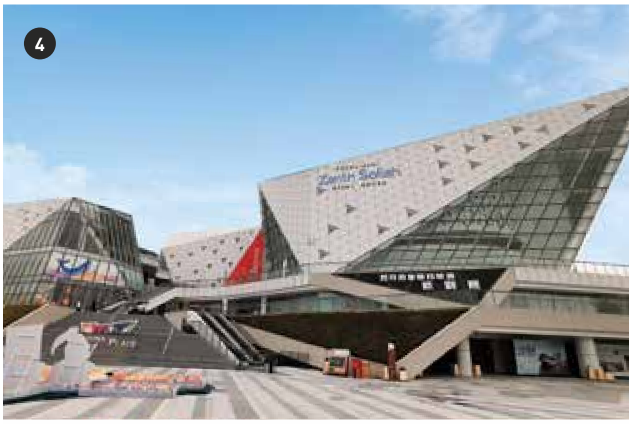
Top-Mix Concrete Singapore (TMS)

2019 was another challenging year for TMS as it registered lower sales revenue and margin squeeze.

To address the adverse situation, TMS continues to study strategic options to grow the business. The upcoming Toa Payoh plant is in line with this strategic move.

In 2019, some of the notable projects secured by TMS include the mega North-South Corridor N108 project between Marymount Lane and Pemimpin Place, Tuas Water Reclamation Plant Contract C2A at Tuas South Lane and various building and civil engineering projects from the public and private sectors.

Construction demand is expected to increase in 2020 with mega developments in the pipeline including Tuas Port and the Greater Southern Waterfront, Changi Airport Terminal 5, Jurong Region Line and North-South Corridor Expressway projects.



RMC plants

Singapore
2 plants

Malaysia
4 plants

Top Mix Concrete Malaysia (TMM)

Despite softer demand due to economy slow-down in the construction sector and high overhang of unsold residential properties market, EnGro's RMC subsidiary in Malaysia, TMM continued to perform as a strong and reliable RMC supplier with trusted services and products delivered. With its relentless pursuit of excellence and prudent management, TMM continues to meet its performance target while steadily positioning itself into larger geographical areas.

TMM's good partnership with numerous well-established China contractors enabled TMM to secure various sizeable projects such as Guangzhou R&F's Princess Cove, Country Garden Pacific View's Golf Villa, Yeashin International's Yes Rise mixed development, and The Sail in Melaka among others.

For 2020, the performance of TMM will be negatively impacted by the lockdown imposed by the Malaysia government due to COVID-19. However, the management is confident that the businesses will remain viable in long term once the pandemic is brought under control.

1. TMS supplied concrete to mass concreting project
2. East Asia Mariam Way 1, Singapore
3. Forest City P69, Johor Bahru
4. R&P Princess Cove, Johor Bahru

GREEN INITIATIVE

"Building Sustainability" against the backdrop of global uncertainty triggered by COVID-19

The global economy was unprepared to deal with the impact triggered by COVID-19. We can only hope that impact of the pandemic will reach its peak soon and for countries to begin winning the war against COVID-19, sooner rather than later.

Many countries were forced to adopt drastic measures to contain the pandemic only to encounter subsequent waves of the virus outbreak, preventing the return to normalcy for many countries in the short term.

Demand and supply shocks caused by COVID-19 and the US-Sino trade war has been exacerbated by the recent oil war, as all three major shocks occurred around the same time, which is an unprecedented event overshadowing previous global downturns. Economic activities were curtailed substantially to levels only experienced during the last depression in 2008, and it could get worse before the global economy can begin to recover gradually.

The global impact caused by COVID-19 may not curtail the pace of climate change campaign as environmentalists continue to monitor rising sea levels due to global warming, melting ice caps, break-off of ice shelfs, and forest destruction.

Carbon is the universal unit of measurement for the performance of green initiatives

Last year we spoke about the carbon being the universal measure of how green products or solution could be. In 2019, we commissioned yet another detailed carbon footprint assessment which will complete this year, to refresh the carbon footprint of our products.

Having an independent assessment of carbon footprint is our way of communicating the green attributes of our GGBS, green cement and green concrete products, to our stakeholders.

Waste-To-Resource (WTR) programs

Our GGBS green product is a testament of EnGro's knowhow and capability to convert steel mill's waste into a value-add resource to partially substitute OPC. With more than 30 years of GGBS manufacturing experience, we rank among the top GGBS players in the world and coupled with advancement in material science technology, EnGro is ready to handle a more diverse range of waste as part of its Waste-To-Resource (WTR) program.

Sustainability Report

Our Sustainability Report is prepared in accordance with the Global Reporting Initiative (GRI) Guidelines. The upcoming EnGro sustainability report is a dedicated report on EnGro's sustainability efforts published to address the social and environmental impacts that are pertinent to our business.

GREEN INITIATIVE

Our Green Cement and Green Concrete materials are certified with the SEC Green Label and SGBC Singapore Green Building Product label. Among them are products with SGBP's 4 Ticks Leader rank.

GGBS

VCEM
BUILDING DURABILITY

GREEN CONCRETE

DuraCrete

BLENDED CEMENT

P4246S
P4246
P197A
P197B
P197-4S

GREEN LABEL

GreenLabel SINGAPORE

P197A,
P197B,
VCEM,
P4246,
P4246S,
DuraCrete

SINGAPORE GREEN BUILDING PRODUCT LABEL

SINGAPORE GREEN BUILDING PRODUCT SGBC ✓✓✓✓ LEADER

P197-4S
P4246
P4246S
DuraCrete

SINGAPORE GREEN BUILDING PRODUCT SGBC ✓✓ VERY GOOD

P197A
P197B
DuraCrete

SPECIALTY CEMENT

> China

Number of plants
8

Number of location
5

Number of staffs in JV Cos
600

Total installed capacity
10.8 million metric tons

CO_2 avoided
6.43 million tons

In 2019, our installed GGBS production capacity continued to grow, reaching 10.8 million tons per annum with the commissioning of an additional production line in Rizhao, Shandong province, in April 2019 (Photo 1 & 2). The new plant is equipped with a longitudinal dome for raw slag storage that meets stringent environmental standards.

Over a span of 16 years, we saw year-on-year improvement in our GGBS with the exception of 2015. The combined GGBS sales volume of our GGBS JVs and associates for 2018 and 2019 were 7.1 million tons and 8.3 million tons respectively, an increase of 17 per cent. A record revenue of RMB2.32 billion was achieved as a result of supply-side structural reform, a key component of the Chinese Government's economic policy framework in cement and steel industries, coupled with China's huge infrastructure spending, which pushed up selling prices of construction materials and boosted the performance of our GGBS business. Price surge was especially prominent in 2H 2019.

China produced an estimated 1.8 billion metric tons of Ordinary Portland Cement (OPC) in 2019, while the annual production of GGBS is only 110 million tons in 2019, constituting a mere 6 per cent of Portland cement production in China. Being a low-carbon and eco-friendly material, GGBS is an excellent and sustainable substitute for OPC, and has been widely used for various infrastructural works such as high-speed rails, tunnels, bridges, and expressways.

High-Speed Rail (HSR) developed rapidly in China over the past 15 years in tandem with economic growth cum long-term funding from the Chinese government. As at end of 2019, China has built 35,000km of dedicated HSR—more than the rest of the world combined. China plans to add at least 4,000km of new railway lines in 2020, including 2,000km of HSR lines. By 2025, the high-speed railway network is set to reach 38,000km against the long-term target of 45,000km. This grand blueprint is to realise the dream of "8-Vertical, 8-Horizontal" HSR network, crisscrossing

1. New Rizhao Luxin mill with capacity of 600k tons per annum lifts EnGro China annual GGBS production capacity to 10.8 million tons
2. The state-of-the-art 20k-ton covered slag stockyard at Rizhao Luxin reduces environmental pollution and also makes the mill more efficient and health-friendly

the country with eight north-south and eight east-west HSR lines by 2030, covering 80 per cent of China's major cities.

In order to boost fiscal stimulus, China has launched another round of infrastructure investment, aimed at projects extending from HSRs to expressways and waterways to airports, the outlays for which would amount to approximately RMB2.69 trillion in 2020, a rise of around 5 to 6 percent from the 4 percent registered for the first 11 months of 2019.

In addition, Central Government has proposed to accelerate the construction of "New Infrastructure" such as 5G networks, big data centers, artificial intelligence, driverless cars, industrial internet, inter-city transit systems, and vehicle charging stations which will boost and promote the development of future new industries and economic development. Approximately RMB1 trillion worth of these investments was announced for 2020 and the total investments could reach more than RMB3.5 trillion for all related sectors by 2025.

The following table describes some of the infrastructure projects in areas covered by our associates.

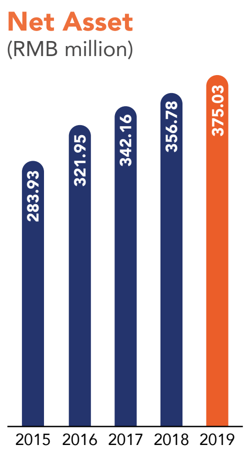
Line	Length (km)	No. of Stations	Operational by	Status
Jinan City Railway Project				
Line 3	12.9	5	2023	Under Construction
Line 4	43.3	32	2023	Under Construction
Line 6	39.1	32	2023	Under Construction
Qingdao City Railway Project				
Line 4	30.7	24	2022	Under Construction
Line 8	60.7	18	2021	Under Construction
Line 12	54.4	21	2023	Under Environmental Impact Assessment
Wuhan City Railway Project				
Line 5	33.5	25	2021	Under Construction
Line 12	60.4	35	2023	Under Construction
Line 19	24.4	9	2023	Approved

ENGRO GGBS FOOTPRINT IN NORTH ASIA

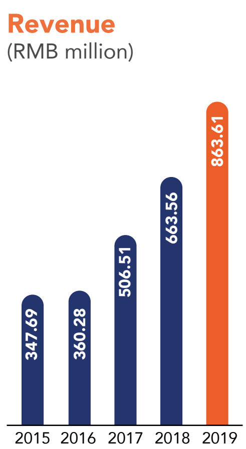
GGBS JV Plant	Annual Production Capacity (Metric tons p.a.)
Tangshan Tanglong Materials Co Ltd	1,200,000
Tangshan Tang-Ang Materials Co Ltd	600,000
Jinan Luxin Materials Co Ltd	1,800,000
Jinan Luxin Materials Co Ltd (Rizhao Luxin Branch)	1,200,000
Quanzhou Luxin Materials Co Ltd	600,000
Jiangsu Hualong Materials Co Ltd	1,200,000
Wuhan Wuxin Materials Co Ltd	3,000,000
Qingdao Evergreen Materials and Technologies Co Ltd	1,200,000
VCEM Materials Co Ltd (Korea)	600,000
Total GGBS Capacity	**11,400,000**

SPECIALTY CEMENT

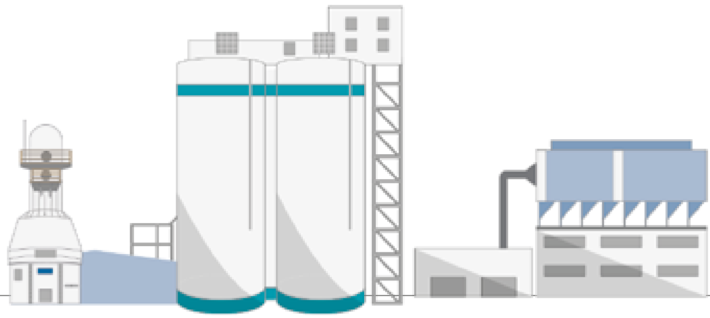
> China



(1) Net Asset from 2015 to 2019



(2) Revenue from 2015-2019



Environmental preservation policy through stringent controls and enforcements in curtailing pollution and energy consumption have brought about pronounced reduction in clinker and thus OPC production, all these lead to sustainable demand for GGBS in the mid to long term.

The outbreak of the COVID-19 in Wuhan and its subsequent spread to other parts of China will no doubt have considerable impact on our operations. The delay in resumption of construction activities after the Chinese New Year has already affected overall cement and GGBS market demand in 1Q 2020, and could become more severe if the COVID-19 pandemic is not contained quickly.

Nonetheless, we believe that once COVID-19 is brought under control and our normal operations resume, our GGBS business would continue to be profitable though its performance in 2020 will be weaker than 2019.

In China's recently announced ambitious program to pursue high-quality economic development, intelligent and/or smart manufacturing has become a very important driver for the country's manufacturing transformation, constituting an integral direction of China's "Made in China 2025" strategy. In response, we made a critical change to Wuhan VCEM, an e-commerce platform set up earlier principally for the production and online sales of various certified construction materials targeting at universities, research institutes and enterprise users.

The month of June in 2019 saw the merger of Wuhan VCEM and Shaoguan HuaYuan Technology, led by Chen Kun, formerly the information director of ShaoGuan Iron and Steel Group (a subsidiary company of BaoWu Steel), into "Wuhan SinoCem Smartec Co. Ltd., **武汉华神智能科技有限公司** (SinoCem Smartec)". We have rebranded SinoCem Smartec as an intelligent or smart manufacturing solution provider, offering a suite of services and solutions on plant operations management, equipment online conditions monitoring (both predictive and proactive), plant equipment inspection/ maintenance, warehouse management, online product quality control and management, product sales, logistic and material resource management and a fully integrated supply chain management and more for upgrading GGBS plant, having achieved a number of "firsts" in China (Photo 4).

Riding on cloud computing technology trend coupled with integration of Internet of Things (IOTs), Big Data, Data Analytics, and AI, SinoCem Smartec is in good position to tap into the emergence of Enterprise Resource Planning (ERP) for manufacturing industry led by Industry 4.0 revolution.

SinoCem Smartec have implemented the intelligent manufacturing systems for our GGBS JV, Jiangsu Huailong and Wuhan Wuxin (Photo 3) while other clients within a short span of time have now included non-related GGBS producers at steel plants in

Anhui and Jiangsu. Besides developing smart manufacturing for GGBS industry (of which we are the market leader), SinoCem Smartec is also working aggressively to offer solutions to cement and ready-mixed concrete (RMC) industry; aggregate quarrying and steel production industry, in which Sinocem Smartec's General Manager Chen Kun has more than a decade of hands-on experience with process control for the iron and steel production.

As value creation, software copyright development/application is an essential part of an IT enterprise. In this endeavor, SinoCem Smartec successfully obtained five software copyrights in 2019. In order to comply with the requirements stipulated by the relevant authority to qualify for a High-Tech status, SinoCem Smartec aims at continuing these efforts at the same pace going forward, reaching twenty-five by 2024. The company set the target of successfully becoming a High and New Technology Enterprise (HNTE) by 2021.

SinoCem Smartec has taken off with a good start. As the saying goes: a good beginning is half the battle won. Our strategic move into the development and offering of smart manufacturing solutions has proved to be timely. We look forward with great excitement to a fruitful year ahead for SinoCem Smartec and are confident that the future looks bright.

3 Wuhan Wuxin Control Centre developed by Wuhan SinoCem Smartec

4 Launching of Wuhan SinoCem Smartec in July 2019

SPECIALTY POLYMER

> Singapore & China

1 R&P facility in Johor Bahru

R&P (Pte) Ltd (R&P)

As the brainchild of EnGro's Specialty Polymer division, R&P continues to lead the group in the Specialty Polymer industry. 2019 has been a difficult year for its China joint venture (JV) and Malaysia based subsidiary.

Through experience acquired from toll compounding for ExxonMobil, R&P has honed its skills to provide technological guidance and key compounds to its JV and subsidiary. Currently R&P provides specialty materials and serve clients in China, India, Thailand and Japan.

With increasing awareness for green environment and negative global economic sentiments, we expect 2020 to be a challenging year for the polymer industry. Mindful of future headwinds, R&P will increase cost cutting efforts and continue to explore other markets.

Kunshan R&P Co. Ltd (KRP)

KRP, the 40 per cent-owned JV in Kunshan, China achieved more than 12,000 metric tons of sales in 2019, which represents an improvement of 45 per cent year-on-year.

KRP's key customers comprised Valeo, Ford, Volvo as well as other non-automotive customers in film packaging. In preparation of the next automotive wave, KRP successful ventured into the Electrical Vehicle (EV) market and onboarded its first EV maker, Byton.

Amid the automotive slowdown in China, and acknowledging the future of e-commerce and the importance of logistics, KRP expanded into packaging film masterbatch. Despite the extensive slowdown in the China automotive industry, KRP achieved sales volume of 12,000 metric tons and generated revenue of RMB114 million in 2019. Packaging film masterbatch contributed sales revenue of RMB11 million and 1,100 metric tons of the total sales.

R&P Technologies Pte Ltd (RPT)

RPT is a 60 per cent-owned subsidiary of R&P with manufacturing facility in Johor Bahru, Malaysia. RPT's optimal production capacity of 11,000 metric tons per annum, will focus mainly on automotive industry ex-China.

In 2019, RPT achieved sales volume of 6,900 metric tons and generated a revenue of US$8.4 million. RPT is actively searching for automotive and non-automotive opportunities in Australia, Korea and Malaysia.

Amidst the COVID-19 pandemic, we expect the specialty polymer business to be challenging in 2020.

INVESTMENTS

Venture Capital Investments

In 2019, the Venture Capital (VC) industry deployed US$136.5 billion in US-based companies, surpassing the US$130.0 billion mark for the second consecutive year.

Non-traditional investors, such as sovereign wealth funds and family offices, are more involved in the venture industry than ever before, participating in 85 per cent of the 252 mega-deals (deals over US$100 million) recorded in 2019.

Exit activity in 4Q 2019 posted quarter-on-quarter declines for the second conservative quarter on both a count and value basis, recording 174 exits totaling US$18.8 billion. Despite the decline in activity, 2019 now stands as the annual record for US VC exit value at US$256.4 billion across 882 liquidity events.

US VC industry raised US$46.3 billion in 2019, reaching the second-highest annual total in the past decade but posting well below the US$58.0 billion raised in 2018. Despite a decline in fund count from 2018 levels, VC funds have grown in size with annual median fund size reaching US$78.5 million in 2019.

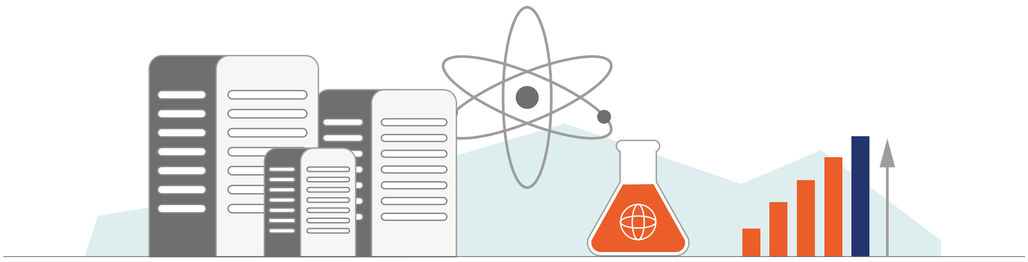
The direct listing option gained momentum in 2019 amongst VC investors and founders alike.

Property Investment

The transacted price of Turquoise project in Sentosa has remained stable in 2019. The unsold units of Turquoise project might be relaunched at an appropriate time when the residential property market recovers. Despite weak residential property market, the occupancy and rental rates for the project remain satisfactory.

Construction of the Phase 2 of Tangshan Nanhu Eco city project in China is scheduled to complete by end of 2020 or early 2021. Almost all the units for sale have been sold. With Tangshan being earmarked to become a garden city within the Beijing-Tianjin-Hebei corridor in line with the Central Government policy, the project is anticipated to yield positive results.

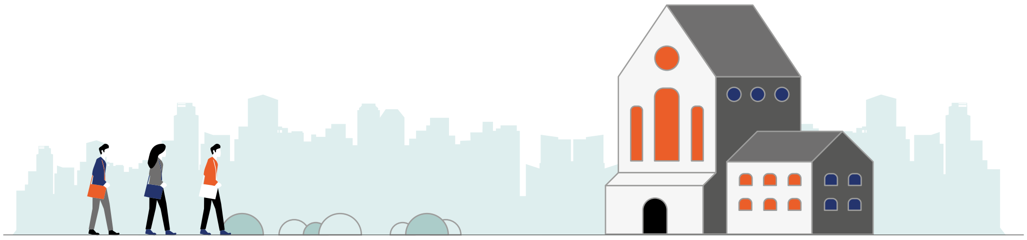
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



CORPORATE SOCIAL RESPONSIBILITY

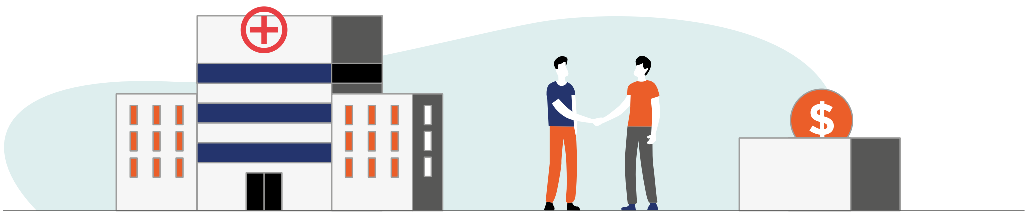
EnGro Scholarship for students of Singapore Institute of Technology

In October 2019, EnGro continued to support the scholarship programmes for undergraduates of the Singapore Institute of Technology who are pursuing full-time degree in sustainable infrastructure engineering and systems engineering (Photo 1 & Photo 2).



EnGro Support to Ren Ci Hospital

EnGro donated to Ren Ci Hospital during the Ren Ci 25th Anniversary Charity Gala Dinner. The event has successfully raised over S$6 million to support Ren Ci's ongoing care delivery. Ren Ci provides high quality and affordable intermediate and long-term care services for the community.



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 that were in place throughout the financial year, with specific reference to the principles and provisions of the Code of Corporate Governance 2018 (the "2018 Code") issued on 6 August 2018.

For the financial year ended 31 December 2019 ("FY2019"), the Company has complied with the core principles of corporate governance laid down by the 2018 Code. The Company has also largely complied with the provisions that reinforce the principles of the 2018 Code and in areas where there are variations from the provisions of the 2018 Code (namely, variations from Provisions 2.4, 3.1, 3.2, 5.1, 5.2, 8.1, 11.4 and 11.5), appropriate explanation and the reasons for variations has been provided within this report. The Board considers that the alternative corporate governance practices adopted are consistent with the intent of the relevant principles of the 2018 Code.

BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

Provisions	Corporate Governance Practices of the Company
1.1	The Company is headed by an effective Board, comprising competent individuals with diversified backgrounds and collectively brings with them a wide range of experience, to lead and control the Company. 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. In particular, the Board holds the management of the Company ("the Management") accountable for performance. The Board has also put in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the Company. All Directors exercise due diligence and independent judgement, and are obliged to act in good faith and in the best interests of the Company. Where there are conflicts of interest, Directors recuse themselves from discussions and decisions involving the issues of conflict.
1.2	New Directors, upon appointment, will be briefed on the business and organisation structure of the Group. There are update sessions to inform the Directors on new legislation and/or regulations that are relevant to the Group. 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. 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. Annually, the external auditors update the Audit Committee and the Board on new or revised financial reporting standards, in particular standards that could have a material impact on the Group's consolidated financial statements.

CORPORATE GOVERNANCE REPORT

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.

1.3 Key matters which are specifically reserved for the Board's approval include, amongst 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.

1.4 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. All the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group. A summary of the activities of the AC, the NC and the RC during FY2019 are also included within this report.

1.5 The schedule of all the Board and the Board Committee meetings for the calendar year is usually given to all the Directors well in advance. The Board has held meetings for particular and specific matters as and when required. The Company's Constitution allows a Board meeting to be conducted by means of telephone or similar communications equipment (which may include video conference). A record of the Directors' attendance at meetings of Board and Board Committees for FY2019, as well as frequency of such meetings, is set out in **Table 1**. Sufficient time and attention are being given by the Directors to the affairs of the Company, notwithstanding that some of the Directors have multiple board representations as set out in **Table 3**.

1.6 All Directors are provided with complete, adequate and timely information prior to meetings, and on an on-going basis. The members of the Board were provided with the financial information, as well as relevant background information and explanatory notes relating to items of business (such as budgets, forecasts and business strategies) to be discussed at Board and Board Committees' meetings before the scheduled meetings. 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.

1.7 The Directors have separate and independent access to the Group's Senior Management and the Company Secretary at all times. 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.

During FY2019, the Non-Executive Independent Directors ("NEIDs") met quarterly and on an ad hoc basis with the CEO and other key management personnel of the Group as and when required to discuss key issues and the challenges facing the Group. The Company benefited from the NEIDs having ready access to the Management for guidance and exchange of views both within and outside the formal environment of the Board and Board Committee meetings.

The Company Secretary attends all Board meetings, provides corporate secretarial support to the Board and ensures adherence to the 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. The appointment and removal of the Company Secretary is subject to the approval of the Board.

BOARD COMPOSITION AND GUIDANCE

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Provisions	Corporate Governance Practices of the Company
2.1	The Board comprises five Directors, two of whom are Executive Directors and three of whom are NEIDs. There is an independent element on the Board, with 60% of the Board comprising Independent Directors. A summary of the current composition of the Board and its committee is set out in **Table 2**. 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 2018 Code. None of the NEIDs has a relationship with the Company, its related corporations, its substantial shareholders (holding 5% or more of the shares) or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Company. None of the NEIDs has served on the Board for more than nine years.
2.2	The Chairman of the Board and Chief Executive Officer ("CEO") of the Company is the same person and part of the management team. Where the Chairman is not independent, the independent directors should make up a majority of the Board. The Company has conformed to the relevant provision of the 2018 Code with majority of the Board made up of Independent Directors.
2.3	The Company has also complied with the 2018 Code's provision for majority of the Board to make up of Non-Executive Directors.
2.4	The Directors consider that the Board's present size of 5 members is of the appropriate size 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. The Company has adopted a formal Board Diversity Policy and recognises the benefits of having greater diversity on the Board in terms of skills, knowledge, experience and other aspects of diversity such as age, gender and ethnicity and views diversity on the Board as an important element in building an effective Board. Such diversity will provide a wider range of perspectives, skills and experience, which will allow Board members to better identify possible risks, raise challenging questions, and contribute to problem-solving. 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. The biographies of all Board members are set out in the section entitled 'Board of Directors".
2.5	At least once a year, the NEIDs meet to discuss, inter alia, Management's performance without the presence of the Management. 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 Board and/or the Chairman as appropriate.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provisions	**Corporate Governance Practices of the Company**
3.1	Mr Tan Cheng Gay currently fulfils the role of Chairman and CEO of the Company. Being a stalwart of the Company since its inception, Mr Tan Cheng Gay plays an instrumental role of developing the business of the Group and provides the Group with strong leadership, guidance and strategic vision. All major decisions made by the Chairman and CEO are endorsed by the Board. The Board is of the view that the Independent Directors have demonstrated high commitment in their role as Directors and have ensured that there is a good balance of power and authority.
3.2	As the Chairman, Mr Tan Cheng Gay leads the Board in accordance with the highest standards of integrity and governance, promotes effective communication and contributions by each Director, manages the business of the Board through the setting of meeting agendas (with the assistance of the Company Secretary and the Management) and by leading the meetings to ensure full discussion of all agenda items. As CEO, he provides clear and decisive leadership and guidance to Company's employees, runs the Company's business with a clear vision and mission, translating the Board's decisions into executive action and is accountable to the Board. In this sense, the clear division of responsibilities between his role as Chairman and CEO is implied without having to put in writing by the Board. Hence, the Board is of the view that although the Chairman and the CEO are not separate persons, the above measures ensure that there is an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.
3.3	The Board has appointed Mr Tan Soo Nan, a NEID, as the Lead Independent Director. 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 (including the Chief Financial Officer ("CFO")) has failed to provide a satisfactory resolution or when such contact is inappropriate.

BOARD MEMBERSHIP

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Provisions	**Corporate Governance Practices of the Company**
4.1	The Board, in conjunction with the NC, reviews the composition of the Board and Board Committees annually, taking into account the performance and contribution of each individual Director. Board composition is also evaluated to ensure diversity of skills, experience and age diversity are maintained within the Board and Board committees. The principal functions of the NC are 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 Constitution;

(c) determining annually whether a Director is “independent”, guided by the independent guidelines contained in the 2018 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.

Summary of NC's activities in FY2019

- Evaluate the Board's composition and size, Director's tenure, competencies and outside commitments, attendance and nomination of Directors for re-election;
- Formulate the Board Diversity Policy;
- Reviewed the major themes arising from the annual Board performance review process and considered whether any aspects of the Board's oversight framework could be strengthened; and
- Reviewed the Director's independence criteria and assessment process.

4.2 The NC, regulated by a set of written terms of reference, comprises three NEIDs 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**.

4.3 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 and principal commitments; (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 makes 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. re-election at general meeting.

All newly appointed Directors will have to retire at the next AGM following their appointments pursuant to Regulation 94 of the Company’s Constitution. The retiring Directors are eligible to offer themselves for re-election. The following Directors will retire by rotation at the forthcoming AGM and have been re-nominated for re-election:

Mr Tan Yok Koon (Regulation 87)
Mr Tan Soo Nan (Regulation 87)

CORPORATE GOVERNANCE REPORT

The NC has recommended the nomination of the Directors retiring by rotation for re-election at the forthcoming AGM. The Board has accepted the NC's recommendation and accordingly, the above-mentioned Directors will be offering themselves for re-election at the forthcoming AGM.

4.4 The NC, which reviews the independence of each Director on an annual basis, adopts the 2018 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 2018 Code.

When reviewing the independence of the three Independent Directors, the NC has considered the guidelines for independence as set out in the 2018 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 Board, after taking into consideration the views of the NC, 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 it's officers who could possibly influence their objectivity in discharging their duty as an Independent Director of the Company.

4.5 Where a Director has multiple board representations, the NC also considers whether or not the Director is able to and has adequately carried out his duties as a Director of the Company. The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Company. Further information on the directorships and principal commitments of each Director are disclosed in **Table 3**.

The NC, with the concurrence of the Board, 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.

BOARD PERFORMANCE

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

Provisions **Corporate Governance Practices of the Company**

5.1 The Board has, through the NC, implemented an annual evaluation process to assess the effectiveness of the Board and the Board Committees as a whole. Although the Directors are not evaluated individually on a formal basis, the factors taken into consideration with regard to their performance are based on their attendances, commitment of time and contributions made at meetings of Board and Board committees as well as other meetings.

5.2 The NC has adopted a formal system of evaluating the Board and Board Committees as a whole, annually. The NC reviewed the performance of the Board and Board Committees as a whole, the assessment parameters of which involves 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. The annual evaluation exercise provides an opportunity to gain 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.

The NC members were in consensus that it is not meaningful 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, the factors taken into consideration with regards 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.

No external facilitators were used in the assessment of the Board, its Board Committees and the individual Directors.

REMUNERATION MATTERS

Procedures for developing remuneration policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No Director is involved in deciding his or her own remuneration.

Provisions	**Corporate Governance Practices of the Company**

6.1 The principal function of the RC is to ensure that a formal and transparent procedure is in place for fixing the remuneration framework for the Board and key management personnel of the Group.

Under its terms of reference, the RC is responsible for reviewing and recommending a remuneration framework for the Board and the Company's key management personnel. All remuneration matters are ultimately approved by the Board.

The functions of the RC include the following:

(a) to review periodically and recommend to the Board an appropriate framework of remuneration practices to attract, retain and motivate management staff to achieve increased performance and manage the Group successfully;

(b) to review and recommend key management personnel's remuneration package and that of the Executive Directors;

(c) to administer the EnGro Corporation Limited Performance Share Award Scheme and the EnGro Corporation Limited 2011 Employees' Share Option Scheme; and

(d) to review the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service (if any), to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, if any.

The RC's considerations and recommendation for the fee framework of NEIDs had been made in consultation with the Chairman of the Board and had been endorsed by the entire Board, following which the recommendation is tabled for shareholders' approval at the Company's AGM. No member of the RC or the Board participated in the deliberation of his own remuneration.

6.2 The RC, regulated by a set of written terms of reference, comprises three NEIDs. The names of the members of the RC are disclosed in **Table 2**.

CORPORATE GOVERNANCE REPORT

6.3 The RC considers all aspects of remuneration, namely, director's fees, salaries, allowances, bonuses, share-based incentives and awards, other benefits and termination terms, to ensure that they are fair. The remuneration packages of the Executive Directors are based on their respective service agreements. The service agreements of the Executive Directors are for a period of three years, and include a bonus sharing scheme that is performance related to align their interests with those of shareholders. 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.

6.4 No independent consultant is engaged for advising on the remuneration of all Directors and key management personnel. In its deliberations on remuneration matters, the RC takes into consideration industry practices and norms in compensation in addition to the Group's relative performance to the industries it operates in as well as the employment conditions within those industries 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.

Summary of RC's Activities in 2019

- Reviewed the average remuneration level for CEO and Executive Directors;
- Agreed with the variable bonus for Executive Directors and Senior Management staff;
- Reviewed the remuneration level for NEIDs; and
- Reviewed the remuneration of employee who is the immediate family member of a Director, the CEO or substantial shareholder.

LEVEL AND MIX OF REMUNERATION

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Provisions **Corporate Governance Practices of the Company**

7.1 & 7.3 **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.

The Company obtained shareholders' approval in FY2011 to implement a performance share award scheme (known as the "EnGro Corporation Limited Performance Share Award Scheme") and an employee's share option scheme (known as 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.

From time to time where appropriate and at the renewal of the service agreements, the RC reviews the service contracts of the Company's Executive Directors. The Company has entered into separate service agreements with the Executive Directors.

7.2 **POLICY IN RESPECT OF NON - EXECUTIVE DIRECTORS' REMUNERATION**

In reviewing the recommendation for NEIDs' remuneration for FY2019, 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 AGM, the NEIDs do not receive any other forms of remuneration from the Company.

DISCLOSURE OF REMUNERATION

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provisions **Corporate Governance Practices of the Company**

8.1 **LEVEL AND MIX OF REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (WHO ARE NOT DIRECTORS OR THE CEO) FOR THE YEAR ENDED 31 DECEMBER 2019**

The Company discloses the actual remuneration of each Director, the CEO and the top five key management personnel (who are not Directors or the CEO) 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 (who are not Directors or the CEO) 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 (including the CEO) and the top five key management personnel (who are not Directors or the CEO) for FY2019, respectively.

Regarding the 2018 Code's recommendation to fully disclose the remuneration of Directors and the CEO, given the confidentiality of and commercial sensitivity attached to remuneration matters, the Company believes that disclosing remuneration in the respective bands and disclosing in aggregate the total remuneration paid to the Directors and the CEO provide sufficient overview of the remuneration of Directors and the CEO.

8.2 **REMUNERATION OF EMPLOYEES WHO ARE SUBSTANTIAL SHAREHOLDERS OF THE COMPANY, OR ARE IMMEDIATE FAMILY MEMBERS OF A DIRECTOR, THE CEO OR A SUBSTANTIAL SHAREHOLDER OF THE COMPANY**

Saved as disclosed in Table 4B, there are no other substantial shareholders of the Company, or immediate family member (defined in the Listing Manual as the spouse, child, adopted child, step-child, brother, sister and parent) of a Director, the CEO or a substantial shareholder, in the employment of the Company whose annual remuneration exceeded S$100,000 during FY2019.

CORPORATE GOVERNANCE REPORT

8.3 All forms of remuneration and other payments and benefits to Directors and key management personnel of the Group are disclosed in Table 4 and Table 4A. The Company has two share incentive schemes known as the EnGro Corporation Limited Performance Share Award Scheme and EnGro Corporation Limited 2011 Employees' Share Option Scheme. 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.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

Provisions **Corporate Governance Practices of the Company**

9.1 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;

(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.

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.

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 2019.

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.

9.2 The Board has received assurance from (a) the CEO and the CFO that the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

AUDIT COMMITTEE

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

Provisions **Corporate Governance Practices of the Company**

10.1 The AC has specific written terms of reference and performed the following functions:

(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.

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.

In recommending the re-appointment of the auditors, the Audit Committee considered and reviewed various factors including the adequacy of resources, the experience of the auditing firm and the audit engagement partner, the firm's other audit engagements, the number and experience of supervisory and professional staff to be assigned to the audit, the size and complexity of the Group and its businesses and operations. 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.

CORPORATE GOVERNANCE REPORT

The amount of audit and non-audit fees paid to the external auditors in FY2019 is disclosed on Page 116 of the Annual Report. The Board and AC have reviewed the non-audit services rendered by the external auditors to the Group for FY2019 and is satisfied that such services would not impair the independence of the external auditors in their conduct of the statutory audit.

The AC had recommended and the Board had approved the tabling of the re-appointment of KPMG LLP as auditors of the Company for shareholders' approval at the forthcoming AGM. The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

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.

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.

Summary of AC's activities in FY2019

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.

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:

Key Audit Matters	How these issues addressed by the AC
Valuation and impairment of non-financial assets (property, plant and equipment, investments in associates and joint ventures and right-of-use assets) – S$115.8 million (43.8% of Group's total assets)	The AC considered the approach and methodology applied to the valuation and impairment assessment of the non-financial assets (property, plant and equipment, investments in associates and joint ventures and right-of-use assets) of the Group and discussed with external auditors on their review of the reasonableness and relevance of the assumptions used in the assessment. As a result of the processes above, 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 was not required.
Valuation of investments in venture capital funds and unquoted equity securities – S$40.0 million (15.1% of Group's total assets)	In consideration of this matter, the AC reviewed the methodology applied to the valuation assessment of the investments in venture capital funds and unquoted equity securities. The AC also obtained understanding on the work performed by the external auditors. It was satisfied that the fair values of the above investments recorded are within a range of fair values with the latest available valuation reports issued by professional fund managers or valuation specialists.

CORPORATE GOVERNANCE REPORT

Key Audit Matters	How these issues addressed by the AC
Valuation of trade receivables – S$35.2 million (13.3% of Group's total assets)	In assessing the recoverability of the trade receivables, the AC considered the improvement in the trade receivables' ageing, the historical default rate and the post year end collection. 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. The procedures above provided the AC with the assurance on the approach and conclusion drawn by Management that the impairment allowance of the trade receivables was adequate.

Following the review and discussions, the AC recommended to the Board to approve the financial statements for FY2019.

Rule 1207(6), Rules 712 and 715 and/or Rule 716 of the SGX-ST Listing Manual

The Board and AC have reviewed the appointment of different auditors for some of its subsidiaries and significant associated companies and were satisfied that such appointment would not compromise the standard and effectiveness of the audit of the Group and that Rule 716 of the Listing Manual has been complied with. Refer to Note 5 "Subsidiaries" of the Notes to the Financial Statements for the subsidiaries audited by different auditors.

In appointing the audit firms for the Company, its subsidiaries and significant associated companies, the Audit Committee and the Board are satisfied that the Group has complied with Listing Rules 712, 715 and 716.

10.2 The AC, regulated by a set of written terms of reference, comprises three members, all of whom are NEIDs. The names of the members of the AC are disclosed in **Table 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.

10.3 None of the AC members were previous partners or directors of the Company's existing auditing firm or auditing corporation within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation and none of the AC members hold any financial interest in the auditing firm or auditing corporation.

10.4 The Group's IA function is discharged in-house. The reporting line of the Group's in-house IA function is to the Audit Committee. The AC reviews and approves the annual IA plan and resources to ensure that the internal auditor has the necessary resources to adequately perform her duties. The AC also decides on the appointment, termination and remuneration of the IA team.

The AC has reviewed the adequacy and effectiveness of the IA function and is satisfied that the IA function is independent, effective and adequately resourced, has unfettered access to all the Group's documents, records, properties and personnel, including the AC, and has appropriate standing within the Company. The AC is satisfied that the IA function is staffed by suitably qualified and experienced individuals.

The internal auditor plans its IA schedules in consultation with the AC. Any material non-compliance or lapses in internal controls, together with recommendation for improvement, are reported to the AC. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. The AC reviews the activities of the internal auditors on a quarterly basis, including overseeing and monitoring the implementation of the improvements required on internal control weaknesses identified.

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.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provisions	**Corporate Governance Practices of the Company**
11.1	The Company supported the 2018 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. In accordance with Rule 730A(2) of the Listing Manual and to have greater transparency in the voting process, the Company has conducted the voting of all its resolutions by poll at all of its general meetings. 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. At general meetings, the 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 Constitution of the Company allows each shareholder to appoint up to two proxies to attend and vote at AGMs on his/her behalf. Shareholders have the opportunity to participate effectively and to vote in the AGM either in person or by proxy.
11.2	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.
11.3	All Directors (including the Chairpersons of the AC, NC and RC) are present and available to address shareholders' questions. In addition, the Company's external auditors, KPMG LLP have also been invited to attend the AGM to assist the Directors in addressing the shareholders' queries relating to the conduct of the audit and the preparation and content of the Auditors' Report. All Directors attended the Company's AGM duly held on 26 April 2019. A record of the Directors' attendance at AGM is set out in **Table 1**.

CORPORATE GOVERNANCE REPORT

11.4	Under the Company's Constitution and pursuant to the Companies Act, Chapter 50 of Singapore ("the Act"), a relevant intermediary (as defined in the Act) may appoint more than two proxies to attend AGMs and any other general meeting. A registered shareholder who is not a relevant intermediary may appoint up to two proxies. The Company is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other issues are satisfactorily resolved. Accordingly, the Company's Constitution does not currently expressly provide for such absentia voting methods at general meetings of shareholders.
11.5	Questions, comments received from shareholders and responses from the Board and Management were recorded in the minutes of general meetings. The Company does not publish minutes of general meetings of shareholders on its corporate website nor via SGXNET. The Company is of the view that minutes of general meeting is an internal document and can only be made available to the shareholders of the Company but not to the public at large. Shareholders of the Company, including those who did not attend the relevant general meeting, have a statutory right to be furnished copies of the minutes of general meetings upon request in accordance with the statutory requirement under Section 189 of the Act.
11.6	The Company's dividend policy 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 FY2019.

ENGAGEMENT WITH SHAREHOLDERS

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Provisions	**Corporate Governance Practices of the Company**
12.1	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.
12.2	The Company will put in place an investor relations policy to promote regular and proactive communication with its shareholders when required.
12.3	It is the Board's policy that shareholders be informed of all major developments within the Group. Price-sensitive information and results are released to the public through SGXNET on a timely basis in accordance with the requirements of the SGX-ST. The Company does not practice selective disclosure.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Provisions	**Corporate Governance Practices of the Company**
13.1	The Company has appropriate channels in place to identify and engage with its key stakeholder groups. The Company recognises the importance of understanding the Group's businesses and regular interactions with key stakeholders to determine material issues for the Group's businesses.
13.2	The Company embarked on a stakeholder engagement exercise with shareholders, suppliers, customers (mostly building contractors), employees, regulators/industry associations and the community in FY2019 for its sustainability reporting. The objective was for the Company to identify new opportunities and to manage risks associated with each stakeholder group. Feedback from all stakeholder groups was solicited through open dialogues on a regular basis. Internal stakeholder workshops for account-drivers and overseas markets were also organised to gather more in-depth views to enhance the Company's sustainability reporting.
13.3	The strategy and key areas of focus in relation to the management of stakeholder relationships are disclosed under "Stakeholder Engagement" of the FY2019 Sustainability Report. The Company provides timely and informative updates relating to company announcements, quarterly financial results announcements and news releases on its corporate website. Moving forward, the Company will include more details on its management of stakeholder relationships during the reporting period, including best practices for compliance.

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

DEALING IN SECURITIES (CODE OF DEALINGS 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.

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

MATERIAL CONTRACTS

Save for 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.

CORPORATE GOVERNANCE REPORT

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.

For material IPT, the Company would identify all interested parties and its relationship with each party as well as to disclose the nature and value of each transaction.

During the year under review, there have been no material IPT 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 risks and opportunities can help us to deliver long-term value to our stakeholders.

EnGro intends to publish its FY2019 Sustainability Report (the "SR"), which is aligned to SGX-ST's Listing Rules – Sustainability Reporting Guide, by May 2020. This SR will be publicly accessible through EnGro's website as well as on SGXNET.

TABLE 1 – DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS AND OTHER MEETINGS FOR FY2019

	Board of Directors		Nominating Committee		Audit Committee		Remuneration Committee		Strategy		AGM		Attendance	
	Number of Meetings													
Directors	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Total	%
Tan Cheng Gay	5	5	1	1	4	4	2	2	1	1	1	1	14/14	100%
Tan Yok Koon	5	5	1	1	4	4	2	-	1	1	1	1	12/12	100%
Tan Soo Nan	5	5	1	1	4	4	2	2	1	1	1	1	14/14	100%
Ronnie Teo Heng Hock	5	5	1	1	4	4	2	2	1	1	1	1	14/14	100%
Steven Ong Kay Eng	5	5	1	1	4	4	2	2	1	1	1	1	14/14	100%

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				
Tan Soo Nan (also Lead Independent Director)	Member	Member	Chairman	Member
Ronnie Teo Heng Hock	Member	Member	Member	Chairman
Steven Ong Kay Eng	Member	Chairman	Member	Member

TABLE 3 – DATE OF DIRECTOR'S INITIAL APPOINTMENT, LAST RE-ELECTION AND THEIR DIRECTORSHIPS/PRINCIPAL COMMITMENTS

Name of Director	Age	Date of initial appointment	Date of last re-election	Present directorships in listed companies	Past (preceding 5 years) directorships in listed companies	Principal Commitments
Tan Cheng Gay	73	27/11/1973	28/04/2017	EnGro Corporation Limited	-	Full time employment with the Group
Tan Yok Koon	71	17/05/1974	27/04/2018	EnGro Corporation Limited	-	
Tan Soo Nan	71	02/05/2017	27/04/2018	1) EnGro Corporation Limited 2) Raffles Medical Group 3) SATS Limited	OSIM International Ltd	Major Appointments •Raffles Health Insurance Pte Ltd (Executive Director) •ICE Futures Singapore Pte Ltd (Director) •ICE Clear Singapore Pte Ltd (Director) •ICE Singapore Holdings Pte Ltd (Director) •Temasek Foundation Management Services CLG Limited (Director) •Woh Hup Trust (Director) •Chairman, The Advisory Board and Executive Committee of The Photographic Society of Singapore •Chairman, President's Challenge Social Enterprise Award Committee •Member, Board of Management of SPD •Member, Singapore Symphony Orchestra Council
Ronnie Teo Heng Hock	71	05/01/2012	28/04/2017	EnGro Corporation Limited	Uni-Asia Group Limited	-
Steven Ong Kay Eng	73	01/07/2017	27/04/2018	1) EnGro Corporation Limited 2) Sino Land Company Limited 3) Tsim Sha Tsui Properties Limited 4) Sino Hotels (Holdings) Limited	-	Major appointments •Altrade Investment Pte Ltd (Director)

CORPORATE GOVERNANCE REPORT

TABLE 4 – REMUNERATION OF DIRECTORS

Table 4 sets out the breakdown of the remuneration of the Directors for FY2019:

Name of Directors	Position	Breakdown of Remuneration in Percentage (%)					Actual Total Remuneration in Compensation Bands of S$250,000
		Directors' Fee %	Salary %	Bonus %	Other Benefits %	Total %	
Tan Cheng Gay	ED	-	58	40	2	100	750,001 - 1,000,000
Tan Yok Koon	ED	1	41	28	30	100	500,001 - 750,000
Tan Soo Nan	NEID	100	-	-	-	100	<250,000
Ronnie Teo Heng Hock	NEID	100	-	-	-	100	<250,000
Steven Ong Kay Eng	NEID	100	-	-	-	100	<250,000
The Aggregate Total Remuneration (S$'000) of Directors						1,840	

Notes

ED: Executive Director
NEID: Non-Executive Independent Director

TABLE 4A – REMUNERATION OF TOP 5 KEY MANAGEMENT PERSONNEL (WHO ARE NOT ALSO DIRECTORS OR THE CEO)

Table 4A sets out the breakdown of the remuneration of the top five key management personnel for FY2019:

Name of Top 5 Management Personnel	Position	Breakdown of Remuneration in Percentage (%)				Actual Total Remuneration in Compensation Bands of $250,000
		Salary %	Bonus %	Other Benefits %	Total %	
Ho Pol Lim Eugene	Senior General Manager, Building Materials Division (Singapore)	59	29	12	100	250,001 – 500,000
Tan Kwang Hwee William	Chief Financial Officer	73	23	4	100	250,001 – 500,000
Chen En Yi	General Manager, Specialty Cement	62	36	2	100	250,001 – 500,000
Loh Sui Shong Vincent	Manager, Knowledge Management & Business Development	59	32	9	100	250,001 – 500,000
Wong Toon Hong(1)	Manager, Strategiic Business Unit	90	7	3	100	≤250,000
The Aggregate Total Remuneration (S$'000) of Top 5 Key Management Personnel					1,442	

(1) Resigned on 31 December 2019

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.

TABLE 4B – REMUNERATION OF EMPLOYEE WHO ARE SUBSTANTIAL SHAREHOLDER OF THE COMPANY, OR ARE IMMEDIATE FAMILY MEMBERS OF A DIRECTOR, THE CEO OR A SUBSTANTIAL SHAREHOLDER OF THE COMPANY

The following immediate family member of a Director or the CEO is the employee of the Group whose remuneration exceeded S$100,000 in FY2019:

Name of Employee who are Immediate Family Members	Relationship with the Directors or CEO of the Group	Actual Total Remuneration in Compensation Bands of $100,000
Tan Tatt Yao	Son of Mr Tan Cheng Gay	100,001 – 200,000

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Tan Yok Koon and Mr Tan Soo Nan are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on Thursday, 25 June 2020 ("**AGM**") collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

	MR TAN YOK KOON	**MR TAN SOO NAN**
Date of Initial Appointment	17 May 1974	2 May 2017
Date of last re-appointment	27 April 2018	27 April 2018
Age	71	71
Country of principal residence	China	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Tan Yok Koon for re-election as Executive Director of the Company. The Board have reviewed and concluded that as the President of China Operations, leading the Specialty Cement (GGBS) business, Mr Tan Yok Koon possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee and has reviewed and considered the qualification, work experiences, contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Tan Soo Nan for re-election as Non-Executive Independent Director of the Company. The Board have reviewed and concluded that Mr Tan Soo Nan possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Executive Mr Tan Yok Koon is responsible for the Group's China operations and strategic planning.	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director	Non-Executive, Lead Independent Director, Chairman of the Audit Committee and member of the Nominating and Remuneration Committees
Professional qualifications	Bachelor of Law degree, University of London King's College Master in Business Administration, Columbia University, New York	Bachelor of Business Administration (Honours) degree, University of Singapore Associate of The Chartered Institute of Bankers Program for Management Development, Harvard Business School

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TAN YOK KOON	MR TAN SOO NAN
Working experience and occupation(s) during the past 10 years	As President of China Operations of the Company since 2005, Mr Tan Yok Koon leads the China team to drive the Specialty Cement business of the Group.	2000 to present: Executive and Non-Independent Director of Raffles Medical Group Ltd and Raffles Health Insurance Pte Ltd 1971 to 2000: Senior Managing Director of DBS Bank Ltd (Last held Position)
Shareholding interest in the listed issuer and its subsidiaries	366,000 shares (direct interest) 16,500,500 shares (deemed interest)	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr Tan Yok Koon is a substantial shareholder of the Company and he is the brother of Mr Tan Cheng Gay (Chairman and Chief Executive Officer and substantial shareholder of the Company) and Mr Tan Chin Hoon (a substantial shareholder of the Company).	No
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments including Directorships (for the last 5 years)	Past Directorships • HBS Investments Pte Ltd • Parliament View Developments Limited Present Directorships • EnGro Corporation Limited#, Subsidiaries and Associate Companies • Afro-Asia Shipping Co Pte Ltd • Serenus Limited • New Town Development Pte Ltd • Afro Asia International Enterprises Pte Limited • EnGro (Asia) Private Limited • Performance Investment Pte Ltd • Ma Seng Enterprise Pte Ltd • SOM Industrial & Commercial Holdings Pte Ltd • Robinson Development (Pte) Ltd	Past Directorships • OSIM International Ltd# (Delisted on 29 August 2016) Present Directorships • Raffles Medical Group Ltd# • SATS Limited# • EnGro Corporation Limited# • Raffles Health Insurance Pte Ltd • ICE Futures Singapore Pte Ltd • ICE Clear Singapore Pte Ltd • ICE Singapore Holdings Pte Ltd • Temasek Foundation Management Services CLG Limited • Woh Hup Trust

Listed company

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TAN YOK KOON	MR TAN SOO NAN
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
c) Whether there is any unsatisfied judgment against him?	No	No
d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TAN YOK KOON	MR TAN SOO NAN
f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TAN YOK KOON	MR TAN SOO NAN
j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Disclosure applicable to the appointment of Director only		
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.

DIRECTORS' STATEMENT

Year ended 31 December 2019

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 2019.

In our opinion:

(a) the financial statements set out on pages 62 to 143 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 2019 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 (International); 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 (Chairman)
Tan Yok Koon
Tan Soo Nan
Ronnie Teo Heng Hock
Steven Ong Kay Eng

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 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		
Ordinary shares		
- interests held		
Tan Cheng Gay	636,750	672,650
Tan Yok Koon	366,000	366,000
- deemed interests		
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 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 2020.

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) The 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, Option 2 expired on 8 January 2018 and Option 3 had been fully exercised prior to expiring.

(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) The 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.

DIRECTORS' STATEMENT

Year ended 31 December 2019

Share options (Continued)

At the end of the financial year, details of the options granted under the 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 1 January 2019	Options exercised	Options outstanding at 31 December 2019	Number of option holders at 31 December 2019	Exercise period
ESOS 2011						
18/04/2012	$0.79	135,000	15,000	120,000	2	19/04/2013 – 17/04/2022

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 the ESOS 2000 and the ESOS 2011, no options have been granted to the controlling shareholders of the Company or their associates.

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.

Audit Committee

The members of the Audit Committee during the year and 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 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).

Audit Committee (Continued)

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.

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

9 April 2020

INDEPENDENT AUDITORS' REPORT

Members of the Company
EnGro Corporation Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the 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 2019, 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 62 to 143.

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 Singapore Financial Reporting Standards (International) ("SFRS(I)s") 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 2019 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.

Valuation and impairment of non-financial assets
(Refer to Note 4, 7 and 28 to the financial statements)

The key audit matter

As at 31 December 2019, the Group's net asset value exceeded its market capitalisation by approximately $122.7 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 $104.5 million, property, plant and equipment ("PPE") with a carrying amount of $5.9 million, and right-of-use assets with a carrying amount of $5.4 million accounted for approximately 44% of the Group's total assets.

In accordance with SFRS(I) 1-36 *Impairment of Assets*, the Group performed an assessment of indications of impairment of the Group's non-financial assets as at the reporting date, according to the Group's cash generating units ("CGUs"). The recoverable amount of the CGU with indication of impairment has been determined using its value in use. Various assumptions which involve estimates and judgements made by the Group are used in the value in use calculation. 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 the CGU with indication of impairment identified, 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

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 investments in venture capital funds and unquoted equity securities
(Refer to Note 25 to the financial statements)

The key audit matter

The Group has significant investments in venture capital funds ("VCF") amounting $21.5 million and unquoted equity securities amounting $18.5 million as at 31 December 2019.

For investments in VCFs, their fair values are derived based on the valuation of the underlying net assets which are measured at fair value. For investments in unquoted 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 and, where available, audited financial statements of the VCFs, to ascertain the accuracy of their fair values. 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 methods used to market practice. For investments in unquoted equity securities, where applicable, we involved our valuation specialists to review the key valuation assumptions.

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. The VCF valuations performed by the VCF fund managers utilised valuation models which are generally accepted by market participants. 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. The fair values of the unquoted equity securities were also found to be within a reasonable range of fair values.

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, which amount $35.2 million. The estimate of the allowance for impairment of trade receivables requires the use of judgement on the customers' ability to pay and credit loss rates.

How the matter was addressed in our audit

We evaluated the Group's 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 years against the actual subsequent utilisation of these provisions, discussing with management on the recoverability of trade receivables that were past due, reviewing management's assumptions in determining expected credit loss, 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 SFRS(I)s, 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.

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.

INDEPENDENT AUDITORS' REPORT

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 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.

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
9 April 2020

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

		Group		Company	
	Note	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Assets					
Property, plant and equipment	4	**5,946**	9,283	**2,420**	2,790
Subsidiaries	5	**–**	–	**65,377**	65,665
Intangible assets	6	**377**	452	**102**	125
Associates and joint ventures	7	**104,533**	101,676	**59,943**	60,555
Other investments	8	**41,445**	37,372	**16,410**	16,996
Other assets	9	**78**	78	**78**	78
Right-of-use assets	28	**5,372**	–	**4,527**	–
Non-current assets		**157,751**	148,861	**148,857**	146,209
Other investments	8	**7,121**	10,712	**2,642**	3,191
Inventories	10	**14,330**	12,687	**9,085**	3,910
Trade and other receivables	11	**50,373**	51,966	**24,668**	26,778
Loan to a subsidiary	12	**–**	–	**4,933**	4,933
Cash and cash equivalents	13	**34,891**	33,005	**24,916**	22,090
Current assets		**106,715**	108,370	**66,244**	60,902
Total assets		**264,466**	257,231	**215,101**	207,111
Equity					
Share capital	14	**85,270**	85,270	**85,270**	85,270
Reserves	14	**150,754**	145,726	**106,090**	105,941
Equity attributable to owners of the Company		**236,024**	230,996	**191,360**	191,211
Non-controlling interests	32	**1,194**	1,212	**–**	–
Total equity		**237,218**	232,208	**191,360**	191,211
Liabilities					
Lease liabilities		**4,818**	1,805	**3,941**	–
Deferred tax liabilities	17	**883**	591	**–**	–
Non-current liabilities		**5,701**	2,396	**3,941**	–
Loans and borrowings	16	**1,064**	1,091	**12,223**	8,930
Trade and other payables	18	**17,794**	19,711	**6,811**	6,970
Lease liabilities		**2,689**	1,825	**766**	–
Current liabilities		**21,547**	22,627	**19,800**	15,900
Total liabilities		**27,248**	25,023	**23,741**	15,900
Total equity and liabilities		**264,466**	257,231	**215,101**	207,111

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 2019

	Note	2019 $'000	2018 $'000
Revenue	19	**131,262**	144,313
Other income		**3,365**	4,364
Changes in inventories of finished goods and work in progress		**4,028**	184
Raw materials and consumables used		**(104,452)**	(113,601)
Depreciation of property, plant and equipment	4	**(4,012)**	(4,401)
Depreciation of right-of-use assets	28	**(1,211)**	–
Amortisation of intangible assets	6	**(88)**	(82)
Staff costs		**(13,470)**	(13,802)
Impairment loss on financial assets	25	**(893)**	(1,939)
Other expenses		**(16,197)**	(17,245)
Results from operating activities		**(1,668)**	(2,209)
Finance income	20	**4,800**	1,724
Finance costs	20	**(599)**	(413)
Net finance income		**4,201**	1,311
Share of profit of associates and joint ventures, net of tax		**9,505**	7,904
Profit before tax		**12,038**	7,006
Tax expense	21	**(964)**	(974)
Profit for the year	22	**11,074**	6,032
Profit attributable to:			
Owners of the Company		**11,050**	5,945
Non-controlling interests		**24**	87
Profit for the year		**11,074**	6,032
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net change in fair value of equity investments at fair value through other comprehensive income		**252**	(435)
		252	(435)
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**8**	(513)
Share of foreign currency translation differences of associates and joint ventures		**(2,554)**	(2,788)
Exchange differences on monetary items forming part of net investment in foreign operations		**(534)**	760
		(3,080)	(2,541)
Other comprehensive income for the year, net of tax		**(2,828)**	(2,976)
Total comprehensive income for the year		**8,246**	3,056
Total comprehensive income attributable to:			
Owners of the Company		**8,264**	3,013
Non-controlling interests		**(18)**	43
Total comprehensive income for the year		**8,246**	3,056
Earnings per share			
Basic earnings per share (cents)	23	**9.31**	5.01
Diluted earnings per share (cents)	23	**9.31**	5.01

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	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 2018*	85,270	(41)	(72)	126	(3,539)	–	149,205	230,949	1,169	232,118
Total comprehensive income for the year										
Profit for the year	–	–	–	–	–	–	5,945	5,945	87	6,032
Other comprehensive income										
Foreign currency translation differences – foreign operations	–	–	–	–	(469)	–	–	(469)	(44)	(513)
Share of foreign currency translation differences of equity-accounted investees	–	–	–	–	(2,788)	–	–	(2,788)	–	(2,788)
Exchange differences on monetary items forming part of net investment in foreign operations	–	–	–	–	760	–	–	760	–	760
Net change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	(435)	–	(435)	–	(435)
Total other comprehensive income	–	–	–	–	(2,497)	(435)	–	(2,932)	(44)	(2,976)
Total comprehensive income for the year	–	–	–	–	(2,497)	(435)	5,945	3,013	43	3,056
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 2017	–	–	–	–	–	–	(2,966)	(2,966)	–	(2,966)
Share options forfeited	–	–	–	(104)	–	–	104	–	–	–
Total contributions by and distributions to owners	–	–	–	(104)	–	–	(2,862)	(2,966)	–	(2,966)
At 31 December 2018	85,270	(41)	(72)	22	(6,036)	(435)	152,288	230,996	1,212	232,208

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

		Attributable to owners of the Company									
	Note	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
At 1 January 2019		85,270	(41)	(72)	22	(6,036)	(435)	152,288	230,996	1,212	232,208
Adjustment on initial application of SFRS(I) 16 (net of tax)	2.5	–	–	–	–	–	–	(282)	(282)	–	(282)
Adjusted balance at 1 January 2019		85,270	(41)	(72)	22	(6,036)	(435)	152,006	230,714	1,212	231,926
Total comprehensive income for the year											
Profit for the year		–	–	–	–	–	–	11,050	11,050	24	11,074
Other comprehensive income											
Foreign currency translation differences – foreign operations		–	–	–	–	7	–	–	7	1	8
Share of foreign currency translation differences of equity-accounted investees		–	–	–	–	(2,511)	–	–	(2,511)	(43)	(2,554)
Exchange differences on monetary items forming part of net investment in foreign operations		–	–	–	–	(534)	–	–	(534)	–	(534)
Net change in fair value of financial assets at fair value through other comprehensive income		–	–	–	–	–	252	–	252	–	252
Total other comprehensive income		–	–	–	–	(3,038)	252	–	(2,786)	(42)	(2,828)
Total comprehensive income for the year		–	–	–	–	(3,038)	252	11,050	8,264	(18)	8,246
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 2018		–	–	–	–	–	–	(2,966)	(2,966)	–	(2,966)
Issue of treasury shares under share option scheme		–	1	13	(2)	–	–	–	12	–	12
Total contributions by and distributions to owners		–	1	13	(2)	–	–	(2,966)	(2,954)	–	(2,954)
Transfer upon disposal of other investments	8	–	–	–	–	–	(51)	51	–	–	–
At 31 December 2019		85,270	(40)	(59)	20	(9,074)	(234)	160,141	236,024	1,194	237,218

* See Note 2.5. The Group initially applied SFRS(I) 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying SFRS(I) 16 is recognised in accumulated profits at the date of initial application.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Profit before tax		**12,038**	7,006
Adjustments for:			
Depreciation of property, plant and equipment	4	**4,012**	4,401
Depreciation of right-of-use assets	28	**1,211**	–
Amortisation of intangible assets	6	**88**	82
Dividend income	20	**(295)**	(332)
Gain on disposal of property, plant and equipment	22	**(79)**	(53)
Gain on divestment of subsidiaries	22	**(53)**	(1,976)
Gain on divestment of an associate	22	**(1,209)**	–
Impairment loss on financial assets	25	**893**	1,939
Impairment loss on investment in a joint venture	7	**312**	–
Interest income		**(377)**	(350)
Interest expense		**421**	216
Other investment income	20	**(96)**	(49)
Net change in fair value of financial assets at fair value through profit or loss		**(4,032)**	(813)
Share of profits of associates and joint ventures, net of tax		**(9,505)**	(7,904)
		3,329	2,167
Changes in:			
- Inventories		**(1,675)**	(515)
- Trade and other receivables		**647**	(4,199)
- Trade and other payables		**(1,919)**	2,277
Cash generated from/(used in) operations		**382**	(270)
Tax paid		**(780)**	(806)
Net cash used in operating activities		**(398)**	(1,076)
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(759)**	(1,381)
Distributions from other investments		**3,035**	920
Dividends received from:			
- associates and joint ventures		**4,442**	4,548
- other investments		**295**	332
Interest received		**377**	350
Investment in a joint venture		**(380)**	–
Divestment of subsidiaries, net of cash disposed of		**(365)**	2,068
Proceeds from divestment of an associate		**2,170**	–
Proceeds from disposal of:			
- other investments		**2,578**	20,885
- property, plant and equipment		**155**	180
Purchase of other investments		**(2,767)**	(10,700)
Purchase of intangible assets		**(13)**	(22)
Net cash from investing activities		**8,768**	17,180

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Cash flows from financing activities			
Dividends paid		**(2,966)**	(2,966)
Interest paid		**(421)**	(216)
Payment of lease liabilities (2018: payment of finance lease liabilities)		**(3,074)**	(2,308)
Proceeds from exercise of share options		**12**	–
Repayment of trust receipts		**–**	(1,496)
Net cash used in financing activities		**(6,449)**	(6,986)
Net increase in cash and cash equivalents		**1,921**	9,118
Cash and cash equivalents at 1 January		**33,005**	23,869
Effect of exchange rate fluctuations on cash held		**(35)**	18
Cash and cash equivalents at 31 December	13	**34,891**	33,005

Significant non-cash transaction

The following significant non-cash transaction is not included in the statement of cash flows:

	2019 $'000	2018 $'000
Acquisition of property, plant and equipment under finance leases	**100**	33

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 9 April 2020.

1 DOMICILE AND ACTIVITIES

EnGro Corporation Limited ("the Company") is a company 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 2019 comprise the Company and its subsidiaries (together referred to as "the Group" and individually as "Group entities") and the Group's interests in associates and joint ventures.

The principal activities of the Group are mainly those relating to the manufacture and sale of building materials and specialty polymers. In addition, the Company is also an investment holding company.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

This is the first set of the Group's annual financial statements in which SFRS(I) 16 *Leases* has been applied. The related changes to significant accounting policies are described in Note 2.5.

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 have 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 SFRS(I) 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.

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 to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- Note 4 – Impairment of property, plant and equipment
- Note 25 – Measurement of loss allowance for trade receivables
- Note 25 – Valuation of financial assets measured at fair value

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 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 fall into 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

The Group has applied the SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2019.

Other than SFRS(I) 16, the application of the amendments to standards and interpretations does not have a material effect on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

2 BASIS OF PREPARATION (CONTINUED)

2.5 Changes in accounting policies (Continued)

SFRS(I) 16 *Leases*

The Group applied SFRS(I) 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in accumulated profits at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under SFRS(I) 1-17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SFRS(I) 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in SFRS(I) 16.

On transition to SFRS(I) 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied SFRS(I) 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed for whether there is a lease under SFRS(I) 16. Therefore, the definition of a lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

As a lessee, the Group leases industrial land as well as office, retail and warehouse space. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under SFRS(I) 1-17

Previously, the Group classified the leases as operating leases under SFRS(I) 1-17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the respective lessee entities incremental borrowing rates applicable to the leases as at 1 January 2019. Right-of-use assets are measured at their carrying amount as if SFRS(I) 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application.

The Group used a number of practical expedients when applying SFRS(I) 16 to leases previously classified as operating leases under SFRS(I) 1-17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

2 BASIS OF PREPARATION (CONTINUED)

2.5 Changes in accounting policies (Continued)

Leases classified as finance leases under SFRS(I)1-17

The Group leases a number of items of plant, machinery and equipment as well as motor vehicles. These leases were classified as finance leases under SFRS(I)1-17. For these finance leases, the carrying amount of the right-of use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under SFRS(I)1-17 immediately before that date.

Impact on financial statements

*Impact on transition**

On transition to SFRS(I) 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in accumulated profits. The impact on transition is summarised below.

	1 January 2019 $'000
Right-of-use assets – property, plant and equipment	6,872
Lease liabilities	(7,154)
Accumulated profits	282

* For the impact of SFRS(I) 16 on profit or loss for the period, see Note 27. For the impact of SFRS(I) 16 on segment information, see Note 24. For the details of accounting policies under SFRS(I) 16 and SFRS(I) 1-17, see Note 3.6.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 3.9%.

	1 January 2019 $'000
Operating lease commitments at 31 December 2018 as disclosed under SFRS(I) 1-17 in the Group's financial statements	8,426
Discounted using the incremental borrowing rate at 1 January 2019	7,184
Finance lease liabilities recognised as at 31 December 2018	3,630
- Recognition exemption for leases with less than 12 months of lease term at transition	(196)
- Extension options reasonably certain to be exercised	166
Lease liabilities recognised at 1 January 2019	10,784

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in Note 2.5, which addresses changes in accounting policies.

The accounting policies have been applied consistently by Group entities.

3.1 Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

The Group measures goodwill at the date of acquisition 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 date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and 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 SFRS(I)s.

Costs related to the acquisition, other than those associated with the issue of debt or equity investments, 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 equity transactions.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(ii) 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.

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) 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 investment 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.

(v) 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(vi) 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

(i) 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 translated 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 translation are generally recognised in profit or loss.

(ii) 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.

Foreign currency differences are recognised in other comprehensive income. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the 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 foreign currency 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 the 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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – equity investment; or fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments at FVOCI

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest (Continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(iii) Derecognition (Continued)

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial 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 set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

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

(vi) Derivative financial instruments

The Group holds non-trading derivative financial instruments that are not designated in a hedge relationship that qualifies for hedge accounting. These derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, all changes in its fair value are recognised immediately in profit or loss.

(vii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with SFRS(I) 1-12.

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 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(viii) Intra-group financial guarantees in the separate financial statements

Financial guarantees are financial instruments issued by the Company that requires 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 settling all claims incurred but unpaid at the reporting date. The provision is assessed by reviewing individual claims and tested for adequacy by the Company against the amount that would be required to settle the guarantee contracts.

3.4 Property, plant and equipment

(i) 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.

If significant 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 is recognised in profit or loss.

(ii) 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.

(iii) 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (Continued)

(iii) Depreciation (Continued)

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.

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 completed and ready for use.

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

Leasehold property	– over remaining lease term of 28 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

(i) Recognition and measurement

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

(ii) 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.

(iii) 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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases

The Group has applied SFRS(I) 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under SFRS(I) 1-17 and SFRS(I) INT 4. The details of accounting policies under SFRS(I) 1-17 and SFRS(I) INT 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SFRS(I) 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the lessee's incremental borrowing rate as the discount rate.

The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases (Continued)

Policy applicable from 1 January 2019 (Continued)

As a lessee (Continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases - Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases (Continued)

Policy applicable before 1 January 2019 (Continued)

As a lessee (Continued)

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

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 Impairment

(i) Non-derivative financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment (Continued)

(i) Non-derivative financial assets (Continued)

General approach (Continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment (Continued)

(i) Non-derivative financial assets (Continued)

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, 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 amount of the 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.

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 in accordance with the requirements for non-financial assets. 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Employee benefits

(i) 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.

(ii) 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.

(iii) 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.

3.10 Revenue

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation (“PO”) by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those POs.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;
- the net gain or loss on financial assets at FVTPL;
- reclassifications of net gain or loss previously recognised in other comprehensive income; and
- the foreign currency gain or loss on financial assets and financial liabilities.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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.

3.12 Income 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. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

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.

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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Income tax (Continued)

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, and reflects uncertainty related to income taxes, if any.

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.

Deferred tax assets are recognised for unused tax losses, unused 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 used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the individual subsidiaries in the Group. 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

3.13 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.

3.14 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are not expected to have a significant impact to the Group's consolidated financial statements and the Company's statement of financial position.

- *Amendments to References to Conceptual Framework in SFRS(I) Standards*
- *Definition of a Business (Amendments* to SFRS(I) 3)
- *Definition of Material (Amendments* to SFRS(I) 1-1 and SFRS(I)1-8)
- SRFS(I) 17 *Insurance Contracts*

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Year ended 31 December 2019

4 PROPERTY, PLANT AND EQUIPMENT

	Leasehold property	Buildings and civil works	Plant, machinery and equipment	Office equipment, furniture and fittings	Computers	Motor vehicles and transport equipment	Assets under construction	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Cost								
At 1 January 2018	396	21,197	19,571	1,553	237	15,617	6	58,577
Additions	–	213	235	18	19	328	601	1,414
Divestment of a subsidiary	(396)	(899)	(693)	(190)	–	(218)	–	(2,396)
Disposals/write-offs	–	–	(212)	(82)	–	(321)	–	(615)
Effect of movements in exchange rates	–	–	(3)	(14)	*	(1)	–	(18)
At 31 December 2018	–	20,511	18,898	1,285	256	15,405	607	56,962
Additions	–	50	436	15	24	250	84	859
Divestment of a subsidiary	–	–	(85)	(12)	–	(16)	–	(113)
Reclassification	–	–	597	–	–	–	(597)	–
Disposals/write-offs	–	(566)	(217)	(28)	(13)	(211)	–	(1,035)
Effect of movements in exchange rates	–	(2)	(14)	(11)	*	(12)	–	(39)
At 31 December 2019	**–**	**19,993**	**19,615**	**1,249**	**267**	**15,416**	**94**	**56,634**
Accumulated depreciation								
At 1 January 2018	221	19,204	15,133	984	196	10,015	–	45,753
Depreciation for the year	13	753	981	138	16	2,500	–	4,401
Divestment of a subsidiary	(234)	(782)	(614)	(157)	–	(172)	–	(1,959)
Disposals/write-offs	–	–	(132)	(69)	–	(287)	–	(488)
Effect of movements in exchange rates	–	(5)	(5)	(8)	*	(10)	–	(28)
At 31 December 2018	–	19,170	15,363	888	212	12,046	–	47,679
Depreciation for the year	–	938	863	117	19	2,075	–	4,012
Divestment of a subsidiary	–	–	(11)	(1)	–	(5)	–	(17)
Disposals/write-offs	–	(546)	(199)	(3)	(7)	(204)	–	(959)
Effect of movements in exchange rates	–	(2)	(6)	(8)	*	(11)	–	(27)
At 31 December 2019	**–**	**19,560**	**16,010**	**993**	**224**	**13,901**	**–**	**50,688**
Carrying amounts								
At 1 January 2018	175	1,993	4,438	569	41	5,602	6	12,824
At 31 December 2018	–	1,341	3,535	397	44	3,359	607	9,283
At 31 December 2019	**–**	**433**	**3,605**	**256**	**43**	**1,515**	**94**	**5,946**

* Amount less than $1,000

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings and civil works	Plant, machinery and equipment	Office equipment, furniture and fittings	Computers	Motor vehicles and transport equipment	Assets under construction	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Company							
Cost							
At 1 January 2018	17,211	14,710	881	184	1,712	2	34,700
Additions	155	26	–	16	301	582	1,080
Disposals/write-offs	–	(133)	–	–	(103)	–	(236)
At 31 December 2018	17,366	14,603	881	200	1,910	584	35,544
Additions	–	166	6	14	250	26	462
Reclassification	–	578	–	–	–	(578)	–
Disposals/write-offs	–	(175)	–	(1)	(211)	–	(387)
At 31 December 2019	**17,366**	**15,172**	**887**	**213**	**1,949**	**32**	**35,619**
Accumulated depreciation							
At 1 January 2018	17,211	13,439	637	172	905	–	32,364
Depreciation for the year	5	253	40	10	306	–	614
Disposals/write-offs	–	(121)	–	–	(103)	–	(224)
At 31 December 2018	17,216	13,571	677	182	1,108	–	32,754
Depreciation for the year	150	293	38	13	331	–	825
Disposals/write-offs	–	(175)	–	(1)	(204)	–	(380)
At 31 December 2019	**17,366**	**13,689**	**715**	**194**	**1,235**	**–**	**33,199**
Carrying amounts							
At 1 January 2018	–	1,271	244	12	807	2	2,336
At 31 December 2018	150	1,032	204	18	802	584	2,790
At 31 December 2019	**–**	**1,483**	**172**	**19**	**714**	**32**	**2,420**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2018, the carrying amount of leased plant, machinery and equipment, and motor vehicles of the Group was $3,368,000.

Impairment assessment

The Group reviews the carrying amounts of property, plant and equipment 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 was 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 20 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 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	
	2019	**2018**
	$'000	**$'000**
Equity investments at cost	**75,990**	75,990
Less: Accumulated impairment losses	**(45,201)**	(45,201)
	30,789	30,789
Loans to subsidiaries	**51,832**	52,120
Less: Accumulated impairment losses	**(17,244)**	(17,244)
	34,588	34,876
	65,377	65,665

Loans to subsidiaries are classified as financial assets at amortised cost. The loans are unsecured, interest-free and have no fixed terms of repayment. The settlement of these loans are neither planned nor likely to occur in the foreseeable future and hence the loans are classified as non-current.

5 SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
Held by the Company				
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
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
Held by subsidiaries				
MPT Pacific Technology Sdn Bhd [5]	Inactive	Malaysia	**–**	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 [4]	Trading, wholesale and distribution of building materials	People's Republic of China	**–**	100
R&P Technologies Pte. Ltd.	Manufacture of thermosetting synthetic resin and plastic materials	Singapore	**60**	60

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

5 SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Ownership interest 2019 %	2018 %
Jointly held by the Company and a subsidiary				
R&P (Pte.) Ltd.	Manufacture of thermosetting synthetic resin and plastic materials	Singapore	**100**	100

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) Entity became a joint venture during the year.
(5) Struck off during the year.

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 an annual 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.

6 INTANGIBLE ASSETS

	Software $'000	Franchise rights $'000	Total $'000
Group			
Cost			
At 1 January 2018	335	333	668
Additions	22	–	22
At 31 December 2018	357	333	690
Additions	13	–	13
At 31 December 2019	**370**	**333**	**703**
Accumulated amortisation			
At 1 January 2018	82	74	156
Amortisation for the year	46	36	82
At 31 December 2018	128	110	238
Amortisation for the year	52	36	88
At 31 December 2019	**180**	**146**	**326**
Carrying amounts			
At 1 January 2018	253	259	512
At 31 December 2018	229	223	452
At 31 December 2019	**190**	**187**	**377**

	Software $'000
Company	
Cost	
At 1 January 2018 and 31 December 2018	223
Additions	8
At 31 December 2019	**231**
Accumulated amortisation	
At 1 January 2018	69
Amortisation for the year	29
At 31 December 2018	98
Amortisation for the year	31
At 31 December 2019	**129**
Carrying amounts	
At 1 January 2018	154
At 31 December 2018	125
At 31 December 2019	**102**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

7 ASSOCIATES AND JOINT VENTURES

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Associates				
Equity investments at cost	**2,136**	2,436	**20**	320
Share of reserves*	**1,413**	2,267	**–**	–
	3,549	4,703	**20**	320
Loan to an associate	**15,213**	15,213	**15,213**	15,213
	18,762	19,916	**15,233**	15,533
Joint ventures				
Equity investments at cost	**58,773**	57,629	**45,022**	45,022
Share of reserves*	**27,310**	24,131	**–**	–
	86,083	81,760	**45,022**	45,022
Less: Accumulated impairment loss	**(312)**	–	**(312)**	–
	85,771	81,760	**44,710**	45,022
	104,533	101,676	**59,943**	60,555

* Included in share of reserves is the Group's share of statutory common reserves of its associates and joint ventures of $16,315,000 (2018: $16,592,000) that are not distributable as cash dividends to the Group and Company.

The loan to an associate is classified as financial assets at amortised cost. Allowance for impairment on the loan is insignificant.

The loan to an associate is unsecured, interest-free and have no fixed terms of repayment. The settlement of the loan is neither planned nor likely to occur in the foreseeable future and hence the loan is classified as non-current.

During the year, the Group terminated its investment in a joint venture, accordingly, an impairment loss of $312,000 was recognised. The amount was included in "other expenses" in profit or loss.

7 ASSOCIATES AND JOINT VENTURES (CONTINUED)

Details of the associates and joint ventures are as follows:

Name of associates	Principal activities	Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
Held by the Company				
HBS Investments Pte Ltd [6]	Investment holding	Singapore	**–**	30
HB Investments (China) Pte. Ltd. [1]	Investment holding	Singapore	**20**	20
Held by subsidiaries				
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

Name of joint ventures	Principal activities	Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
Held by the Company				
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 [2, 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
Held by subsidiaries				
VCEM 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	**34.4**	34.4
Kunshan R&P Co., Ltd. [4]	Manufacture of thermosetting synthetic resin and plastic materials	People's Republic of China	**40**	40
Wuhan SinoCem Smartec Co., Ltd. [4]	Provision of system and software solutions	People's Republic of China	**49**	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

7 ASSOCIATES AND JOINT VENTURES (CONTINUED)

The auditors of the associates and joint ventures are as follows:
(1) KPMG LLP.
(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.
(6) Divested during the year.

Associates

The Group has interest in one (2018: one) associate which is material and a number of associates that are individually immaterial to the Group. All are equity-accounted. The following are for the material associate:

	HB Investments (China) Pte. Ltd.
Nature of relationship with the Group	Property development and investment holding
Principal place of business/Country of incorporation	Singapore
Ownership interest/Voting rights held	20% (2018: 20%)

The following summarises the financial information of the material associate based on its financial statements prepared in accordance with SFRS(I). The table also analyses, in aggregate, the carrying amount and share of profit and other comprehensive income of the individually immaterial associates.

	HB Investments (China) Pte. Ltd. $'000	Immaterial associates $'000	Total $'000
31 December 2019			
Revenue	–		
Loss from continuing operations	(6,013)		
Other comprehensive income	(717)		
Total comprehensive income	(6,730)		
Non-current assets	64,391		
Current assets	197		
Non-current liabilities	(76,066)		
Current liabilities	(12)		
Net assets	(11,490)		
Add: Non-current liabilities	76,066*		
Adjusted net assets	64,576		
Group's interest in net assets of investee at beginning of the year	14,261	5,655	19,916
Group's share of:			
- (loss)/profit from continuing operations	(1,203)	1,315	112
- other comprehensive income	(143)	(161)	(304)
- total comprehensive income	(1,346)	1,154	(192)
Divested during the year	–	(962)	(962)
Carrying amount of interest in investee at end of the year	12,915	5,847	18,762

7 ASSOCIATES AND JOINT VENTURES (CONTINUED)

Associates (Continued)

	HB Investments (China) Pte. Ltd. $'000	Immaterial associates $'000	Total $'000
31 December 2018			
Revenue	–		
Profit from continuing operations	1,403		
Other comprehensive income	1,560		
Total comprehensive income	2,963		
Non-current assets	71,108		
Current assets	210		
Non-current liabilities	(76,066)		
Current liabilities	(11)		
Net assets	(4,759)		
Add: Non-current liabilities	76,066*		
Adjusted net assets	71,307		
Group's interest in net assets of investee at beginning of the year	13,668	5,269	18,937
Group's share of:			
- profit from continuing operations	281	599	880
- other comprehensive income	312	(213)	99
- total comprehensive income	593	386	979
Carrying amount of interest in investee at end of the year	14,261	5,655	19,916

* 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 and Wuhan Wuxin Materials Co Ltd are joint arrangements in which the Group has joint control via investors' agreement and holds 40%, 40% and 33% (2018: 40%, 40% and 33%) ownership interest respectively. The principal place of business of these entities are in the People's Republic of China. These entities are principally engaged in the manufacture and sale of specialty cement.

Jiangsu Huailong Materials Co Ltd, Jinan Luxin Materials Co Ltd and Wuhan Wuxin 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 2019

7 ASSOCIATES AND JOINT VENTURES (CONTINUED)

Joint ventures (Continued)

The following summarises the financial information of the Group's material joint ventures based on their respective financial statements prepared in accordance with SFRS(I). 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	Immaterial joint ventures $'000	Total $'000
31 December 2019					
Revenue	68,825	136,853	134,479		
Profit from continuing operations [a]	6,685	2,470	7,870		
Other comprehensive income	(754)	(1,454)	(1,100)		
Total comprehensive income	5,931	1,016	6,770		
[a] Includes:					
- depreciation	1,804	3,952	4,183		
- income tax expense	2,257	403	2,581		
Non-current assets	7,823	43,962	63,410		
Current assets [b]	33,352	30,968	8,890		
Non-current liabilities	(20)	–	(2,451)		
Current liabilities	(7,402)	(17,332)	(23,515)		
Net assets	33,753	57,598	46,334		
Includes:					
[b] Cash and cash equivalents	287	8,912	5,855		
Group's interest in net assets of investee at beginning of the year	13,086	22,632	15,062	30,980	81,760
Group's share of:					
- profit from continuing operations	2,674	988	2,597	3,134	9,393
- other comprehensive income	(302)	(581)	(363)	(1,004)	(2,250)
- total comprehensive income	2,372	407	2,234	2,130	7,143
Dividends recognised during the year	(1,957)	–	(2,006)	–	(3,963)
Invested during the year	–	–	–	1,143	1,143
Impaired during the year	–	–	–	(312)	(312)
Carrying amount of interest in investee at end of the year	13,501	23,039	15,290	33,941	85,771

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	Immaterial joint ventures $'000	Total $'000
31 December 2018					
Revenue	50,456	105,890	117,783		
Profit from continuing operations [a]	5,804	1,182	6,406		
Other comprehensive income	(1,317)	(2,201)	(1,560)		
Total comprehensive income	4,487	(1,019)	4,846		
[a] Includes:					
- depreciation	2,209	3,437	4,067		
- income tax expense	1,955	355	2,823		
Non-current assets	9,509	47,574	68,574		
Current assets [b]	30,819	27,046	32,028		
Non-current liabilities	–	–	(2,861)		
Current liabilities	(7,614)	(18,041)	(52,099)		
Net assets	32,714	56,579	45,642		
Includes:					
[b] Cash and cash equivalents	9,768	7,040	29,125		
Group's interest in net assets of investee at beginning of the year	12,997	23,039	14,702	30,955	81,693
Group's share of:					
- profit from continuing operations	2,322	473	2,114	2,115	7,024
- other comprehensive income	(527)	(880)	(515)	(965)	(2,887)
- total comprehensive income	1,795	(407)	1,599	1,150	4,137
Dividends recognised during the year	(1,706)	–	(1,239)	(1,125)	(4,070)
Carrying amount of interest in investee at end of the year	13,086	22,632	15,062	30,980	81,760

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

8 OTHER INVESTMENTS

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Non-current				
Mandatorily at fair value through profit or loss:				
- Equity securities	**2,199**	2,179	**–**	–
- Venture capital funds	**21,537**	17,126	**–**	–
Designated at FVOCI:				
- Equity securities	**17,709**	18,067	**16,410**	16,996
	41,445	37,372	**16,410**	16,996
Current				
Mandatorily at fair value through profit or loss:				
- Equity securities	**751**	763	**–**	–
- Debt securities	**1,135**	1,090	**–**	–
- Investment funds	**2,593**	2,540	**–**	–
- Structured deposits	**2,642**	3,191	**2,642**	3,191
- Convertible loan	**–**	954	**–**	–
- Others	**–**	2,174	**–**	–
	7,121	10,712	**2,642**	3,191
	48,566	48,084	**19,052**	20,187

Equity investments at fair value through other comprehensive income

The Group and Company designated the investments shown below as equity investments as at FVOCI because these equity investments represent investments that the Group intends to hold for long-term appreciation.

	Group Fair value at 31 December $'000	Group Dividend income recognised during the year $'000	Company Fair value at 31 December $'000	Company Dividend income recognised during the year $'000
2019				
Investment in Ho Bee Cove Pte. Ltd.	**16,410**	**180**	**16,410**	**180**
Investment in Green Koncepts Pte. Ltd.	**1,299**	**–**	**–**	**–**
	17,709	**180**	**16,410**	**180**
2018				
Investment in Ho Bee Cove Pte. Ltd.	16,996	200	16,996	200
Investment in Green Koncepts Pte. Ltd.	1,071	–	–	–
	18,067	200	16,996	200

8 OTHER INVESTMENTS (CONTINUED)

During the year ended 31 December 2019, the Group disposed of a portion of its investment in Green Koncepts Pte. Ltd. amounting to $609,000 (2018: Nil). The transfer of cumulative gain within equity relating to these investments during the year amounted to $51,000 (2018: Nil).

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	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Club memberships, at cost	**219**	219	**219**	219
Less: Accumulated impairment losses	**(141)**	(141)	**(141)**	(141)
	78	78	**78**	78

10 INVENTORIES

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Raw materials	**1,998**	3,949	**–**	–
Consumables	**835**	1,226	**–**	–
Finished goods	**11,497**	7,512	**9,085**	3,910
	14,330	12,687	**9,085**	3,910

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).

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Year ended 31 December 2019

11 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables:				
- Third parties	**38,393**	38,333	**16,015**	16,492
- Subsidiaries	**–**	–	**925**	1,535
- Joint venture	**5,479**	6,314	**–**	–
	43,872	44,647	**16,940**	18,027
Less: Allowance for doubtful receivables	**(3,172)**	(3,095)	**(1,197)**	(1,120)
	40,700	41,552	**15,743**	16,907
Non-trade receivables:				
- Subsidiaries	**–**	–	**11,485**	11,737
- Joint ventures	**1,584**	1,381	**307**	315
	1,584	1,381	**11,792**	12,052
Less: Allowance for doubtful receivables	**(271)**	–	**(4,280)**	(4,009)
	1,313	1,381	**7,512**	8,043
Deposits	**348**	387	**64**	64
Other receivables	**1,506**	1,100	**469**	953
Dividend receivables from associates and joint ventures	**4,984**	5,586	**–**	–
	48,851	50,006	**23,788**	25,967
Prepayments	**1,522**	1,960	**880**	811
	50,373	51,966	**24,668**	26,778

Trade amounts due from a joint venture are unsecured. Non-trade amounts due from joint ventures are unsecured, interest-free and repayable on demand.

During the year, an impairment loss of $271,000 (2018: nil) was recognised with respect to a non-trade amount due from a joint venture. Apart from this, there were no other allowances made for doubtful debts arising from these outstanding balances with joint ventures as the ECL is not material.

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 is unsecured, interest-free and is repayable in 2020. No impairment loss has been recognised in respect of the loan to a subsidiary as the ECL is not material.

13 CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Fixed deposits	**18,199**	15,137	**18,097**	15,036
Bank balances	**16,692**	17,868	**6,819**	7,054
	34,891	33,005	**24,916**	22,090

14 CAPITAL AND RESERVES

Share capital

	Ordinary shares			
	2019		2018	
	No. of shares '000	$'000	No. of shares '000	$'000
Company				
In issue at 1 January and 31 December	**118,703**	**85,270**	118,703	85,270

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

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

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.

Reserves

The reserves of the Group and the Company comprise the following balances.

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Foreign currency translation reserve	**(9,074)**	(6,036)	**–**	–
Fair value reserve	**(234)**	(435)	**(722)**	(137)
Share option reserve	**20**	22	**20**	22
Reserve for own shares	**(59)**	(72)	**(59)**	(72)
Capital reserve	**(40)**	(41)	**(40)**	(41)
Accumulated profits	**160,141**	152,288	**106,891**	106,169
	150,754	145,726	**106,090**	105,941

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

14 CAPITAL AND RESERVES (CONTINUED)

Reserves (Continued)

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, 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 comprise of the cumulative net change in the fair value of equity investments designated at FVOCI.

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 2019, the Group held 64,200 (2018: 79,200) 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.

Dividends

The following final (one-tier) dividends were declared and paid by the Group and Company:

	Group and Company	
	2019	**2018**
	$'000	**$'000**
Paid by the Company to owners of the Company		
2.5 cents (2018: 2.5 cents) per ordinary share	**2,966**	2,966

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 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

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15 EMPLOYEE SHARE OPTIONS (CONTINUED)

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

	2019		2018	
	Weighted average exercise price $	No. of options '000	Weighted average exercise price $	No. of options '000
Outstanding at 1 January	**0.79**	**135**	1.11	875
Expired	**–**	**–**	1.17	(740)
Exercised	**0.79**	**(15)**	–	–
Outstanding at 31 December	**0.79**	**120**	0.79	135
Exercisable at 31 December	**0.79**	**120**	0.79	135

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

	2019		2018	
Options exercised and exercise price	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 2011				
Option 1 - $0.79 each	**–**	**15**	–	–

At 31 December 2019, all share options granted under the Ssangyong Cement (Singapore) Ltd 2000 Employees' Share Option Scheme had expired during the current year. Prior to that, there were no outstanding share options granted under the scheme.

At 31 December 2019, outstanding share options granted under the ESOS 2011 amounted to 120,000 shares (2018: 135,000 shares).

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	**Option 2**	**Option 3**	
Date of grant of options	**1 December 2006**	**8 January 2008**	**30 March 2009**	**18 April 2012**
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	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Non-current liabilities				
Finance lease liabilities	**–**	1,805	**–**	–
Current liabilities				
Loans from subsidiaries	**–**	–	**12,223**	8,930
Loan from a non-controlling interest	**1,064**	1,091	**–**	–
Finance lease liabilities	**–**	1,825	**–**	–
	1,064	2,916	**12,223**	8,930
	1,064	4,721	**12,223**	8,930

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

16 LOANS AND BORROWINGS (CONTINUED)

The loans from subsidiaries and a non-controlling interest 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 and including lease liabilities, are as follows:

	Nominal interest rate %	Year of maturity	Face value $'000	Carrying amount $'000
Group				
31 December 2019				
Loan from a non-controlling interest	–	2020	**1,064**	**1,064**
Lease liabilities	1.35% – 7.50%	2020 – 2034	**8,561**	**7,507**
			9,625	**8,571**
31 December 2018				
Loan from a non-controlling interest	–	2019	1,091	1,091
Finance lease liabilities	1.35% – 3.52%	2019 – 2024	3,792	3,630
			4,883	4,721
Company				
31 December 2019				
Lease liabilities	2.92% – 3.21%	2020 – 2034	**5,642**	**4,707**

Finance lease liabilities

Finance lease liabilities were payable as follows:

	2018 $'000	Interest 2018 $'000	Present value of minimum lease Payments $'000
Group			
Within one year	1,930	(105)	1,825
Between two to five years	1,862	(57)	1,805
	3,792	(162)	3,630

These finance lease liabilities were re-classified to lease liabilities upon adoption of SFRS(I)16 on 1 January 2019.

16 LOANS AND BORROWINGS (CONTINUED)

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

	Loan from a non-controlling interest $'000	Trust receipts $'000	Finance lease liabilities $'000	Total $'000
As at 1 January 2018	1,131	1,496	5,894	8,521
Changes from financing cash flows				
Interest paid	–	(22)	(194)	(216)
Payment of finance lease liabilities	–	–	(2,308)	(2,308)
Repayment of trust receipts	–	(1,496)	–	(1,496)
Total changes from financing cash flows	–	(1,518)	(2,502)	(4,020)
The effect of changes in foreign exchange rates	(40)	–	11	(29)
Other changes				
New finance leases	–	–	33	33
Interest expense	–	22	194	216
Total other changes	–	22	227	249
As at 31 December 2018	1,091	–	3,630	4,721

	Loan from a non-controlling interest $'000	Trust receipts $'000	Lease liabilities $'000	Total $'000
As at 1 January 2019 (Re-stated)	**1,091**	**–**	**10,784**	**11,875**
Changes from financing cash flows				
Interest paid	**–**	**–**	**(421)**	**(421)**
Payment of lease liabilities	**–**	**–**	**(3,074)**	**(3,074)**
Total changes from financing cash flows	**–**	**–**	**(3,495)**	**(3,495)**
Divestment of a subsidiary	**–**	**–**	**(329)**	**(329)**
The effect of changes in foreign exchange rates	**(27)**	**–**	**(18)**	**(45)**
Other changes				
New leases	**–**	**–**	**146**	**146**
Interest expense	**–**	**–**	**419**	**419**
Total other changes	**–**	**–**	**565**	**565**
As at 31 December 2019	**1,064**	**–**	**7,507**	**8,571**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

17 DEFERRED TAX LIABILITIES

Movements in deferred tax 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				
31 December 2019				
Property, plant and equipment	*****	**5**	**–**	**5**
Withholding tax on share of profits of associates and joint ventures	**591**	**441**	**(154)**	**878**
	591	**446**	**(154)**	**883**
31 December 2018				
Property, plant and equipment	*	*	*	*
Withholding tax on share of profits of associates and joint ventures	481	328	(218)	591
	481	328	(218)	591

* Amount less than $1,000

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

	Group 2019 $'000	Group 2018 $'000
Tax losses	**36,793**	35,887
Unabsorbed wear and tear allowances	**4,719**	4,719
Deductible temporary differences	**15,885**	13,450
	57,397	54,056
Unutilised donations	**1,600**	1,075

The tax losses and unabsorbed wear and tear allowances of Singapore incorporated subsidiaries at 31 December 2019 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 3.13.

18 TRADE AND OTHER PAYABLES

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Trade payables:				
- Third parties	**10,068**	13,315	**2,485**	3,635
- Joint venture	**577**	–	**–**	–
Accrued expenses	**4,944**	4,095	**3,633**	2,775
Other payables	**1,960**	2,301	**448**	560
Forward exchange contracts	**245**	–	**245**	–
	17,794	19,711	**6,811**	6,970

Trade amounts due to a joint venture are unsecured.

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.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Cement and building materials segment

Nature of goods or services	Manufacture and sale of cement, ready-mix concrete and other building materials.
When revenue is recognised	Revenue from sales of goods is recognised when the Group satisfies the performance obligation at a point in time, which is when the control of the promised goods has been transferred to the customer, according to the contractual terms, and the customer has accepted the goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.
Significant payment terms	30 to 60 days from invoice date.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

19 REVENUE (CONTINUED)

Specialty polymer segment

Nature of goods or services	Manufacture and sale of thermosetting synthetic resin and plastic materials.
When revenue is recognised	Revenue from sales of goods is recognised when the Group satisfies the performance obligation at a point in time, which is when the control of the promised goods has been transferred to the customer, according to the contractual terms, and the customer has accepted the goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.
Significant payment terms	60 days from invoice date.

Food and beverage segment

Nature of goods or services	Sale of food and beverage.
When revenue is recognised	Revenue from the sale of food and beverage is recognised at a point in time which coincides with when the Group delivers the food and beverage to the customers.
Significant payment terms	Payment is due immediately when food, beverage and services are delivered to the customers.

20 FINANCE INCOME AND FINANCE COSTS

	Group	
	2019	**2018***
	$'000	**$'000**
Interest income under the effective interest method on:		
- Cash and cash equivalents	**325**	281
- Debt securities	**52**	69
Total interest income arising from financial assets measured at amortised cost	**377**	350
Dividend income	**295**	332
Other investment income	**96**	49
Net change in fair value of financial assets measured at FVTPL		
- Mandatorily measured at FVTPL – held-for-trading	**517**	–
- Mandatorily measured at FVTPL – others	**3,515**	993
Finance income	**4,800**	1,724

20 FINANCE INCOME AND FINANCE COSTS (CONTINUED)

	Group	
	2019	2018*
	$'000	$'000
Financial liabilities measured at amortised cost:		
- Interest expense on trust receipts	–	(22)
- Interest expense on lease liabilities (2018: Finance lease liabilities)	**(421)**	(194)
Net change in fair value of financial assets measured at FVTPL		
- Mandatorily measured at FVTPL – held-for-trading	–	(180)
Net foreign exchange loss	**(178)**	(17)
Finance costs	**(599)**	(413)
Net finance income recognised in profit or loss	**4,201**	1,311

* The Group initially applied SFRS(I) 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying SFRS(I) 16 is recognised in accumulated profits at the date of initial application.

21 TAX EXPENSE

	Group	
	2019	2018
	$'000	$'000
Current tax expense		
Current year	**511**	563
Under provided in prior years	**7**	83
	518	646
Deferred tax expense		
Origination and reversal of temporary differences	**443**	260
Under provided in prior years	**3**	68
	446	328
Tax expense	**964**	974
Reconciliation of effective tax rate		
Profit before tax	**12,038**	7,006
Less: Share of profits of associates and joint ventures (net of tax)	**(9,505)**	(7,904)
	2,533	(898)
Tax using the Singapore tax rate of 17% (2018: 17%)	**431**	(153)
Effect of tax rates in foreign jurisdictions	**167**	37
Non-deductible expenses	**272**	290
Tax exempt income	**(925)**	(653)
Utilisation of deferred tax benefits previously not recognised	**(80)**	(57)
Tax on unremitted profits	**441**	328
Unrecognised deferred tax assets	**648**	1,031
Under provided in prior years	**10**	151
	964	974

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Year ended 31 December 2019

22 PROFIT FOR THE YEAR

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

	Group	
	2019	**2018**
	$'000	**$'000**
Gain on disposal of property, plant and equipment	**(79)**	(53)
Gain on divestment of subsidiaries	**(53)**	(1,976)
Gain on divestment of an associate	**(1,209)**	–
Contributions to defined contribution plans, included in staff costs	**1,079**	1,136
Audit fees paid to:		
- auditors of the Company	**324**	316
- other auditors	**27**	43
Non-audit fees paid to:		
- other auditors	**52**	3

23 EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share was based on the profit attributable to ordinary shareholders of $11,050,000 (2018: $5,945,000), and the weighted average number of ordinary shares outstanding of 118,630,000 (2018: 118,623,000), as follows:

Weighted average number of ordinary shares

	Group	
	2019	**2018**
	No. of shares	**No. of shares**
	'000	**'000**
Issued ordinary shares at 1 January (excluding treasury shares)	**118,623**	118,623
Effect of share options exercised	**7**	–
Weighted average number of ordinary shares during the year	**118,630**	118,623

Diluted earnings per share

The calculation of diluted earnings per share has been based on profit attributable to ordinary shareholders of $11,050,000 (2018: $5,945,000), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 118,645,000 (2018: 118,641,000), calculated as follows:

23 EARNINGS PER SHARE (CONTINUED)

Weighted average number of ordinary shares (diluted)

	Group	
	2019	**2018**
Profit attributable to owners of Company ($'000)	**11,050**	5,945
Weighted average number of ordinary shares (basic) ('000)	**118,630**	118,623
Potential ordinary shares issuable under share options ('000)	**15**	18
Weighted average number of ordinary shares (diluted) during the year ('000)	**118,645**	118,641

24 OPERATING SEGMENTS

The Group has four reportable segments, as described below, which are the Group's strategic business units. Each strategic business unit offer different products or services, and are managed separately. The Group's Chief Executive Officer ("CEO") reviews internal management reports of each strategic business unit 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 other building materials.

– Specialty polymer: Manufacture and sale of thermosetting synthetic resin and plastic materials.

– Investments: Trading of quoted equity securities, debt securities and holding of investments in venture capital and investment funds and unquoted equity securities.

– Food and beverage: Operation of food and beverage outlets under franchise.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit/(loss) before tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit/(loss) is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within these industries.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

24 OPERATING SEGMENTS (CONTINUED)

Information about reportable segments

	Cement and building materials $'000	Specialty polymer $'000	Investments $'000	Food and beverage $'000	Total $'000
Revenue and expenses					
31 December 2019					
External revenues, representing consolidated revenue	**112,921**	**15,465**	**–**	**2,876**	**131,262**
Dividend income	**–**	**–**	**295**	**–**	**295**
Reportable segment profit/(loss) before tax	**5,251**	**(179)**	**4,826**	**(471)**	**9,427**
Share of profits of associates and joint ventures	**10,707**	**–**	**(1,202)**	**–**	**9,505**
	15,958	**(179)**	**3,624**	**(471)**	**18,932**
Headquarter expenses					**(5,142)**
Support expenses of associates and joint ventures					**(1,708)**
Interest expense					**(421)**
Interest income					**377**
Tax expense					**(964)**
Profit for the year					**11,074**
Timing of revenue recognition:					
- Products transferred at a point in time	**112,921**	**15,465**	**–**	**2,876**	**131,262**
31 December 2018*					
External revenues, representing consolidated revenue	118,257	22,799	–	3,257	144,313
Dividend income	–	–	332	–	332
Reportable segment profit/(loss) before tax	4,726	(198)	1,020	(296)	5,252
Share of profits of associates and joint ventures	7,682	–	222	–	7,904
	12,408	(198)	1,242	(296)	13,156
Headquarter expenses					(4,570)
Support expenses of associates and joint ventures					(1,714)
Interest expense					(216)
Interest income					350
Tax expense					(974)
Profit for the year					6,032
Timing of revenue recognition:					
- Products transferred at a point in time	118,257	22,799	–	3,257	144,313

24 OPERATING SEGMENTS (CONTINUED)

Information about reportable segments (Continued)

	Cement and building materials $'000	Specialty polymer $'000	Investments $'000	Food and beverage $'000	Others $'000	Total $'000
Assets and liabilities						
31 December 2019						
Total assets for reportable segments	**63,145**	**17,876**	**57,294**	**1,855**	**8**	**140,178**
Investments in associates and joint ventures						**104,533**
Other unallocated amounts						**19,755**
Consolidated total assets						**264,466**
Total liabilities for reportable segments	**20,747**	**3,368**	**147**	**1,035**	**4**	**25,301**
Other unallocated amounts						**1,947**
Consolidated total liabilities						**27,248**
31 December 2018*						
Total assets for reportable segments	60,216	19,946	57,788	2,457	12	140,419
Investments in associates and joint ventures						101,676
Other unallocated amounts						15, 136
Consolidated total assets						257,231
Total liabilities for reportable segments	18,475	4,338	109	414	4	23,340
Other unallocated amounts						1,683
Consolidated total liabilities						25,023

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

24 OPERATING SEGMENTS (CONTINUED)

Information about reportable segments (Continued)

	Cement and building materials $'000	Specialty polymer $'000	Investments $'000	Food and beverage $'000	Others $'000	Total $'000
Other segment information						
31 December 2019						
Capital expenditure	**706**	**157**	**–**	**9**	**–**	**872**
Depreciation and amortisation	**4,654**	**75**	**–**	**582**	**–**	**5,311**
Impairment of financial assets	**893**	**–**	**–**	**–**	**–**	**893**
31 December 2018*						
Capital expenditure	1,288	143	–	5	–	1,436
Depreciation and amortisation	4,329	17	–	137	–	4,483
Impairment of financial assets	1,939	–	–	–	–	1,939

* The Group initially applied SFRS(I)16 at 1 January 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating leases (see Note 2.5). As a result, the Group recognised $6,872,000 of right-of-use assets and $7,154,000 of liabilities from those lease contracts. The assets and liabilities are included in the cement and building materials, speciality polymer and food and beverage segments as at 31 December 2019. The Group has applied SFRS(I) 16 using the modified retrospective approach, under which comparative information is not restated (see Note 2.5).

24 OPERATING SEGMENTS (CONTINUED)

Reconciliation of reportable segment profit or loss

	2019 $'000	2018 $'000
Profit or loss		
Total profit for reportable segments	**9,427**	5,252
Unallocated amounts	**(6,894)**	(6,150)
Share of profit of associates and joint ventures	**9,505**	7,904
Consolidated profit before tax	**12,038**	7,006

Geographical segments

The Group's operations are mainly in Singapore, Malaysia and the People's Republic of China. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers and 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
31 December 2019						
External customers						
- Cement and building materials	**83,357**	**27,728**	**20**	**1,816**	**–**	**112,921**
- Specialty polymer	**7,429**	**426**	**2,802**	**4,808**	**–**	**15,465**
- Food and beverage	**–**	**–**	**2,876**	**–**	**–**	**2,876**
Inter-segment revenue	**3,165**	**921**	**–**	**–**	**(4,086)**	**–**
Total revenue	**93,951**	**29,075**	**5,698**	**6,624**	**(4,086)**	**131,262**
Total non-current assets for reportable segments*	**8,264**	**2,809**	**700**	**–**	**–**	**11,773**
Total assets for reportable segments	**111,063**	**20,245**	**8,870**	**–**	**–**	**140,178**
Investments in associates and joint ventures	**12,915**	**–**	**84,781**	**6,837**	**–**	**104,533**
Other unallocated amounts						**19,755**
Consolidated total assets						**264,466**

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Year ended 31 December 2019

24 OPERATING SEGMENTS (CONTINUED)

Geographical segments (Continued)

	Singapore $'000	Malaysia $'000	People's Republic of China $'000	Others $'000	Elimination $'000	Total $'000
31 December 2018						
External customers						
- Cement and building materials	81,641	32,407	1,432	2,777	–	118,257
- Specialty polymer	6,631	1,011	9,231	5,926	–	22,799
- Food and beverage	–	–	3,257	–	–	3,257
Inter-segment revenue	5,411	416	–	–	(5,827)	–
Total revenue	93,683	33,834	13,920	8,703	(5,827)	144,313
Total non-current assets for reportable segments*	5,643	3,708	462	–	–	9,813
Total assets for reportable segments	105,147	21,026	14,246	–	–	140,419
Investments in associates and joint ventures	15,223	–	79,016	7,437	–	101,676
Other unallocated amounts						15,136
Consolidated total assets						257,231

* excludes associates and joint ventures, and other investments

25 FINANCIAL INSTRUMENTS

Financial risk management

Overview

The Group has exposure to the following risks from 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.

25 FINANCIAL INSTRUMENTS (CONTINUED)

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 or the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from third party customers.

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

Impairment losses on financial assets recognised in profit or loss were as follows:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Impairment loss on				
- Trade receivables	**324**	1,939	**324**	801
- Non-trade amount due from a joint venture	**271**	–	**271**	–
- Other receivables	**298**	–	**298**	–
	893	1,939	**893**	801

Trade receivables

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

Exposure to credit risk

At 31 December 2019, the Group's exposure to credit risk primarily comprises $20,304,000 (2018: $19,473,000), $1,852,000 (2018: $2,222,000) and $11,638,000 (2018: $11,473,000) due from customers in Singapore, the People's Republic of China and Malaysia respectively.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

25 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (Continued)

Trade receivables (Continued)

Exposure to credit risk (Continued)

At 31 December 2019, the Group's exposure to credit risk primarily comprises $30,719,000 (2018: $31,177,000) due from construction companies. 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 impairment losses is inherent in the Group's trade receivables.

There are no other significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The carrying amounts of financial assets represent the Group and the Company's maximum exposures to credit risk, before taking into account any collateral held. The Group and the Company do not require any collateral in respect of their financial assets.

Expected credit loss assessment for customers

The Group uses an allowance matrix to measure the expected credit losses of trade receivables. In calculating the expected credit loss rates, the Group considers historical loss rates and, if relevant, adjustment for forward looking economic factors that may affect the customers' ability to settle the outstanding receivables.

The following tables provides information about the exposure to credit risk and ECLs for trade receivables for individual customers:

	Expected loss rate %	Gross carrying amount $'000	Impairment loss allowance $'000	Credit impaired
Group				
31 December 2019				
Not past due	**0.06**	**17,277**	**(10)**	**No**
Past due 1 – 30 days	**0.25**	**8,049**	**(20)**	**No**
Past due 31 – 90 days	**1.27**	**5,978**	**(76)**	**No**
Past due 91 days	**43.25**	**7,089**	**(3,066)**	**Yes**
		38,393	**(3,172)**	
31 December 2018				
Not past due	0.04	17,192	(7)	No
Past due 1 – 30 days	0.19	8,341	(16)	No
Past due 31 – 90 days	0.95	6,292	(60)	No
Past due 91 days	46.28	6,508	(3,012)	Yes
		38,333	(3,095)	

25 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (Continued)

Trade receivables (Continued)

Expected credit loss assessment for customers (Continued)

	Expected loss rate %	Gross carrying amount $'000	Impairment loss allowance $'000	Credit impaired
Company				
31 December 2019				
Not past due	**0.07**	**8,060**	**(6)**	**No**
Past due 1 – 30 days	**0.21**	**4,716**	**(10)**	**No**
Past due 31 – 90 days	**2.15**	**2,091**	**(45)**	**No**
Past due 91 days	**98.95**	**1,148**	**(1,136)**	**Yes**
		16,015	**(1,197)**	
31 December 2018				
Not past due	0.05	6,559	(3)	No
Past due 1 – 30 days	0.16	5,675	(9)	No
Past due 31 – 90 days	0.92	2,595	(24)	No
Past due 91 days	65.18	1,663	(1,084)	Yes
		16,492	(1,120)	

Movements in allowance for impairment in respect of trade receivables

The movements in the allowance for impairment in respect of trade receivables are as follows:

	Group $'000	Company $'000
Balance at 1 January 2018	1,344	319
Impairment loss recognised	1,939	801
Amounts utilised	(188)	–
Balance at 31 December 2018	3,095	1,120
Impairment loss recognised	324	324
Amounts utilised	(247)	(247)
Balance at 31 December 2019	3,172	1,197

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

25 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (Continued)

Trade receivables (Continued)

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).

Non-trade amounts due from subsidiaries and joint ventures

The Company held non-trade receivables from its subsidiaries and joint ventures which were lent to subsidiaries and joint ventures to meet their funding requirements. There is no significant increase in credit risk for these exposures. Therefore, impairment on these balances has been measured on the 12 month expected credit loss basis; and the amount of the allowance is insignificant.

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 $672,000 (2018: $2,150,000). 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.

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 $34,891,000 and $24,916,000 respectively at 31 December 2019 (2018: $33,005,000 and $22,090,000), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with banks and financial institutions which are regulated.

Impairment on cash and cash equivalents has been measured on the 12-month expected credit loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

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 delivering 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.

25 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (Continued)

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. Typically, 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. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements:

		Cash flows			
	Carrying amount $'000	**Contractual cash flows $'000**	**Within 1 year $'000**	**Between 2 to 5 years $'000**	**More than 5 years $'000**
Group					
31 December 2019					
Non-derivative financial liabilities					
Loan from a non-controlling interest	**1,064**	**(1,064)**	**(1,064)**	**–**	**–**
Lease liabilities	**7,507**	**(8,561)**	**(2,912)**	**(2,711)**	**(2,938)**
Trade and other payables*	**17,549**	**(17,549)**	**(17,549)**	**–**	**–**
	26,120	**(27,174)**	**(21,525)**	**(2,711)**	**(2,938)**
Derivative financial instruments					
Forward exchange contracts (gross-settled)	**245**				
- Outflow		**(25,798)**	**(25,798)**	**–**	**–**
- Inflow		**25,553**	**25,553**	**–**	**–**
	245	**(245)**	**(245)**	**–**	**–**
	26,365	**(27,419)**	**(21,770)**	**(2,711)**	**(2,938)**
31 December 2018					
Non-derivative financial liabilities					
Loan from a non-controlling interest	1,091	(1,091)	(1,091)	–	–
Finance lease liabilities	3,630	(3,792)	(1,930)	(1,862)	–
Trade and other payables*	19,711	(19,711)	(19,711)	–	–
	24,432	(24,594)	(22,732)	(1,862)	–

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

25 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (Continued)

Exposure to liquidity risk (Continued)

		Cash flows			
	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	Between 2 to 5 years $'000	More than 5 years $'000
Company					
31 December 2019					
Non-derivative financial liabilities					
Trade and other payables*	**6,566**	**(6,566)**	**(6,566)**	**–**	**–**
Lease liabilities	**4,707**	**(5,642)**	**(904)**	**(1,800)**	**(2,938)**
Loans from subsidiaries	**12,223**	**(12,223)**	**(12,223)**	**–**	**–**
	23,496	**(24,431)**	**(19,693)**	**(1,800)**	**(2,938)**
Derivative financial instruments					
Forward exchange contracts (gross-settled)	**245**				
Outflow		**(25,798)**	**(25,798)**	**–**	**–**
Inflow		**25,553**	**25,553**	**–**	**–**
	245	**(245)**	**(245)**	**–**	**–**
	23,741	**(24,676)**	**(19,938)**	**(1,800)**	**(2,938)**
31 December 2018					
Non-derivative financial liabilities					
Trade and other payables*	6,970	(6,970)	(6,970)	–	–
Loans from subsidiaries	8,930	(8,930)	(8,930)	–	–
	15,900	(15,900)	(15,900)	–	–

* 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 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.

25 FINANCIAL INSTRUMENTS (CONTINUED)

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.

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.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

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

	Singapore dollar $'000	US dollar $'000	China renminbi $'000
Group			
31 December 2019			
Trade and other receivables	**1,485**	**38**	**5,443**
Cash and cash equivalents	**222**	**5,057**	**60**
Other investments	**1,320**	**1,202**	**2,642**
Loan from a non-controlling interest of a subsidiary	**–**	**–**	**(1,064)**
Trade and other payables	**(314)**	**(778)**	**(21)**
	2,713	**5,519**	**7,060**
31 December 2018			
Trade and other receivables	777	38	6,213
Cash and cash equivalents	238	4,442	192
Other investments	51	1,205	3,191
Loan from a non-controlling interest of a subsidiary	–	–	(1,091)
Trade and other payables	(497)	–	(109)
	569	5,685	8,396

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

25 FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (Continued)

Currency risk (Continued)

	US dollar $'000	China renminbi $'000
Company		
31 December 2019		
Trade and other receivables	**3,452**	**944**
Cash and cash equivalents	**4,099**	**57**
Other investments	**–**	**2,642**
Loans to subsidiaries	**22,593**	**4,594**
Loans from subsidiaries	**(6,208)**	**–**
Trade and other payables	**(778)**	**(4)**
	23,158	**8,233**
31 December 2018		
Trade and other receivables	4,524	545
Cash and cash equivalents	2,733	190
Other investments	–	3,191
Loans to subsidiaries	22,549	4,710
Loans from subsidiaries	(3,497)	–
	26,309	8,636

Sensitivity analysis

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

	Profit or loss	
	Group $'000	Company $'000
31 December 2019		
Singapore dollar	**(271)**	**–**
US dollar	**(552)**	**(2,316)**
China renminbi	**(706)**	**(823)**

25 FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis (Continued)

	Profit or loss	
	Group	Company
	$'000	$'000
31 December 2018		
Singapore dollar	(57)	–
US dollar	(569)	(2,631)
China renminbi	(840)	(864)

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.

Equity price risk

Sensitivity analysis

A 10% increase in the equity prices of quoted equity securities at the reporting date would have increased equity by $212,000 (2018: $82,000). The analysis is performed on the same basis for 31 December 2018. 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, distributable reserves and accumulated profits of the Group. The Board of Directors monitors return on capital, as well as the level of dividends to 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.

From time to time the Group purchases its own shares on the market; the timing of these purchases depends on the market prices. The shares are primarily intended to be used for issuing shares under the Group's share option programme. The Group does not have a defined share buy-back plan.

Accounting classifications and fair values

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. Further, for the current year the fair value disclosure of lease liabilities is also not required.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

25 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

	Note	Carrying amount					Fair value			
		FVTPL	FVOCI - equity instruments	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group										
31 December 2019										
Financial assets measured at fair value										
Financial assets at fair value through profit or loss:										
- Equity securities	8	2,950	–	–	–	2,950	2,119	–	831	2,950
- Venture capital funds	8	21,537	–	–	–	21,537	–	–	21,537	21,537
- Debt securities	8	1,135	–	–	–	1,135	–	1,135	–	1,135
- Investment funds	8	2,593	–	–	–	2,593	–	2,593	–	2,593
- Structured deposits	8	2,642	–	–	–	2,642	–	2,642	–	2,642
Financial assets at fair value through other comprehensive income:										
- Equity securities	8	–	17,709	–	–	17,709	–	–	17,709	17,709
		30,857	17,709	–	–	48,566				
Financial assets not measured at fair value										
Loan to an associate	7	–	–	15,213	–	15,213				
Trade and other receivables	11	–	–	48,851	–	48,851				
Cash and cash equivalents	13	–	–	34,891	–	34,891				
		–	–	98,955	–	98,955				
Financial liabilities measured at fair value										
Forward exchange contracts	18	(245)	–	–	–	(245)	–	(245)	–	(245)
Financial liabilities not measured at fair value										
Loan from a non-controlling interest	16	–	–	–	(1,064)	(1,064)				
Trade and other payables	18	–	–	–	(17,549)	(17,549)				
		–	–	–	(18,613)	(18,613)				

25 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

		Carrying amount					Fair value			
	Note	FVTPL $'000	FVOCI – equity instruments $'000	Financial assets at amortised cost $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group										
31 December 2018										
Financial assets measured at fair value										
Financial assets at fair value through profit or loss:										
- Equity securities	8	2,942	–	–	–	2,942	816	–	2,126	2,942
- Venture capital funds	8	17,126	–	–	–	17,126	–	–	17,126	17,126
- Debt securities	8	1,090	–	–	–	1,090	–	1,090	–	1,090
- Investment funds	8	2,540	–	–	–	2,540	–	2,540	–	2,540
- Structured deposits	8	3,191	–	–	–	3,191	–	3,191	–	3,191
- Convertible loan	8	954	–	–	–	954	–	954	–	954
Financial assets at fair value through other comprehensive income:										
- Equity securities	8	–	18,067	–	–	18,067	–	–	18,067	18,067
		27,843	18,067	–	–	45,910				
Financial assets not measured at fair value										
Loan to an associate	7	–	–	15,213	–	15,213				
Trade and other receivables	11	–	–	50,006	–	50,006				
Cash and cash equivalents	13	–	–	33,005	–	33,005				
		–	–	98,224	–	98,224				
Financial liabilities not measured at fair value										
Finance lease liabilities	16	–	–	–	(3,630)	(3,630)				
Loan from a non-controlling interest	16	–	–	–	(1,091)	(1,091)				
Trade and other payables	18	–	–	–	(19,711)	(19,711)				
		–	–	–	(24,432)	(24,432)				

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25 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

		Carrying amount					Fair value			
	Note	FVTPL $'000	FVOCI – equity instruments $'000	Financial assets at amortised cost $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Company										
31 December 2019										
Financial assets measured at fair value										
Financial assets measured at fair value through profit or loss										
- Structured deposits	8	2,642	–	–	–	2,642	–	2,642	–	2,642
Financial assets measured at fair value through other comprehensive income										
- Equity security	8	–	16,410	–	–	16,410	–	–	16,410	16,410
		2,642	16,410	–	–	19,052				
Financial assets not measured at fair value										
Loans to subsidiaries	5	–	–	34,588	–	34,588				
Loan to an associate	7	–	–	15,213	–	15,213				
Trade and other receivables	11	–	–	23,788	–	23,788				
Loan to a subsidiary	12	–	–	4,933	–	4,933				
Cash and cash equivalents	13	–	–	24,916	–	24,916				
		–	–	103,438	–	103,438				
Financial liabilities measured at fair value										
Forward exchange contracts	18	(245)	–	–	–	(245)	–	(245)	–	(245)
Financial liabilities not measured at fair value										
Loans from subsidiaries	16	–	–	–	(12,223)	(12,223)				
Trade and other payables	18	–	–	–	(6,566)	(6,566)				
		–	–	–	(18,789)	(18,789)				

25 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

		Carrying amount					Fair value			
	Note	FVTPL	FVOCI – equity instruments	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Company										
31 December 2018										
Financial assets measured at fair value										
Financial assets measured at fair value through profit or loss										
- Structured deposits	8	3,191	–	–	–	3,191	–	3,191	–	3,191
Financial assets measured at fair value through other comprehensive income										
- Equity security	8	–	16,996	–	–	16,996	–	–	16,996	16,996
		3,191	16,996	–	–	20,187				
Financial assets not measured at fair value										
Loans to subsidiaries	5	–	–	34,876	–	34,876				
Loan to an associate	7	–	–	15,213	–	15,213				
Trade and other receivables	11	–	–	25,967	–	25,967				
Loan to a subsidiary	12	–	–	4,933	–	4,933				
Cash and cash equivalents	13	–	–	22,090	–	22,090				
		–	–	103,079	–	103,079				
Financial liabilities not measured at fair value										
Loans from subsidiaries	16	–	–	–	(8,930)	(8,930)				
Trade and other payables	18	–	–	–	(6,970)	(6,970)				
		–	–	–	(15,900)	(15,900)				

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

25 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

There were no transfers of financial assets from Level 2 to Level 1 during the years ended 31 December 2019 and 31 December 2018.

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 opening balances to the ending balances for Level 3 fair values.

	FVTPL – Venture capital funds $'000	FVTPL – Equity securities $'000	FVOCI – Equity securities $'000
Group			
At 1 January 2018	13,656	144	2,561
Effect on adoption of SFRS(I) 9	–	–	15,915
At 1 January 2018 (SFRS(I))	13,656	144	18,476
Total gains recognised in profit or loss:			
- Net change in fair value of financial assets	1,005	35	–
Total losses recognised in other comprehensive income:			
- Net change in fair value of financial assets	–	–	(435)
Purchases	3,110	1,968	–
Settlements	(876)	–	–
Exchange movement	231	(21)	26
At 31 December 2018	17,126	2,126	18,067
At 1 January 2019	**17,126**	**2,126**	**18,067**
Total unrealised gains recognised in profit or loss:			
- Net change in fair value of financial assets	**3,413**	**–**	**–**
Total unrealised losses recognised in other comprehensive income:			
- Net change in fair value of financial assets	**–**	**–**	**252**
Purchases	**2,764**	**–**	**–**
Disposal	**–**	**–**	**(609)**
Transfer out of Level 3	**–**	**(1,284)**	**–**
Settlements	**(1,446)**	**–**	**–**
Exchange movement	**(320)**	**(11)**	**(1)**
At 31 December 2019	**21,537**	**831**	**17,709**

25 FINANCIAL INSTRUMENTS (CONTINUED)

Level 3 fair values (Continued)

During the financial year ended 31 December 2019 FVTPL – equity securities with a carrying amount of $1,284,000 were transferred from Level 3 to Level 1 because the securities become listed.

	FVOCI – Equity security $'000
Company	
At 1 January 2018	1,217
Effect on adoption of SFRS(I) 9	15,915
At 1 January 2018 (SFRS(I))	17,132
Total losses recognised in other comprehensive income:	
- Net change in fair value of financial asset	(136)
At 31 December 2018	16,996
At 1 January 2019	**16,996**
Total unrealised losses recognised in other comprehensive income:	
- Net change in fair value of financial asset	**(586)**
At 31 December 2019	**16,410**

At 31 December 2019 and 31 December 2018, the Group did not have any liabilities classified in Level 3 of the fair value hierarchy.

As at 31 December 2019 and 31 December 2018, 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 2019, to determine the fair values of these venture capital funds as at 31 December 2019. The underlying assets of the VCFs consist of assets and liabilities which are measured at fair value. On a quarterly basis, the VCF fund managers perform a valuation of the portfolio of their respective investments.

Fair value of investments in unquoted equity securities are determined by estimating the fair value of the investee's net assets.

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
NAV	Value of the underlying net assets	The estimated fair value would increase/decrease if NAV was higher/lower

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

25 FINANCIAL INSTRUMENTS (CONTINUED)

Level 3 fair values (Continued)

For the fair value of financial assets classified in Level 3 of the fair value hierarchy, increasing the significant unobservable input by 10% at the reporting date would have increased profit or loss by $2,237,000 (2018: $1,925,000) and equity by $1,771,000 (2018: $1,807,000) for the Group and $1,641,000 (2018: $1,700,000) for the Company. 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 fund managers of the funds, which are determined with reference to the NAV of the funds. Changes in the unobservable inputs used to value the underlying net assets of the funds would increase/decrease the carrying value of the investments in VCFs.

Fair values of investments in unquoted equity securities are derived based on unobservable inputs, including NAV of investees, recent funding transactions, and market-based information, among other factors. Changes in the unobservable inputs used to value the equity securities would increase/decrease the carrying values of the investments.

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, structured deposits and investment funds

The fair values of investments in equity and debt securities, structured deposits and investment funds are determined by reference to their quoted prices 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 bank quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

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 LEASES

Leases as lessee (SFRS(I) 16)

The Group leases industrial land as well as office, retail and warehouse space. The leases typically run for a period of two to three years, with an option to renew the lease after that date.

Information about leases for which the Group is a lessee is presented below.

Amounts recognised in profit or loss

	2019
	$'000
2019 – Leases under SFRS(I) 16	
Interest on lease liabilities	421
Expenses relating to short-term leases	428
2018 – Operating leases under SFRS(I) 1-17	
Lease expense	1,967

Amounts recognised in statement of cash flows

	2019
	$'000
Total cash outflow for leases	3,495

28 RIGHT-OF-USE ASSETS

	Industrial land	Office, retail and warehouse space	Total
	$'000	$'000	$'000
Group			
At 1 January 2019	4,755	2,117	6,872
Additions	–	46	46
Depreciation	(373)	(838)	(1,211)
Divestment of a subsidiary	–	(315)	(315)
Effect of movements in exchange rates	(1)	(19)	(20)
At 31 December 2019	4,381	991	5,372

	Industrial land	Office space	Total
	$'000	$'000	$'000
Company			
At 1 January 2019	4,485	621	5,106
Depreciation	(297)	(282)	(579)
At 31 December 2019	4,188	339	4,527

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

29 CAPITAL COMMITMENTS

As at year end, the Group has commitments amounting to $7,840,000 (2018: $6,601,000) in respect of additional investments in VCFs and $2,350,000 (2018: nil) in respect of purchases of plant and equipment.

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, CEO and department heads and the chief executive officer are considered as key management personnel of the Group.

Key management personnel compensation comprised:

	Group	
	2019	**2018**
	$'000	**$'000**
Directors' fees	**270**	270
Short-term employee benefits:		
- directors	**1,557**	1,329
- other management personnel	**2,024**	1,688
Post-employment benefits:		
- directors	**15**	15
- other management personnel	**134**	120
	4,000	3,422

During the year, the Group received dividends amounting to $180,000 (2018: $200,000) from Ho Bee Cove Pte Ltd, 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	
	2019	**2018**
	$'000	**$'000**
Joint ventures		
Purchases of goods	**(1,635)**	(1,276)
Sales of goods	**2,579**	5,864

31 CONTINGENCIES

The Company has given formal undertakings, which are unsecured, to provide financial support to its subsidiaries. As at 31 December 2019, the net current liabilities and net liabilities of these subsidiaries amounted to approximately $3,229,000 and $12,770,000 (2018: $649,000 and $17,219,000) respectively.

The Company entered into an indemnity agreement to counter indemnify Ho Bee Land Limited, an entity which a substantial shareholder of the Company has interest in, with respect to a loan obtained by a subsidiary of an associate of the Group and Company, HB Investments (China) Pte. Ltd. Under the terms of the indemnity agreement, the Company provided counter indemnity amount of approximately $12,100,000, which is proportionate to the Group and Company's shareholdings in HB Investments (China) Pte. Ltd.

32 NON-CONTROLLING INTERESTS

R&P Technologies Pte. Ltd. has a non-controlling interest that is material to the Group as at 31 December 2019:

Name	Principal place of business/Country of incorporation	Operating segment	Ownership interests held by non-controlling interest	
			2019	**2018**
			%	**%**
R&P Technologies Pte. Ltd.	Singapore	Specialty polymer	**40**	40

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

32 NON-CONTROLLING INTERESTS (CONTINUED)

The following summarised financial information for the above subsidiary are prepared in accordance with SFRS(I):

	R&P Technologies Pte. Ltd.	Other individually immaterial subsidiaries	Intra-group elimination	Total
	$'000	$'000	$'000	$'000
2019				
Revenue	11,484			
Loss	(792)			
Other comprehensive income	2			
Total comprehensive income	(790)			
Attributable to non-controlling interest:				
- (Loss)/Profit	(317)	341	–	24
- Other comprehensive income	1	(43)	–	(42)
- Total comprehensive income	(316)	298	–	(18)
Non-current assets	1,442			
Current assets	6,219			
Current liabilities	(6,348)			
Net assets	1,313			
Net assets attributable to non-controlling interest	525	669	–	1,194
Cash flows from operating activities	212			
Cash flows used in investing activities	(155)			
Cash flows used in financing activities	(42)			
Net increase in cash and cash equivalents	15			

32 NON-CONTROLLING INTERESTS (CONTINUED)

	R&P Technologies Pte. Ltd. $'000	Other individually immaterial subsidiaries $'000	Intra-group elimination $'000	Total $'000
2018				
Revenue	9,067			
Loss	(393)			
Other comprehensive income	17			
Total comprehensive income	(376)			
Attributable to non-controlling interest:				
- (Loss)/Profit	(157)	244	–	87
- Other comprehensive income	7	(51)	–	(44)
- Total comprehensive income	(150)	193	–	43
Non-current assets	1,498			
Current assets	7,275			
Current liabilities	(6,671)			
Net assets	2,102			
Net assets attributable to non-controlling interest	841	371	–	1,212
Cash flows used in operating activities	(651)			
Cash flows used in investing activities	(107)			
Net decrease in cash and cash equivalents	(758)			

33 SUBSEQUENT EVENT

On 11 March 2020, the World Health Organisation declared the 2019 Novel Coronavirus ("COVID-19") outbreak a pandemic. The spread of COVID-19 has created a high level of uncertainty to the near-term global economic prospects and caused disruptions to various businesses. The Group is taking precautionary measures to deal with the COVID-19 outbreak in accordance with guidelines provided by the authorities in the respective countries the Group operates in.

The COVID-19 outbreak is expected to have a negative impact on the Group's financial performance, the extent of which will depend on how long the outbreak lasts. Due to the uncertainty of the outcome of the current events, the Group cannot reasonably estimate the impact these events will have on the Group's financial position, results of operations or cash flows in the future. Management is proactively managing the Group's businesses, maintaining vigilance and will take the necessary actions to ensure their long term sustainability.

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	
	2019	2018
$750,001 to $1,000,000	1	–
$500,001 to $750,000	1	2
Below $250,000	3	3
Total	5	5

2 INTERESTED PERSON TRANSACTIONS

The aggregate value of transactions entered into by the Group with interested person and their affiliates, as defined in the SGX Listing Manual, are as follows:

Interested person	Aggregate value of all transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual	Aggregate value of all other transactions
Afro Asia Shipping Co. (Pte) Ltd - Sales of ready-mix concrete	–	$951,000

The supplementary information above does not form part of the financial statements.

STATISTICS OF SHAREHOLDINGS

As at 18 March 2020

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	:	118,638,300
Number of treasury shares	:	64,200
Percentage of treasury shares	:	0.054%

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 BY SIZE OF SHAREHOLDINGS AS AT 18 MARCH 2020

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	39	2.32	846	0.00
100 - 1,000	279	16.62	183,549	0.15
1,001 - 10,000	970	57.77	4,070,733	3.43
10,001 - 1,000,000	379	22.57	23,534,550	19.84
1,000,001 and above	12	0.72	90,848,622	76.58
TOTAL	**1,679**	**100.00**	**118,638,300**	**100.00**

20 LARGEST SHAREHOLDERS AS AT 18 MARCH 2020

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	13,187,010	11.12
4	CHUA WEE KENG	6,818,400	5.75
5	DBS NOMINEES (PRIVATE) LIMITED	2,430,062	2.05
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	1,146,150	0.97
13	LIM CHER KHIANG	953,332	0.80
14	NEW TOWN DEVELOPMENT PTE LTD	826,000	0.70
15	SON FONG MENG	756,000	0.64
16	KWOK HAE MENG	694,250	0.59
17	LIM & TAN SECURITIES PTE LTD	687,600	0.58
18	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	684,900	0.58
19	KOR BENG SHIEN	682,000	0.57
20	TAN CHOO HOON @ TAN CHENG GAY	672,650	0.57
	TOTAL	**96,805,354**	**81.63**

SUBSTANTIAL SHAREHOLDERS

As at 18 March 2020

Name of Substantial Shareholder	Direct Interest No. of Shares	Deemed Interest No. of Shares	Total Number of Shares	% of Issued Share Capital
Tan Cheng Gay	672,650	16,500,500 (1)	17,173,150	14.48
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	-	44,463,000 (5)	44,463,000	37.48
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
Chua Wee Keng	6,818,400	-	6,818,400	5.75

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 in the name of the following:-
 (a) 44,463,000 shares held by Afro-Asia International Enterprises Pte. Limited through Ho Bee Holdings (Pte) Ltd; and
 (b) 1,282,500 shares held by Zen Property Management Pte Ltd through One Hill Holdings Pte. Ltd (a company which Mr Chua Thian Poh has a substantial financial interest).

(5) This represents Ho Bee Holdings (Pte) Ltd's deemed interest of 44,463,000 shares held by Afro-Asia International Enterprises Pte. Limited.

(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.

Public Shareholdings

Based of the information provided to the Company as at 18 March 2020, approximately 38.34% 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.

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, 5th floor, Singapore 609916 on Thursday, 25 June 2020 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2019, together with the Auditors' Report 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 2019.

(Resolution 2)

3(a) To re-elect Mr Tan Yok Koon who retires by rotation in accordance with Regulation 87 of the Company's Constitution and who, being eligible, offers himself for re-election as a Director of the Company.

(Resolution 3)

3(b) To re-elect Mr Tan Soo Nan, who retires by rotation in accordance with Regulation 87 of the Company's Constitution and who, being eligible, offers himself for re-election as a Director of the Company.

(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 ("**SGX-ST**"). *[See Explanatory Notes]*

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

(Resolution 5)

AS SPECIAL BUSINESS

5. To approve the payment of Directors' fees of S$270,000 for the financial year ended 31 December 2019 (2018: S$270,000).

(Resolution 6)

6. To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

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 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

NOTICE OF ANNUAL GENERAL MEETING

(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 which were issued and are outstanding or subsisting at the time this Resolution is passed;

(ii) new shares arising from exercising share options or vesting of share awards which were issued and are 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;

and, in sub-paragraph (a) above and this sub-paragraph (b), “subsidiary holdings” has the meaning given to it in the Listing Manual of the SGX-ST;

(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

(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 AGM of the Company or the date by which the next AGM 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 7)

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 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 8)

6.3 Authority to grant awards and to allot and 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 grant awards in accordance with the provisions of the EnGro PSA Scheme; and to allot and issue from time to time such number of fully paid-up shares ("Shares") as may be required to be delivered pursuant to the vesting of awards under the EnGro PSA Scheme, provided that the aggregate number of Shares over which awards may be granted under the EnGro PSA Scheme on any date, when aggregated with the number of new shares allotted and issued and/or to be allotted and issued and issued shares (including treasury shares) delivered and/or to be delivered, pursuant to awards granted under the EnGro PSA Scheme, and any shares subject to any other share option or share incentive schemes of the Company, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings (as defined in the Listing Manual of the SGX-ST of the Company from time to time."

(Resolution 9)

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 SGX-ST; and/or

(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 AGM of the Company is held; or

(ii) the date by which the next AGM 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 Shares as altered (excluding any subsidiary holdings and treasury shares that may be held by the Company from time to time). Any Shares which are held as treasury shares will be disregarded for the purpose of computing the 10% limit;

NOTICE OF ANNUAL GENERAL MEETING

"**Relevant Period**" means the period commencing from the date on which the last AGM was held and expiring on the date the next AGM 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 during the relevant 5 Market Days and the day on which the Market Purchase was made; and

(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 10)

7. To transact any other business that may properly be transacted at an AGM.

NOTICE OF BOOK CLOSURE AND DIVIDEND PAYMENT DATES

NOTICE IS ALSO HEREBY GIVEN that the Share Transfer Books and the Register of Members of the Company will be closed on 10 July 2020 for the preparation of dividend warrants for the proposed first and final tax-exempt (1-tier) dividend of 2.5 cents per ordinary share for the financial year ended 31 December 2019. 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 9 July 2020 will be registered to determine shareholders' entitlement to the proposed dividend. Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with shares as at 5.00 p.m. on 9 July 2020 will be entitled to the proposed dividend. The proposed dividend, if approved by shareholders at the forthcoming AGM, will be paid on 23 July 2020.

By Order of the Board

Joanna Lim
Company Secretary

15 April 2020

EXPLANATORY NOTES

In relation to Ordinary Resolutions 3 and 4 proposed in items 3(a) and 3(b) above, the detailed information on Mr Tan Yok Koon and Mr Tan Soo Nan are set out in the section entitled "Board of Directors", Table 3 in the Corporate Governance Report and "Additional Information on Directors Seeking Re-election" of the Company's 2019 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).

Mr Tan Soo Nan has no shareholdings in the Company and its related corporations, and has no relationships with the Company, its substantial shareholders or its officers. Mr Tan Soo Nan is considered independent by the Board.

STATEMENT PURSUANT TO REGULATION 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 6

Resolution 6 is to approve the payment of Directors' fees for the financial year ended 31 December 2019.

Ordinary Resolution 7

Resolution 7 proposed in item 6.1 above, if passed, will empower the Directors of the Company (unless varied or revoked by the Company in general meeting) from the date of this AGM until the date of the next AGM, or the date by which the next AGM is required by law to be held, whichever is the earlier, to issue shares and to make or grant instruments (such as warrants or debentures) convertible into shares and issue shares in pursuance of such instruments. The number of shares (including shares to be issued in pursuance of instruments made or granted) that the Directors of the Company may issue under Resolution 7 shall 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 Resolution 7, of which up to 20% may be issued other than on a pro rata basis to the shareholders. 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 Resolution 7 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 were issued and are outstanding or subsisting at the time that Resolution 7 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

Ordinary Resolution 8

Resolution 8 proposed in item 6.2 above, if passed, will authorise the Directors of the Company 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 15% of the total issued share capital of the Company (excluding treasury Shares and subsidiary holdings) from time to time.

Ordinary Resolution 9

Resolution 9 proposed in item 6.3 above, if passed, will authorise the Directors of the Company to grant awards and to allot and issue new Shares pursuant to the EnGro PSA Scheme, provided that the aggregate number of Shares over which awards may be granted under the EnGro PSA Scheme on any date, when aggregated with the number of new shares allotted and issued and/or to be allotted and issued and issued shares (including treasury shares) delivered and/or to be delivered, pursuant to awards granted under the EnGro PSA Scheme, and any shares subject to any other share option or share incentive schemes of the Company, shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time.

NOTICE OF ANNUAL GENERAL MEETING

ORDINARY RESOLUTION 10

Resolution 10 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 2019 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 who is not a relevant intermediary is entitled appoint not more than two proxies to attend, speak and vote at the AGM. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(2) Any member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

(3) A proxy need not be a member of the Company.

"**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

(4) The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or duly 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 less than 72 hours before the time appointed for the holding of 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 member of the Company (i) consents to the collection, use and disclosure of the personal data of the member 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 member discloses the personal data of the proxy(ies) and/or representative(s) of the member to the Company (or its agents or service providers), the member 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 member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the breach of warranty of the member.

Notice from the Company on the Novel Coronavirus (COVID-19):

The Company is closely monitoring the COVID-19 situation, including any precautionary measures which may be required or recommended by government agencies to minimise the risk of spread of the Novel Coronavirus. In light of the evolving situation, it may in any case be necessary to change the arrangements for this year's AGM. The Company reserves the right to take measures as appropriate in order to minimise any risk to the shareholders and others attending the AGM. In the event such measures are adopted, the Company will make announcements as appropriate.

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ENGRO CORPORATION LIMITED
(Company Registration No.: 197302229H)
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 of Singapore may appoint more than two (2) proxies to attend, speak and vote at the Annual General Meeting.
2. For CPFIS/SRS investors who have used their CPF/SRS monies to buy the Company's shares, 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. CPFIS/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.

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 15 April 2020.

PROXY FORM

*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 Shareholding(s) (%)	
			No. of Shares	%

*and/or (delete as appropriate)

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, 5th floor, Singapore 609916 on Thursday, 25 June 2020 at 10.00 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against, or abstain from voting on, the Ordinary Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as he/she/they will on any other matter arising at the AGM and at any adjournment thereof.

No	Ordinary Resolutions	For**	Against**	Abstain**
1	To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2019 together with the Auditors' Report thereon.			
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 2019.			
3	To re-elect Mr Tan Yok Koon as a Director (Retiring under Regulation 87).			
4	To re-elect Mr Tan Soo Nan as a Director (Retiring under Regulation 87).			
5	To re-appoint Messrs KPMG LLP as the Company's Auditors and to authorise the Directors to fix their remuneration.			
6	To approve the payment of Directors' fees of S$270,000 for the financial year ended 31 December 2019 (2018: S$270,000).			
7	To authorise the Directors to allot and issue shares pursuant to the Share Issue Mandate.			
8	To authorise the Directors to grant options and to allot and issue shares under EnGro ESOS 2011.			
9	To authorise the Directors to grant share awards and to allot and issue shares under the EnGro PSA Scheme.			
10	To approve the proposed renewal of the Share Purchase Mandate.			

* Delete where applicable

**Voting will be conducted by poll. If you wish your proxy to cast all your votes 'For' or 'Against' a resolution, please tick [√] in the 'For or 'Against' box provided. Alternatively, please indicate the number of votes 'For' or 'Against' each resolution. If you wish your proxy to Abstain from voting on a resolution, please tick [√] in the 'Abstain' box. Alternatively, please indicate the number of shares that your proxy is directed to abstain from voting.

Dated this ________ day of ________________________ 2020

Total Number of Shares Held

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

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM

Notes:-

1. A member of the Company who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
2. Any member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
3. A proxy need not be a member of the Company.
4. "**Relevant Intermediaries**" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.
5. 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.
6. 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..
7. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or duly 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 less than 72 hours before the time appointed for the holding of the AGM.
8. 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.
9. 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.
10. A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to attend, speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the AGM.
11. An investor who buys shares using CPFIS monies ("CPFIS Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the AGM in person. CPFIS and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPFIS Approved Nominees and/or SRS Operators to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPFIS and SRS Investors shall be precluded from attending the AGM.

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

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