SUSTAINABILITY AND BEYOND

ENGRO CORPORATION LIMITED

ANNUAL REPORT **2016**

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(with effect from FY2016)

COMPANY SECRETARY
Joanna Lim Lan Sim

CORPORATE PROFILE

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

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

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

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

CHAIRMAN'S MESSAGE

FINANCIAL REVIEW

In the financial year ended 31 December 2016 ("FY2016"), EnGro Corporation Limited ("EnGro" or the "Group") recorded a decline in revenue of 15.2 percent to S$153.3 million compared to FY2015, resulting from a continued slowdown in the Integral Cement and Ready-Mix Concrete ("RMC") business. Despite lower revenue, the Group returned to profitability in FY2016 registering a net profit before tax of S$6.9 million against a net loss before tax of S$5.1 million in FY2015. The improved performance was attributed to the market turnaround in regions where our China GGBS ("Ground Granulated Blast Furnace Slag") joint ventures ("JVs") were located coupled with realisation of gains from disposal of financial assets. The Specialty Polymer business also witnessed a turnaround due to increased demand from the China automotive industry.

DIVIDEND

The Board is cautiously optimistic that China's GDP growth is sustainable. With the confirmed new phase of infrastructure building, our China GGBS JVs should contribute positively to cushion any possible lacklustre performance by the Integral Cement and RMC business in Singapore. The Board is therefore recommending a first and final dividend of 2.5 cents per share to be declared for FY2016, subject to shareholders' approval at the Annual General Meeting of the Company to be held on 28 April 2017.

BUSINESS REVIEW

In 2016, EnGro witnessed an overall improvement in its core businesses in both Singapore and China in terms of technical competency, productivity enhancement, networking cum partnership building. Against a backdrop of an eventful year which began with an anxiety over global economy as well as China's financial markets threatening a hard-landing of its economy, followed by shockwaves disseminated by Brexit in June and culminated in an unexpected US presidential election outcome, EnGro's business units proved to be versatile in returning to profitability.

(a) Integral Cement and Ready-Mix Concrete business

Singapore construction demand experienced a slowdown in year 2016 resulting from a re-scheduling of mega infrastructure projects plus continued weakness in the private residential sector. With the recently announced infrastructure projects added on, we expect civil engineering construction demand to boost total demand to between S$28 billion and S$35 billion in 2017.

2016 was a year of mixed results for EnGro's RMC business. Top-Mix Concrete Singapore narrowed its losses, while Top-Mix Concrete Malaysia continues to pursue growth by extending geographical coverage and increase market share.

(b) Specialty Cement (GGBS) business in China

Despite moderate GDP growth of 6.7 percent in 2016, the highly focused restructuring plan for the steel and cement industries in China eventually led to a narrower gap in supply and demand. The on-going capacity rationalisation of the two industries should have a revitalising effect on the overall construction industry, evidenced by improved cement and steel prices end 2016.

Subsequent to a successful listing of our Wuhan Wuxin JV on the *National Equities Exchange and Quotation ("NEEQ")* system or the *New Third Board* in November 2015, our Jinan Luxin JV followed the footsteps and became the second JV to be listed on the *NEEQ* system on 2 June 2016. The two events will pave way for EnGro to accelerate growth and to enhance value-add through "Building Excellence" in place of "Building Scale".

All our GGBS JVs ended the year with improved performance, with the exception of our Tangshan Tanglong JV due to the perennial glut of steel capacity in Hebei province despite further capacity rationalisation introduced in Q4 2016. The combined performance of our GGBS JVs boosted total production to 8.1 million metric tons for the year out of an installed capacity of 10.2 million metric tons.

As per China Central Government's plan to pursue sustainable GDP growth at 6.0 percent till 2020, it is generally perceived that the Central Government would speed up infrastructure spending and encourage consumer spending by lending support to the e-commerce and entrepreneurship drive.

In its plan to expand the High-Speed Railway network, an additional rail network of 10,000 kilometres will be added by 2020. Coupling the spinoff of the High-Speed Rail, it is envisaged to have a positive impact on EnGro's GGBS business in China.

With improved operating environment and new business model introduced, our China GGBS business stands to improve further in 2017 although our Jinan Luxin JV is likely to witness a temporary decline. To ensure continuity of raw slag supply, one of its production lines will migrate to Rizhao, Shandong province, in conjunction with the relocation of Jinan Iron and Steel Group scheduled in Q4 2017.

(c) Specialty Polymer

Pursuant to our strategy of being closer to market, a new joint venture was formed to set up a manufacturing facility under the name Kunshan R&P, which was set up in Kunshan, Jiangsu province. Production commenced in

January 2017, and the polymer compounding capacity is expected to expand to 26,000 metric tons per annum by end of 2019.

Tapping beyond the borders of China, R&P's Thermoplastic Polyolefin compound has been successfully qualified by two global major automotive players in Asia. It allows R&P to extend its reach to Japan, India, Thailand and Indonesia, witnessing a 114 percent increase in sales volume from a year ago. Indeed, 2016 may be regarded as the turnaround year for R&P.

(d) Investments

Investments in our Singapore residential property in Sentosa continued to be impacted by the cooling measures introduced since 2009. The unsold units of Turquoise were rented out to generate rental income. In China, after 3 years of slow sales, the Tangshan Nanhu Eco-City started to show positive signs, with more than 80 percent of the Tangshan Nanhu Eco-City phase I units sold.

In 2016, our US venture capital ("VC") investment exits were mainly via corporate acquisitions as the Initial Public Offering ("IPO") window was relatively short and restricted. While mergers and acquisition exits will continue in 2017, IPO listing prospects are expected to improve and we expect our VC investment to ride this trend for a timely exit.

On our direct investments in local start-ups, Green Koncepts' ("GK") differentiated technology and continuous innovation attracted more partners to capitalise on its platform play strategy to gain momentum. GK's prospects remain bright as its energy management solutions continue to generate tractions.

PROSPECTS

Singapore being a small open economy, is experiencing a cyclical uplift, but the recovery is expected to be subdued between 1.0 and 3.0 percent GDP growth according to the Ministry of Trade and Industry. Upcoming mega infrastructure projects could lift our blended cement sales and call for high performance concrete sales by Top-Mix Singapore. Riding on economic growth in Southern Malaysia, Top-Mix Malaysia will continue to contribute positively to compliment our Singapore RMC business.

China continues to rebalance from investments to domestic consumption driven economy. Structural reforms to remove excess capacities have begun to show normalisation of selling prices of key building materials.

As evidenced by BAT (Baidu, Alibaba, Tencent) online giants, the advent of the digital economy in China will not only revolutionise the retail, financial, and logistics industries, it will in time to come pose threat to the building materials sector and related service industries. In recognition of this trend, we have embarked on a new initiative to address new challenges ahead. On One Belt One Road (OBOR) opportunities, our GGBS JVs with the advantages of coastal location would put us in good position to tap opportunities offered by the region.

In tandem with the prevailing Digital Economy in China, our "GGBS+" platform is beginning to take shape as our JVs broaden their product offering to include permeable concrete which is in demand by Sponge City projects in 16 pilot cities. We have positioned our GGBS as Green Cement, where Green Cement is a material of choice by Green Builders echoing the Chinese Government's drive to end smog pollution plaguing its many cities.

In view of the densification of High-Speed Railway from building a grid of "***4 horizontal by 4 vertical***" to "***8 horizontal by 8 vertical***" by 2020, it bodes well for our GGBS business as we had pioneered the use of GGBS which went into the construction of concrete sleeper slabs for the Beijing-Shanghai High-Speed Railway. In addition, as more and more cities benefit from the advent of urbanisation, more GGBS will be in demand for urban infrastructures such as Mass Rapid Transport (MRT) and inter-city railway, expressway and airports over the next decade.

Lastly, China's ***One Belt One Road*** (OBOR) strategy, the new opportunity for EnGro to draw on the power of its China GGBS JVs to join force along the Maritime Silkroad, offers medium-to long-term demand for Green Cement.

In view of the foregoing and despite the uncertain global economic outlook, we are cautiously optimistic of continued profitability in 2017.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to offer my heartfelt thanks to everyone in the EnGro family – our customers, stakeholders, my fellow Directors and our Management team and staff for their continuing support, dedication and contributions.

TAN CHENG GAY
Chairman

DIRECTORS' PROFILES

TAN CHENG GAY

Chairman and Chief Executive Officer

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

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. 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.

SOH KIM SOON

Director

Mr Soh joined the board in 2002 as an independent and non-executive Director. Mr Soh is also the Lead Independent Director. He is the Chairman of the Nominating Committee and serves as a member of the Remuneration Committee and the Audit Committee.

Mr Soh is currently Chairman of ORIX Investment And Management Private Limited and ORIX Leasing Singapore Limited. He also serves on the board of Frasers Centrepoint Asset Management Ltd.

Mr Soh was previously Senior Managing Director of DBS Bank where he worked for more than 29 years.

Mr Soh holds a Bachelor of Arts (Honours) degree from the University of Singapore and is an Associate of the Chartered Institute of Bankers.

NG TAT PUN

Director

Mr Ng is an independent and non-executive Director. He joined the board in 2002 and is the Chairman of the Audit Committee and a member of the Remuneration Committee.

Mr Ng's extensive experience in the banking and finance industry began when he started his career with Citibank in 1971. Since then, he has served in various senior positions with both foreign and local banks. From 1988 to 1997, he was Executive Vice President of OCBC Bank, Singapore, in charge of its International Banking and Financial Institutions business. In 1998, he was appointed the Executive Director and Chief Executive Officer of OCBC Bank, Malaysia. Mr Ng was also a Managing Director of JP Morgan Chase from 1999 to 2002, a Managing Director and subsequently a Senior Advisor at UBS AG from 2003 to 2008.

Mr Ng presently serves as an independent director and Audit Committee member of Thai Beverage Public Company Ltd. He is also the independent non-executive Chairman of Sing Investments & Finance Limited and the independent non-executive Chairman of SP Chemicals Holdings Ltd.

Mr Ng holds a Bachelor of Arts degree in Economics and History from the University of Singapore.

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 Nominating Committee and the Audit Committee.

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

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

MANAGEMENT TEAM

HQ HEAD OF DEPARTMENT

LEN CHENG
Chief Financial Officer

Mr Cheng oversees operations and performance of the Group. He has 20 years of financial management and public accounting experience in both multinational corporations as well as public-listed organisation in Singapore. Mr Cheng has a Bachelor of Accountancy from Nanyang Technological University, Singapore, and is a Chartered Accountant of Singapore.

LIM YEE CHUAN
Group Financial Controller

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

WONG TOON HONG
Manager, Strategic Business Unit

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

VINCENT LOH
Manager, Knowledge Management & Business Development

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

INTEGRAL CEMENT & RMC OPERATIONS

EUGENE HO
Senior General Manager, Building Materials Division (Singapore)

Mr Ho oversees the Group's integral cement and ready-mix concrete ("RMC") business in Singapore and Malaysia. He has more than 30 years of working experience in the building materials industry and has held various senior positions in the major RMC companies. 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) JVs in China. He has been working with the Company for 20 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 member of EnGro's China business team. He has more than 40 years of working experience with responsibilities in process technology, facilities planning and development as well as design in a major oil company. 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.

SPECIALTY POLYMER OPERATIONS

TAI BOON CHEN
Manager, R&P (Pte) Ltd

Mr Tai oversees the business and operations of the Group's specialty polymer unit (R&P). He has more than 30 years of working experience in operations management, plant restructuring, production management and technology transfer for local and multinational manufacturing companies.

CORPORATE STRUCTURE

ENGRO
BUILDING SUSTAINABILITY

- **Building Materials**
  - **GGBS**
    - 40% Tangshan Tanglong Materials Co Ltd
    - 40% Tangshang Tang-Ang Materials Co Ltd
    - 40% Jinan Luxin Materials Co Ltd
    - 40% Jiangsu Hualong Materials Co Ltd
    - 40% Wuhan Wuxin Materials Co Ltd
    - 34.4% Qingdao Evergreen Materials and Technologies Co Ltd
    - 40% VCEM Materials Co Ltd
  - **DRY MIX**
    - 100% Shanghai S3 Building Materials Co Ltd
  - **RMC**
    - 100% Top-Mix Concrete Pte Ltd
    - 100% Top Mix Concrete (Malaysia) Sdn Bhd
    - 40% Changshu Chang Long Concrete Co Ltd
    - 40% Changshu Chang Xin Ready Mix Concrete Co Ltd
    - 40% Changshu Chang Yin Ready Mix Concrete Co Ltd
    - 40% Xinshan Ang-de (Zibo) Materials Co., Ltd
- **Specialty Polymer**
  - 98.57% R&P (Pte) Ltd
    - 39.43% Kunshan R&P Co., Ltd
- **Investments**
  - 100% Sancam Investment Pte Ltd
  - 100% SsangYong LTI Pte Ltd
  - 100% Juniper Capital Vantures (Pte) Ltd
  - 100% e-Invest Limited
- **Property Development**
  - 30% HBS Investments Pte Ltd
  - 30% Parliament View Developments Limited
  - 20% HB Investments (China) Pte Ltd
  - 10% Ho Bee Cove Pte Ltd
- **Food & Beverage**
  - 100% Tianjin Ang de Food & Beverages Management Co Ltd

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

REGIONAL FOOTPRINT

SINGAPORE & MALAYSIA: INTEGRAL CEMENT & READY-MIX CONCRETE

Singapore construction demand slowed down in year 2016, as the total construction demand moderated to a preliminary estimate of S$26.1 billion in 2016, from S$27 billion in 2015, due to re-scheduling of major projects such as Deep Tunnel Sewage System Phase 2 (DTSS 2), Circle-line 6 and North-South Corridor, as longer preparation time needed to implement these large-scale projects. With the anticipation of these mega infrastructure projects, total civil engineering construction demand is forecasted to increase from S$9.4 billion in 2016 to between S$11.3 billion and S$14.6 billion in 2017.

Against the backdrop of falling rental and rising vacancy, the outlook for private residential demand remains challenging amid current economic conditions. Thus total private residential construction demand is projected to stay soft at between S$2.1 billion and S$2.9 billion in 2017 compared to S$3.1 billion in 2016. Total industrial construction demand is projected to increase from S$3.3 billion in 2016 to between S$4.2 billion and S$5.6 billion in 2017, supported by government effort to boost innovation and enhance land productivity in industrial space for manufacturing and logistic industries. Some notable upcoming projects in 2017 include HDB Defu industrial City, JTC Logistic Hub @ Gul and 4th desalination plant at Marina East.

SINGAPORE & MALAYSIA: INTEGRAL CEMENT & READY-MIX CONCRETE

According to the BCA Development Plans Survey conducted in Oct/Nov 2016 and assessment of prevailing market developments, the mid-point of 2017 total construction demand is forecasted at S$31.6 billion which is higher than the preliminary demand estimated for 2016. The total construction demand (excluding reclamation works) is projected to reach between S$28 billion and S$35 billion should all projects proceed according to the estimated award schedule.

In 2016, the total cement sales of EnGro were mainly attributed to demand from both public and private sectors comprising of cement supply to Housing Development Board ("HDB") project, Thomson-East Coast MRT project, Changi Airport Runway project and supply contracts with various ready-mix concrete ("RMC") companies.

EnGro continues to be at the forefront in research and development focusing on slag cement for stringent requirements which is increasingly challenging in the evolving construction sector. EnGro is committed to stay ahead by integrating the latest technology to maintain its leadership position in the industry. With this, EnGro shall continue to benefit from the anticipated increase in demand of blended cement for public infrastructure and ground improvement projects in coming years.

EnGro's RMC subsidiary, Top-Mix Concrete Singapore faced a challenging year in 2016. The weak property market and subdued construction sector was a tough challenge to the RMC industry. As a result, Top-Mix Concrete Singapore suffered lower sales revenue and margin squeeze. To counter the adverse situation, Top-Mix Concrete Singapore stepped up supply of high performance concrete as differentiation strategy. In 2016, Top-Mix Concrete Singapore secured projects such as Selarang Park Complex, 8 Storey General Industrial Warehouse Building at Buroh Lane, expansion of KPE/TPE Interchange and various Government projects.

In Malaysia, Top-Mix Concrete Malaysia performed well in 2016 with steady growth riding on the growth in Johor Bahru and Iskandar Development Region ("IDR"). With its good reputation and proven track record, Top-Mix Concrete Malaysia has supplied to various key and sizable projects such as One Bukit Senyum, Country Garden-Danga Bay, Country Garden-Forest City, R&F Princess Cove & Marina Cove, Capital City, D'Pristine of MCT, Puteri Cove Resort and other projects in IDR. In 2017, Top-Mix Concrete Malaysia plans to scale up to capture more projects in Johor and is expected to perform well in 2017.

	2012	2013	2014	2015	2016
Construction Demand, S$ billion	**28.1**	**35.8**	**37.7**	**27.2**	**26.1**
• Public Sector, S$ billion	9.3	14.8	19.7	14.0	15.8
• Private Sector, S$ billion	18.8	21.0	18.0	13.2	10.3

ENGRO'S EXTENSIVE RANGE OF ECO-FRIENDLY BUILDING MATERIALS HAD BEEN ACCORDED WITH SEC'S SINGAPORE GREEN LABEL SINCE 2007, AND SUBSEQUENTLY ALSO ACCORDED THE SGBC'S SINGAPORE GREEN PRODUCT LABEL ACCREDITATION

8 PRODUCTS | **4 PRODUCTS** | **2 PRODUCTS**

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

GGBS	GREEN CONCRETE	BLENDED CEMENT		BLENDED CEMENT
VCEM	DuraCrete	P4246S	P197A	P8000
		P4246	P197B	PreFine 60/80
			P197-4S	

CHINA:
SPECIALTY CEMENT

2016 ENDED IN A CHEERFUL NOTE

China's Gross Domestic Product (GDP) grew by 6.7 percent in 2016, down from 6.9 percent in 2015. Though 6.7 percent growth was the lowest since 1990, it is still a decent start for the government's newly set goal of 6.0 percent annual GDP growth through to 2020.

In 2016, EnGro's China GGBS (Ground Granulated Blastfurnace Slag) business began with a severe hangover from year 2015 in which EnGro's China GGBS business suffered its first ever loss. Against the backdrop of China transitioning into a "new normal" economic growth pace, the path ahead is uncertain as China continues to slow down due to a cooling property market and slow economic rebalancing of its smokestack industry overcapacity. China's pronounced efforts to cut domestic overcapacities in steel and cement industries could directly impact our GGBS operations.

No encouraging news was in sight for most part of the year and our GGBS business was tough as selling prices remained humdrum and cheerless. Things began to lighten in the last quarter and sentiments turned better after several positive events took place, such as the clamping down of backward and polluting cement plants and steel mills as well as the introduction and strict enforcement of regulations preventing overloading of cement tankers. The sharp increase in cement prices was also sustained by increased demand towards the close of the year. With the exception of our Tanglong JV in Tangshan, where it suffers from a perennial supply glut, our other GGBS JVs performed better than planned. By overcoming eight months of miserable performance, the last quarter brought in a decent profit, enabling our GGBS business to exceed projections set for 2016. Our total GGBS production reached 8.1 million metric tons in 2016 out of 10.2 million metric tons of installed capacity, included the new contribution from Qingdao Evergreen Materials & Technologies Co., Ltd ("Evergreen"). This represents an increase of 9 percent over the year before, a new high.

CHINA:
SPECIALTY CEMENT

MILESTONES ACHIEVED IN 2016

1) JINAN LUXIN LISTED ON THE NEW THIRD BOARD

Following the footstep of our Wuhan Wuxin JV, Jinan Luxin JV was successfully listed on the National Equities Exchange and Quotation (NEEQ) system or the New Third Board in 2016. On 2 June 2016, a bell ringing ceremony marking the debut of trading was attended by the senior management staff from both EnGro and Jinan Iron & Steel Group.

Bell ringing ceremony of Jinan Luxin listing on the New Third Board

2) STRATEGIC PROGRAMMES IDENTIFIED IN 2014/15 TO TRANSITION FROM "BUILDING SCALE" TO "PURSUIT OF EXCELLENCE":

- *Zibo Duoshan Eco-friendly Green Cement Production Project*
  Our inaugural Green Cement production plant in China leveraging on EnGro's technical know-how and experience in marketing and application of low carbon high quality slag cements in Singapore, was completed and commissioned in late 2016, aimed at capturing the still nascent yet rising demand for Green Cement and Green Concrete in view of China's commitment to tackle the severe pollution by the setting up of a National Carbon Market later this year.

- *EnGro GGBS+ e-Commerce Project to promote Green Building products to a wider range of users*
  In today's digital economy, EnGro plans to leverage on its digital platforms to promote GGBS and other products, to a wider range of users across China. The driving force behind this is the hope that making our quality products to professionals and researchers will facilitate the sharing and educating of the people concerned of the performance and environmental benefits of using Supplementary Cementitious Materials, such as GGBS, fly ash, in cement blends. Through the digital platform, it is believed that the concept of green building materials will get a new pair of wings in getting market acceptance at a much faster pace.

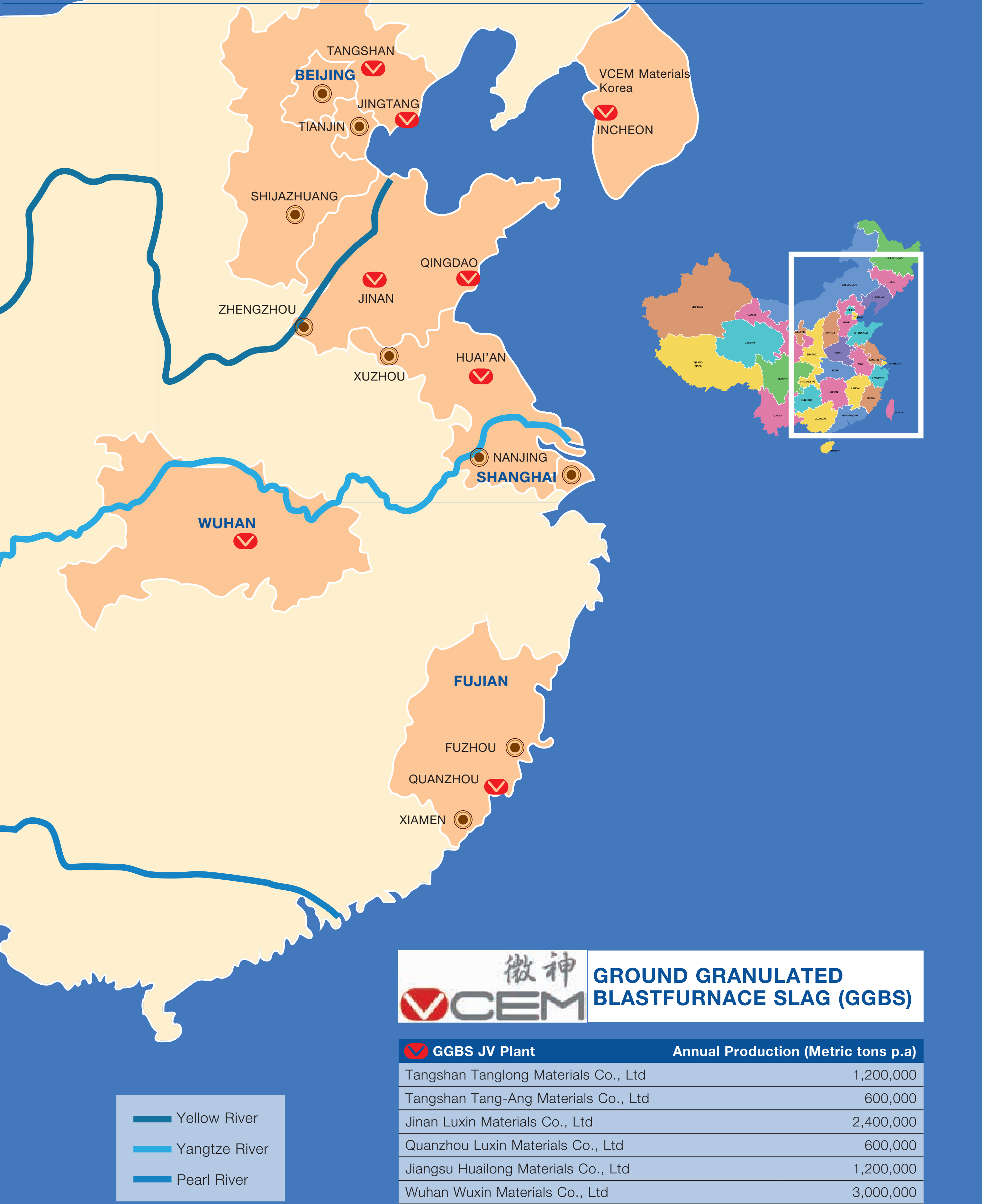
3) WUHAN WUXIN PERMEABLE BRICK AND PAVEMENT CONCRETE MAKING PLANT

In anticipation of the new demand for permeable bricks and concrete pavement products in Wuhan, one of the pilot sponge cities in China, Wuhan Wuxin JV began building a permeable bricks and concrete making plant with capacity of 1 million cubic metres of permeable concrete products per annum. The plant is due for commissioning in March 2017, supplying to the 'sponge city' program at Qingshan District in Wuhan.

4) TWO PRODUCTION LINES STARTED OPERATION TO CAPTURE THE INCREASING LOCAL MARKET DEMAND FOR GGBS IN QINGDAO

With the successful commissioning of Qingdao Iron and Steel ("QDIS") second blast-furnace in late October 2016, supply of raw slag from QDIS almost doubled. Since then Qingdao Evergreen JV has been able to run two production lines to capture the increasing demand in Qingdao for GGBS, thanks to the efforts made by the QDIS management in market development and brand building.

Duoshan Green Cement JV opening ceremony

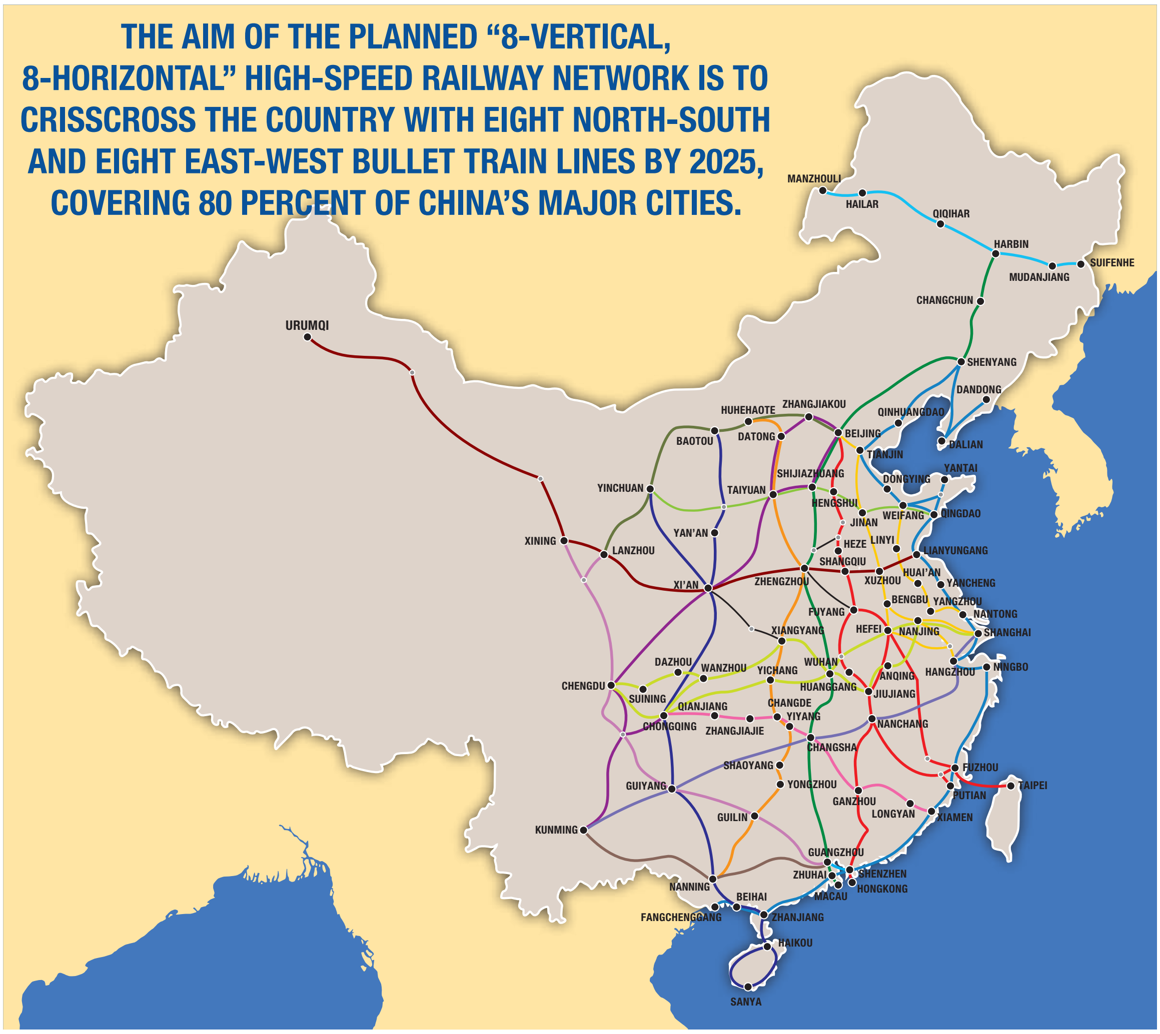


GROUND GRANULATED BLASTFURNACE SLAG (GGBS)

GGBS JV Plant	Annual Production (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	2,400,000
Quanzhou Luxin Materials Co., Ltd	600,000
Jiangsu Huailong 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)	500,000
Total GGBS Capacity	**10,700,000**

CHINA:
SPECIALTY CEMENT

CHINA HIGH SPEED TRAIN NETWORK MAP



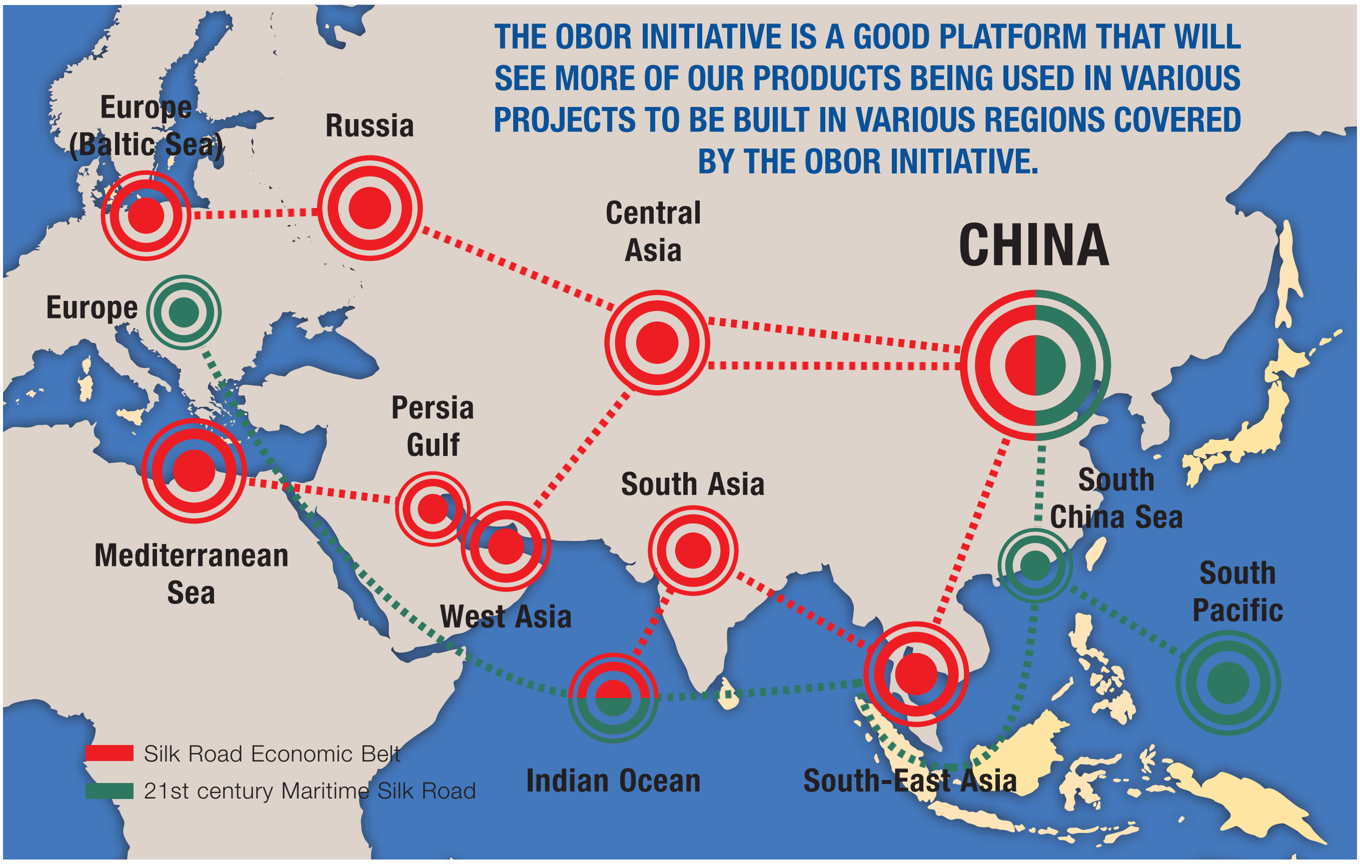
OUTLOOK 2017

China's economy is expected to show moderate growth this year due to a cooling property market and domestic economic rebalancing. During the recent National People's Congress meeting in Beijing, Premier Li Keqiang announced that China will target its GDP growth at 6.5 percent for 2017. A key area of which is the government plans to invest RMB35 trillion to expand the China's high-speed rail network by constructing another 10,000 kilometers by 2020, on top of the 20,000 kilometers currently in service. As a result, this would boost demand for our GGBS which had been used in the Beijing-Shanghai High Speed Railway project in the early years of China's high speed railway development. This is a sign that the high speed railway effect on the China economy has been more than proven.

In addition to the projects and developments of central government, several pieces of positive news are likely to help drive GGBS demands: A five-year plan (2016-2020) was issued by the State Council on 5 January 2017, setting a goal to cut energy consumption by 15 percent in 2020 compared with 2015. Recycling economy will be promoted, with the government supporting resource recycling companies and encourage the use of low carbon materials.

China has resolutely determined to ban the use of inferior quality Ordinary Portland Cement ("OPC") 32.5 grade cement, the main cause of overcapacity in the cement industry. By shutting down the production of OPC 32.5 grade cement, China's total cement output would drop by 340 million metric tons per annum, accounting for 11 percent of the total output. The elimination of OPC 32.5 grade cement shall be replaced by the wide spread use of 42.5 grade cement, a higher grade cement, which can be easily and economically produced from our GGBS.

ONE BELT, ONE ROAD INITIATIVE



THE NEW SILK ROAD ECONOMIC INITIATIVE OR ONE BELT, ONE ROAD

The "New Silk Road Economic Belt" first expressed in Kazakhstan in 2013 and later the "21st-century Maritime Silk Road" announced in Indonesia by Chinese President Xi Jinping, jointly known as One Belt, One Road (OBOR), is China's grand outwards economic collaboration by building a modern infrastructure network, connecting the old silk trade routes used centuries ago for carrying goods from China through Central Asia, Russia to Europe; and crossing by sea from coastal cities of China, transiting countries of South East Asia and then via the Straits of Malacca to reach East Asia countries and East Africa before reaching Europe via the Suez Canal.

Several major investments by China have already taken place. These include the China-Pakistan Economic Corridor, which is a collection of infrastructure projects currently under construction in Pakistan, worth US$54 billion. China has also roped in Bangladesh and Sri Lanka for its Maritime Silk Road initiative, creating a presence in the Indian Ocean Region. Recently, China's OBOR strategy has pushed into Southeast Asia, crystallising several mega-developments in our neighborhood; they include: construction of a new S$14 billion off-shore trading port in Malacca, called the Melaka Gateway, scheduled to complete by 2025 and expansion of Kuantan Port in preparation for the S$17.8 billion construction of Malaysia's East Coast Railway, financed by China and will begin in 2017. The 250-km line will connect ports on the east and west coasts of Peninsular Malaysia.

CHINA: SPECIALTY CEMENT

A VERY FLUID AND UNCERTAIN YEAR, BUT OPTIMISTIC CHINA GGBS WOULD DO REASONABLY WELL

Notwithstanding all the positive announcements and developments mentioned above, 2017 will remain challenging for EnGro's China GGBS business. The relocation of Jinan Iron and Steel mill to Rizhao announced last year will have a negative impact on Jinan Luxin JV's operation as availability of blastfurnace slag will be drastically reduced. One of Jinan Luxin JV's four slag grinding mills is being relocated to Rizhao Port along with Jinan Iron and Steel Group's migration. The loss of production in Jinan may prove to be more than compensated as Jinan Luxin JV's new location in Rizhao will allow it to elevate itself from a mere local supplier of GGBS to an the international market player.

Nevertheless, we shall continue to seek ways to cut cost, diversify our products and explore new areas for growth. In addition, we are actively and constantly looking out for local as well as international partners to expand our GGBS along the OBOR initiative. The overall positive development in the cement market resulting in GGBS price increases towards the close of year 2016 augurs well for our business; therefore, we remain cautiously confident that our China GGBS business will perform reasonably well in 2017.

SINGAPORE & CHINA: SPECIALTY POLYMER

In 2015, R&P transformed itself from a toll compounder for ExxonMobil Chemical ("EMC") to an independent compounder supplying its Thermoplastic Polyolefin ("TPO") to serve the automotive sector.

In 2016, the newly transformed R&P embarked on a growth path to expand its market share and win back former customers of EMC in China. Leveraging on its strong technical knowhow in manufacturing process and quality testing, R&P's TPO were successfully qualified by two major automotive customers in Asia.

A point worth mentioning is in 2016, R&P secured a foothold to supply to customers outside China. By end of 2016, R&P's TPOs were supplied to five countries in Asia, namely China, Japan, India, Thailand and Indonesia.

As a result, R&P's sales volume grew by 114 percent from a year ago and the business turnaround in 2016. The surge in sales was supported by China sales as consumers rushed to take advantage of a tax incentive expiring by end of 2016. According to the China Association of Automobile Manufacturers ("CAAM"), China's automotive market had a bumper year in 2016 as sales grew by 13.7 percent. China's automotive market, the world's largest, grew to 28 million vehicles in 2016.

Despite 2016 being a bumper year in China's automotive market, 2017 is expected to be a difficult one as the tax incentive has been rolled back amidst a slowdown of the broader Chinese economy. CAAM predicted that China's automotive market is likely to grow by a modest 5 percent in 2017 to 29.4 million vehicles.

To better serve its existing and future customers in China, R&P established a joint venture in June 2016 with its Chinese partner Shanghai Hop Zenith Chemical Trading Co., Ltd, to build a new production facility in Kunshan city, Jiangsu province of China. The production capacity of the new facility is 26,000 metric tons and the first production line has commenced operation in January 2017.

To sustain its competitiveness, R&P will optimise its valued supply chain partnerships and strengthen its product design capabilities to widen its product grade slate in preparation to serve more automotive OEMs, and future vehicle platforms.

R&P Kunshan Production Plant

INVESTMENTS

HI-TECH INVESTMENTS

In 2016, a total of US$69.1 billion was invested into 7,751 companies in the US venture capital ("VC") industry. Although lower than 2015's invested amount of US$78 billion, this is seem as a healthier and steadier pace of VC investing.

Going into 2017, the encouraging Initial Public Offering ("IPO") pipelines lined up and the public markets' positive reaction to the United States 2016 Presidential election results, bodes well for a good start into 2017.

Software companies continues to attract the bulk of venture investments at US$33 billion, being 48 percent of total invested capital. Emerging software verticals attracting investor interest are Artificial Intelligence, Robotics, Drones and Machine Learning.

On exit activities for 2016, most were via corporate acquisition as the IPO window had remained narrow with only 39 done. Recognising this, our VC fund managers responded to strategies leading to Mergers and Acquisition exits whenever the opportunity arises.

On our direct investments, **Green Koncepts** ("GK") had continued to innovate to differentiate its technology offering. In recognising this, GK had been successful in signing up with more partners to engage in various go-to-market initiatives to capture commercial opportunities. The long term prospects remains positive and even more exciting when GK starts to expand into the region as more and more corporations recognise the need to adopt energy management solutions.

PROPERTY INVESTMENT

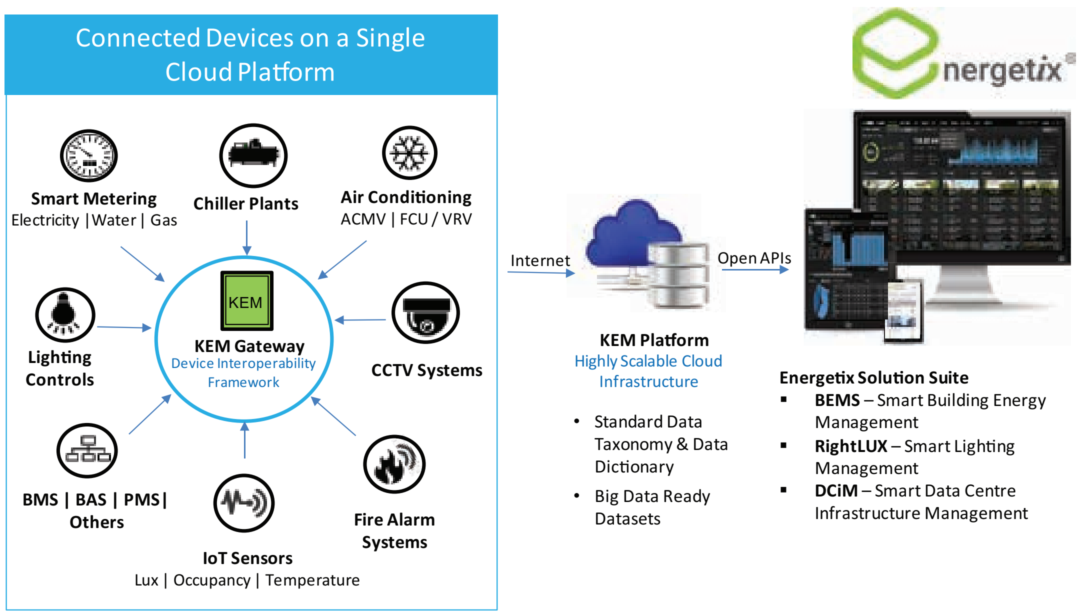
The unsold units of Turquoise in Sentosa have been leased out since Singapore Government's cooling measures were introduced in 2009. Occupancy and rental rates have been reasonably good despite residential property market remaining soft.

In China, take up rate for Nanhu Eco City project in Tangshan, Hebei province has improved remarkably over the past one year as selling price moved up. We remain cautiously optimistic that the marketing of this high-end residential project, integrated with commercial and entertainment, cum riding on co-branding of Yanlord and Ho Bee Land, given time, will yield results especially under the latest Central Government policy of pushing for Beijing-Tianjin-Hebei corridor, Tangshan has been earmarked to become a garden city within this corridor.

green koncepts
Making Energy Management Simple

Energetix™

Connecting the Urban Environment for Smarter Energy Management



CORPORATE SOCIAL RESPONSIBILITY

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

In June 2016, EnGro established an EnGro Scholarship program to support deserving undergraduates of the Singapore Institute of Technology ("SIT") who are pursuing full-time degree programmes in the areas of sustainable infrastructure engineering and systems engineering offered by SIT.

ENGRO DONATION TO SCO

On 22 October 2016, the Singapore Chinese Orchestra (SCO) held its 20th Fundraising Gala Dinner and Concert. During the occasion, SCO Patron, Prime Minister Lee Hsien Loong thanked donors and partners such as EnGro by presenting them with an intricately-made mini Yanqing (蝴蝶琴) for its donation in support of SCO to be a world renowned Chinese orchestra with a uniquely Singaporean character.

STAYING IN TOUCH WITH STUDENTS PREVIOUSLY SPONSORED BY ENGRO TO ATTEND 'THE MAYORS' CLASS' AT NATIONAL TECHNOLOGICAL UNIVERSITY

On 20 October 2016, EnGro organised a gathering in Huai'an between EnGro, Jiangsu Huailong senior management and Huai'an Chinese government officials, who were previously sponsored by EnGro to attend 'The Mayors' Class' at National Technological University.

FACILITATING TAMPINES JUNIOR COLLEGE'S ANNUAL CULTURAL IMMERSION PROGRAM

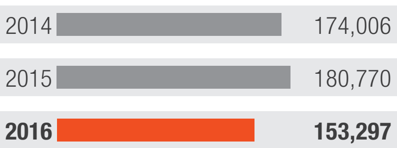
Since 2011, EnGro has been actively facilitating arrangements for students and teaching staff from Tampines Junior College ("TPJC") to visit our Jinan Luxin （济南鲁新）GGBS JV's production plant in Jinan, Shandong Province, as part of their annual twinning exchange programme with Jinan Experimental School. Jinan Luxin happily received a delegation of 27 TPJC students and teachers on 22 November 2016. The industrial visit provided them with an opportunity to understand how the GGBS is converted from a waste material to an environmental friendly product and used in construction projects, thus enabling them to appreciate what EnGro is doing to help create a sustainable, green and liveable environment.

FINANCIAL HIGHLIGHTS

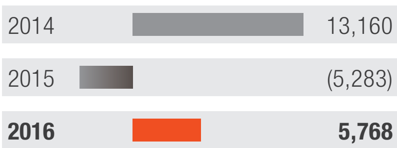
	FY2014	FY2015	FY2016
Consolidated Statement of Comprehensive Income (S$'000)			
Revenue	174,006	180,770	153,297
Profit/(loss) after tax	13,050	(5,445)	5,881
Profit attributable to owners	13,160	(5,283)	5,768
Statement of Financial Position (S$'000)			
Total assets	268,862	262,793	253,882
Net assets value	227,998	223,451	219,208
Per Share (Cents)			
Basic earnings	11.10	(4.45)	4.86
Net asset value	192	188	185
Net dividend	3.00	2.50	2.50

THREE-YEAR RESULTS **AT A GLANCE**

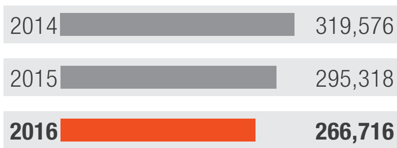
REVENUE
(S$'000)



PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS (S$'000)



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

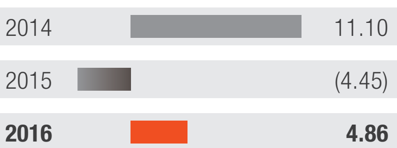


Revenue of Associates and Joint Ventures is calculated based on percentage of interest EnGro has in the Associates and Joint Ventures. Numbers are for illustration purpose only.

TOTAL ASSET
(S$'000)

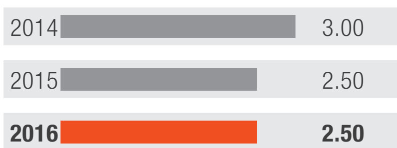
NET ASSET VALUE
(S$'000)

BASIC EARNINGS PER SHARE
(cents)



NET ASSET VALUE PER SHARE
(cents)

NET DIVIDEND PER SHARE
(cents)



CORPORATE
GOVERNANCE REPORT

EnGro Corporation Limited (the “Company”) is committed to achieving a high standard of corporate governance within the Company and its subsidiaries (the “Group”), to promote corporate transparency and to enhance shareholder value. This report describes the Company’s corporate governance processes and activities with specific reference to the Code of Corporate Governance 2012 (the “Code”) issued on 2 May 2012, which forms part of the continuing obligations of the Listing Rules of the Singapore Exchange Securities Trading Limited (“SGX-ST“).

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

BOARD MATTERS

The Board’s Conduct of its Affairs

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

Guidelines of the Code	Corporate Governance Practices of the Company
1.1	The Board’s principal functions include, among others, supervising the overall management and performance of the business and affairs of the Group and approving the Group’s corporate and strategic policies and direction.
1.2	All directors exercise due diligence and independent judgement, and are obliged to act in good faith and in the best interests of the Company.
1.3	To assist the Board in executing its duties, the Board has delegated specific functions to the Audit Committee (“AC”), the Nominating Committee (“NC”) and the Remuneration Committee (“RC”) (together “Board Committees” and each a “Board Committee”). Each of these Board Committees has its own written terms of reference and its actions are reported to and monitored by the Board. Minutes of the Board Committee meetings are available to all Board members.
1.4	The Board has held meetings for particular and specific matters as and when required. A record of the directors’ attendance at meetings of Board and Board Committees for the financial year ended 31 December 2016 (“FY2016”), as well as frequency of such meetings, is set out in **Table 1**.
1.5	Matters which are specifically reserved for the Board’s approval include, among others, 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 direction and management of the Group through quarterly review of the financial performance of the Group and the Company. In addition to establishing the limits of the discretionary powers of the officers and committees, the Board reviews the adequacy of risk management systems and internal controls.
1.6	New directors, upon appointment, are briefed on the business and organisation structure of the Company. There are update sessions to inform the directors on new legislation and/or regulations that are relevant to the Group.

CORPORATE GOVERNANCE REPORT

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

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

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

No new director was appointed during the year under review.

Board Composition and Guidance

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

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

2.1 The Board comprises five directors, two of whom are executive directors and three of whom are independent non-executive directors. There is an independent element on the Board, with independent directors constituting more than half of the Board.

A summary of the current composition of the Board and its committee is set out in **Table 2**.

2.2 Although the Chairman of the Board and the CEO of the Company is the same person, there is a strong independent element on the Board, with more than half of the Board comprising independent directors.

2.3 The NC, which reviews the independence of each director on an annual basis, adopts the Code's definition of what constitutes an independent director.

2.4 Concerning the independence of Directors who have served on the Board beyond nine years, the Board had rigorously reviewed the performance, character and background of Mr Ng Tat Pun and Mr Soh Kim Soon (both being long serving and are familiar with the Company's history, business as well as with management). Each of the aforesaid directors had exercised strong independent judgement in their deliberations in the interests of the Company and maintained their objectivity and independence at all times in the discharge of their duties as director. The Board is satisfied with the independence of character and judgement of both Mr Ng Tat Pun and Mr Soh Kim Soon notwithstanding their more than nine years of service on the Board.

CORPORATE **GOVERNANCE REPORT**

The Board is aware of the need for progressive refreshing of the Board. Due to the complexity of the Group's businesses, the retirement of its long serving directors will be paced to avoid an abrupt loss of members with the relevant experience.

2.5 The Board considers that the present Board size is appropriate, taking into account the nature and scope of the Group's operation. The Board comprises directors who as a group provide core competencies, such as business and management experience, industry knowledge, financial and strategic planning experience and knowledge that are necessary and critical to meet the Group's objectives.

2.6 The Board recognises the importance of an appropriate balance and diversity of skills, experience, gender, knowledge and professional qualifications in building an effective Board. To this end, the NC reviews the Board's collective skills matrix regularly.

As a group, the directors bring with them a broad range of expertise and experience in areas such as accounting, finance, business and management experience, industry knowledge, strategic planning and customer-based experience and knowledge. The diversity of the directors' experience allows for the useful exchange of ideas and views.

2.7 The non-executive directors aim to assist in the development of proposals on strategy by constructively challenging Management. The non-executive directors would also review the performance of Management in meetings.

2.8 Where warranted, the Non-Executive Directors meet without the presence of the executive directors or Management to review any matters that must be raised privately.

Chairman and Chief Executive Officer

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

Guidelines of the Code	Corporate Governance Practices of the Company
3.1	Mr Tan Cheng Gay currently fulfills the roles of Chief Executive Officer (the "CEO") and Chairman of the Board (the "Chairman"). As the CEO, Mr Tan is supported by the management team to manage and oversee the overall operations and business performance of the Group. As Chairman, he sets the long-term vision, leadership and strategic direction for the Group. The Board has not adopted the recommendation of the Code to have separate directors appointed as the Chairman and the CEO. This is because the Board is of the view that there is a sufficiently strong independent element on the Board to enable independent exercise of objective judgement on corporate affairs of the Group.
3.2	As the Chairman and CEO, he, with the assistance of the Company Secretary and Management, schedules Board meetings as and when required and prepares the agenda for Board meetings. In addition, he sets guidelines on and ensures quality, quantity, accurateness and timeliness of information flow between the Board, Management and shareholders of the Company. He encourages constructive relations between the Board and Management and between the executive directors and the independent directors. He also takes a leading role in ensuring the Company's drive to achieve and maintain a high standard of corporate governance practices.

CORPORATE GOVERNANCE REPORT

As Chairman, he is responsible for, amongst other things, exercising control over the quality, quantity and timeliness of the flow of information between the management of the Company (the "Management") and the Board, and assisting in ensuring compliance with the Company's guidelines on corporate governance.

3.3 The Board has appointed Mr Soh Kim Soon ("Mr Soh"), an independent and non-executive director, as the Lead Independent Director on 5 August 2013. Mr Soh will be available to address shareholders' concerns when contact through the normal channels of the Chairman, the CEO or the Chief Financial Officer (or equivalent) has failed to provide a satisfactory resolution or when such contact is inappropriate.

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

Board Membership

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

Guidelines of the Code	Corporate Governance Practices of the Company
4.1	The NC, regulated by a set of written terms of reference, comprises two independent non-executive directors as well as an executive director. The lead independent director is the Chairman of the NC. The Board is of the view that the inclusion of an executive director in the NC would facilitate discussions at the NC meetings. The names of the members of the NC are disclosed in **Table 2**.
4.2	The principal functions of the NC is to establish a formal and transparent process for: (a) reviewing nominations of new Director appointments based on selection criteria such as incumbent's credentials and his skills and contributions required by the Company; (b) reviewing and recommending to the Board the re-election of Directors in accordance with the Company's Articles of Association; (c) determining annually whether a Director is "independent", guided by the independent guidelines contained in the Code; (d) deciding whether a Director is able to and has adequately carried out his duties as a Director of the Company, in particular whether the Directors concerned have multiple board representations or if they are in conflict with the interest of the Company; and (e) deciding how the Board's performance may be evaluated and propose objective performance criteria.

CORPORATE **GOVERNANCE REPORT**

4.3 The NC reviews annually the independent declarations made by the Company's independent non-executive directors based on the criterion of independence under the guidelines provided in the Code. The NC has ascertained the independence of each director for FY2016 in accordance with the Code's definition of independence and is satisfied that Mr Ng Tat Pun, Mr Soh Kim Soon and Mr Ronnie Teo Heng Hock remain as independent non-executive directors of the Company.

The Board having reviewed the performance, character and background of each independent non-executive director, considers Mr Ng Tat Pun, Mr Soh Kim Soon and Mr Ronnie Teo Heng Hock to be independent since they do not have any existing business or professional relationships with the Group or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment.

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

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

4.5 No alternate director has been appointed to the Board.

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

Board Performance

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

Guidelines of the Code	Corporate Governance Practices of the Company
5.1	The NC is responsible for assessing the effectiveness and performance of the Board. The assessment parameters include the evaluation of the Board composition, size and expertise, timeliness of information flow and quality of information to the Board, Board pro-activeness, Board accountability and oversight, functioning of the Board Committees as well as standards of conduct. For FY2016, the NC reviewed the performance of the Board based on the aforesaid parameters.
5.2	The annual evaluation exercise provides an opportunity to obtain constructive feedback from each Director on whether the Board's procedures and processes had allowed him to discharge his duties effectively and to propose changes which may be made to enhance the Board effectiveness as a whole as well as the efficiency and effectiveness of the Board Committees in assisting the Board.
5.3	The NC members were in consensus that there is no necessity to go through the formal process of evaluating their fellow director's performance on an individual basis. There were no issue with fellow members' regularity of attendance at meetings, their objectivity, competencies, time commitment and their readiness to contribute at meetings. Any disagreement between fellow directors would be ironed out at the Board meeting. Although the Directors are not evaluated individually on a formal basis, the factors taken into consideration with regard to the re-nomination of Directors for the current year are based on their attendances, commitment of time and contributions made at meetings of Board and Board committees as well as general meetings.

Access to Information

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

Guidelines of the Code	Corporate Governance practices of the Group
6.1 & 6.2	The members of the Board were provided with financial information, as well as relevant background information and documents relating to items of business to be discussed at a Board meeting before the scheduled meeting. Apart from keeping the Board informed of all relevant new laws and regulations, the Company also has an on-going orientation program for non-executive Board members to familiarise and update themselves with the Group's operations.

CORPORATE GOVERNANCE REPORT

6.3 Directors have separate and independent access to the Company Secretary at all times. The Company Secretary attends all Board meetings, provides corporate secretarial support to the Board and ensures adherence to Board procedures and relevant rules and regulations which are applicable to the Company. The Company Secretary assists the Chairman by preparing meeting agendas, attending Board and Board Committee meetings and preparing minutes of board proceedings. Under the direction of the Chairman, the Company Secretary, with the support of the management staff, ensures good information flows within the Board and the Board Committees and between senior management and non-executive directors.

6.4 The appointment and removal of the Company Secretary is subject to the approval of the Board.

6.5 The Board (whether individually or as a group) has, in the execution of its duties, access to independent professional advice, if necessary, at the Company's expense.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

Guidelines of the Code	Corporate Governance Practices of the Company
7.1	The RC, regulated by a set of written terms of reference, comprises three independent non-executive directors. The names of the members of the RC are disclosed in **Table 2**.
7.2	According to the terms of reference of the RC, the functions of the RC include, amongst others, the setting up and implementation of formal and transparent processes by which the remuneration packages of all the executive directors (in the form of service agreements) are formulated and approved. The RC has access to outside expert advice on all remuneration matters at the Company's expense. No director or member of the RC has been involved in deciding his own remuneration, except for providing information and documents specifically requested by the RC to assist it in its deliberations.
7.3	An independent remuneration consulting firm was engaged in 2013 to advise on the remuneration structure and process of the Group's compensation systems, both at Company level and at individual level (i.e. the key executive level). In addition, the long term incentive schemes (share option schemes) of the Company were also reviewed.
7.4	According to the service agreement of the CEO: i. the term of service shall continue until terminated by either party in accordance with the terms of the agreement; and ii. there are no onerous compensation commitments on the part of the Company in the event of an early termination of the service of the CEO.

CORPORATE GOVERNANCE REPORT

Level and Mix of Remuneration

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

Guidelines of the Code	Corporate Governance Practices of the Company
8.1	<u>**ANNUAL REMUNERATION REPORT**</u> **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 fee for being a member of the NC. Based on the recommendation of the independent remuneration consulting firm, the RC has accepted and recommended to the Board the adoption of the performance measures, targets and hurdles for key management personnel.
8.2	The Company obtained shareholders' approval in FY2011 to implement a performance share award scheme (called the "EnGro Corporation Limited Performance Share Award Scheme") and an employee's share option scheme (called the "EnGro Corporation Limited 2011 Employees' Share Option Scheme"), where both schemes are administered by the RC. As at the date of this report, no award or share options have been granted to either the CEO or the other executive director, both of whom are entitled to participate in these two schemes subject to the rules and limits set out therein.
8.3	**POLICY IN RESPECT OF NON – EXECUTIVE DIRECTORS' REMUNERATION** In reviewing the recommendation for independent non-executive directors' remuneration for FY2016, 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 of Lead Independent Director. The fees take into consideration the amount of time and effort that each Board member may be required to devote to their role. Save for directors' fees, which have to be approved by the shareholders at every annual general meeting ("AGM"), the independent non-executive directors do not receive any other forms of remuneration from the Company.
8.4	In setting remuneration packages, the Company takes into consideration the remuneration and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the individuals.

CORPORATE
GOVERNANCE REPORT

Disclosure on Remuneration

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

Guidelines of the Code	Corporate Governance Practices of the Company
9.1 Also Rules 1207(12) to 1207(15) of the SGX-ST Listing Rules	**LEVEL AND MIX OF REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (WHO ARE NOT ALSO DIRECTORS OR THE CEO) FOR THE YEAR ENDED 31 DECEMBER 2016** Although the remuneration of each director and the top five key management personnel are not fully disclosed, the Company discloses their remuneration in bands of S$250,000 and also discloses in aggregate the total remuneration paid to the directors and the top five key management personnel. The compensation structure for the key management personnel of the Group consists of three key components – fixed salary, bonus and other benefits. **Table 4** and **Table 4A** sets out the breakdown of the remuneration of the directors and the top five key management personnel for FY2016, respectively.
9.2 & 9.3	Regarding the Code's recommendation to fully disclose the remuneration of directors and the top five key management personnel, given the highly competitive environment it is operating in and the confidentiality attached to the remuneration matters, the Company believes that disclosing remuneration in bands of S$250,000 and disclosing in aggregate the total remuneration paid to the directors and the top five key management personnel provide sufficient overview of the remuneration of directors and the top five key management personnel.
9.4	**REMUNERATION OF EMPLOYEES WHO ARE IMMEDIATE FAMILY MEMBERS OF A DIRECTOR OR THE CHIEF EXECUTIVE OFFICER** Save as disclosed in Table 4, there is no immediate family member (defined in the SGX-ST Listing Manual) as the spouse, child, adopted child, step-child, brother sister and parent) of a director or the CEO in the employment of the Company whose annual remuneration exceeded S$50,000 during FY2016.
9.5	The Circular to Shareholders containing the details of the EnGro Corporation Limited Performance Share Award Scheme and the EnGro Corporation Limited 2011 Employees' Share Option Scheme are available to shareholders upon their request.
9.6	Matters which are required to be disclosed in the annual remuneration report have been sufficiently disclosed in this report under Principles 7, 8 and 9 and in the financial statements of the Company and the Group.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Accountability

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

Guidelines of the Code	Corporate Governance Practices of the Company
10.1	The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects when presenting quarterly and other price-sensitive public reports and reports to regulators (if required). The Group prepares its financial statements in accordance with the Singapore Financial Reporting Standards ("SFRS") prescribed by the Accounting Standards Council. The Company releases its quarterly and full-year financial results through announcements to the SGX-ST.
10.2	In its interim quarterly financial statements announcements, the Board provides a negative assurance statement confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect. The Company has also procured undertakings from all its directors and executive officers in compliance with Listing Rule 720(1).
10.3	Management had provided each member of the Board with management accounts on a quarterly and monthly basis so that they will be better informed on how the Group and Company are performing. The CEO and the Chief Financial Officer ("CFO") provide assurance to the Board on the integrity of these financial statements through a written representation.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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(b) the audit processes;

(c) the review of internal and external audit plans; and

(d) the review of significant issues arising from internal and external audits.

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

11.3 Based on the Group's framework of management controls in place; the internal control policies and procedures established and maintained by the Group; the work performed by the internal and external auditors and the documentation on the Group's key risks referred to above, reviews performed by Management, the AC and the Board, the Board with the concurrence of AC is of the opinion that the risk management and internal control systems within the Group, addressing the financial, operational, compliance and information technology risks, are adequate and effective as at 31 December 2016.

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

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

AUDIT COMMITTEE

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

Guidelines of the Code	**Corporate Governance Practices of the Company**
12.1	The AC, regulated by a set of written terms of reference, comprises three members, all of whom are Independent Non-Executive Directors. The names of the members of the AC are disclosed in **Table 2**.
12.2	The AC has three members namely Mr Ng Tat Pun, Mr Soh Kim Soon and Mr Ronnie Teo Heng Hock, who have accounting or related financial management expertise or experience.
12.3	The AC has full access to and full co-operation of the Management and external auditors. It also has the full discretion to invite any director or executive officer to attend its meetings. The AC also has the power to conduct or authorise investigations into any matters within its terms of reference.

CORPORATE GOVERNANCE REPORT

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

(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 SGX-ST;

(iv) reviews the adequacy of (a) Internal Audit ("IA") function's activities to ensure that IA has adequate resources and appropriate standing within the Company and (b) the internal audit programme and (c) ensures co-ordination between the internal auditors, external auditors and Management; and

(v) ensures that IA meets the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

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

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

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

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

12.6 The amount of audit and non-audit fees paid to the external auditors in FY2016 is disclosed on Page 107 of the Annual Report.

The AC has reviewed the non-audit services (mainly tax compliance) provided by the external auditors to the Group in FY2016 and is satisfied that such services would not impair the independence of the external auditors in their conduct of the statutory audit.

CORPORATE GOVERNANCE REPORT

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

12.8 **Summary of AC's activities in FY2016**

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.

<u>Financial reporting and significant financial judgement</u>

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

CORPORATE GOVERNANCE REPORT

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

Matters Considered	Action
Valuation and impairment of non-financial assets – S$115.8m (45% of Group's total assets)	The AC considered the approach and methodology applied to the valuation and impairment assessment of the non-financial assets of the Group. The AC discussed with external auditors on their review of the reasonableness and relevance of the assumptions used in the assessment. 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 concurred with the management's conclusion that no impairment losses are required.
Valuation of available-for-sale financial assets – S$17.1m (7% of Group's total assets)	The AC considered the methodology applied to the valuation assessment of the available-for-sale financial assets comprised mainly investments in Venture Capital Funds ("VCFs") The AC has also obtained understanding on the work performed by the external auditors. The AC was satisfied that the fair values of VCFs recorded are consistent with the latest available valuation reports issued by the professional fund managers.
Valuation of trade receivables – S$35.3m (14% of Group's total assets)	The AC assessed the recoverability of the trade receivables by considering the improvement in the trade receivables' aging, the historical default rate and the post year end collection. The AC also considered the findings presented by the external auditors with reference to review of key controls over trade receivables. The above procedures provided the AC with the assurance on the approach and conclusion drawn by the management on the impairment allowance of the trade receivables.

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Internal Audit

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

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

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

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

Guidelines of the Code	Corporate Governance Practices of the Company
14.1	The Company is committed to regular and timely communication with shareholders as part of the organisation's development to build systems and procedures that will enable the Group to compete internationally. The Company strives to maintain a high standard of transparency and to promote better investor communications. It aims to provide investors with clear, balanced and useful information, on a timely basis, about the Group's performance, financial position and prospects.
14.2	Management supported the Code's principle to encourage shareholder participation. Shareholders are encouraged to attend the AGM to ensure a high level of accountability and to stay informed of the Company's strategy and goals. Notice of the AGM is despatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 days or 21 days, as the case may be, before the meeting. The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at the AGM.
14.3	The Constitution of the Company allow each shareholder to appoint up to two proxies to attend AGMs.

CORPORATE GOVERNANCE REPORT

On 3 January 2016, the legislation was amended, amongst other things, to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

COMMUNICATION WITH SHAREHOLDERS

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

Guidelines of the Code	Corporate Governance Practices of the Company
15.1	The Company provides sufficient and regular information to its shareholders on a timely and fair basis regarding its business developments and financial performance that could have a material impact on the price or value of its shares. The Board embraces openness and transparency in the conduct of the Company's affairs, whilst safeguarding its commercial interests.
15.2	The Company does not practise selective disclosure. In line with continuous obligations of the Company pursuant to the SGX-ST Listing Manual and the Companies Act (Cap 50) of Singapore, the Board's policy is that all shareholders should be equally and timely informed of all major developments that will impact the Company or the Group. Information is communicated to shareholders on a timely basis through the Singapore Exchange Network (the "SGXNET") and the press.
15.3	The Board welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad hoc basis. At AGMs, shareholders are given the opportunity to air their views and to ask the Directors and Management questions regarding the Group.
15.4	The Company has adopted quarterly reporting of its financial results since FY2003. Accordingly, in FY2015, quarterly financial results of the Company were published via SGXNET.
15.5	The Company's seeks to balance dividend return to shareholders with the need for long-term sustainable growth whilst aiming for an efficient capital structure. The declaration of a first and final tax-exempt (1-tier) dividend of 2.5 cents per ordinary share has been proposed for FY2016.

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GOVERNANCE REPORT

CONDUCT OF SHAREHOLDER MEETINGS

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

Guidelines of the Code	Corporate Governance Practices of the Company
16.1	In general meetings, shareholders are given the opportunity to communicate their views and direct questions to Directors and Management regarding the Company. The Chairpersons of Board Committees are present at the AGM and other general meetings of shareholders, to assist the Board in addressing shareholders' questions. The minutes of AGM are available to shareholders upon their request. Shareholders have the opportunity to participate effectively and to vote in the AGM either in person or by proxy. The Company is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.
16.2	Resolutions to be passed at general meetings are always separate and distinct in terms of issue and are consistent with the Code's recommendation that companies avoid 'bundling' resolutions unless the resolutions are interdependent and linked so as to form one significant proposal.
16.3	The Chairpersons of the AC, NC and RC are also present and available to address to questions raised. In addition, the external auditors are present at AGMs to address queries, if any, on the conduct of the audit and the preparation and content of the Auditors' Report.
16.4 & 16.5	To have greater transparency in the voting process, with effect from FY2013, the Company conducts the voting of all its resolutions by poll at its AGM. The detailed voting results of each of the resolutions tabled are announced on the same day after the meetings. The total numbers of votes cast for or against the resolutions are also announced after the meetings via SGXNET.
Rule 1207(19) of the SGX-ST Listing Rules	**DEALING IN SECURITIES** An internal code, which complies with Rule 1207(19) of the Listing Manual of the SGX-ST, with respect to dealings in securities of the Company, has been issued to Directors and officers. The Company's Directors and officers are not allowed to deal in the Company's shares within two weeks before the announcement of its results for the first three quarters of the year. The Directors and officers are not allowed to deal in the Company's shares one month before the announcement of its full year results. Directors and officers are not expected to deal in the Company's securities on considerations of a short-term nature. Directors and officers are required to observe insider trading provisions under the Securities and Futures Act at all times even when dealing in the Company's securities within the permitted periods. Directors of the Company are required to report all dealings to the Company Secretary.

CORPORATE GOVERNANCE REPORT

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

MATERIAL CONTRACTS

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

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

INTERESTED PERSON TRANSACTION ("IPT")

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

During the year under review, there have been no material interested person transactions requiring disclosure pursuant to the SGX-ST Listing Manual.

No IPT Mandate has been obtained from shareholders.

TABLE 1 – ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS FOR FY2016

	Board of Directors		Nominating Committee		Audit Committee		Remuneration Committee	
	Number of Meetings							
Directors	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Tan Cheng Gay	5	5	–	–	–	–	–	–
Tan Yok Koon	5	5	1	1	–	–	–	–
Ronnie Teo Heng Hock	5	5	1	1	4	4	1	1
Ng Tat Pun	5	5	–	–	4	4	1	1
Soh Kim Soon	5	5	1	1	4	4	1	1

TABLE 2 – BOARD AND BOARD COMMITTEES FOR FY2016

	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				
Ng Tat Pun	Member	–	Chairman	Member
Soh Kim Soon (also Lead Independent Director)	Member	Chairman	Member	Member
Ronnie Teo Heng Hock	Member	Member	Member	Chairman

CORPORATE GOVERNANCE REPORT

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

Name of Director	Age	Date of initial appointment	Date of last re-election/ re-appointment	Present directorships in listed companies	Past (preceding 3 years) directorships in listed companies
Tan Cheng Gay	70	27/11/1973	28/04/2015	EnGro Corporation Limited	–
Tan Yok Koon	68	17/05/1974	29/04/2014	EnGro Corporation Limited	–
Ng Tat Pun	72	01/07/2002	29/04/2016	1) EnGro Corporation Limited 2) Thai Beverage Public Company Ltd 3) Sing Investments & Finance Limited	–
Soh Kim Soon	71	19/11/2002	29/04/2016	1) EnGro Corporation Limited 2) Frasers Centrepoint Asset Management Ltd	–
Ronnie Teo Heng Hock	68	05/01/2012	29/04/2016	1) EnGro Corporation Limited 2) Uni-Asia Holdings Limited	New Toyo International Holdings Ltd

TABLE 4 – REMUNERATION OF DIRECTORS

The breakdown of the total remuneration of the Directors of the Company for the year ended 31 December 2016 is set out below:

Name of Directors	Position	Breakdown of Remuneration in Percentage (%)					Actual Total Remuneration in Compensation Bands of S$250,000
		Directors' Fee	Salary %	Bonus %	Other Benefits %	Total %	
Tan Cheng Gay	ED	–	89	7	4	100	500,000 – 749,999
Tan Yok Koon	ED	1	53	17	29	100	500,000 – 749,999
Ronnie Teo Heng Hock	NEID	100	–	–	–	100	<250,000
Ng Tat Pun	NEID	100	–	–	–	100	<250,000
Soh Kim Soon	NEID	100	–	–	–	100	<250,000
The Aggregate Total Remuneration (S$'000) of Directors						1,379	

Notes

ED: Executive Director
NEID: Non-Executive Independent Director

CORPORATE GOVERNANCE REPORT

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

The breakdown of total remuneration of the top 5 key management personnel (who are not also Directors or the CEO) of the Group for the year ended 31 December 2016 is set out below:

Name of Top 5 Management Personnel	Position	Breakdown of Remuneration in Percentage (%)				Actual Total Remuneration in Compensation Bands of S$250,000
		Salary %	Bonus %	Other Benefits %	Total %	
Ho Pol Lim Eugene	Senior General Manager Building Materials	71	24	5	100	250,000 – 499,999
Len Cheng	Chief Financial Officer	80	15	5	100	250,000 – 499,999
Chen En Yi	General Manager Specialty Cement	74	23	3	100	<250,000
Wong Toon Hong	Manager, Strategic Business Unit	82	16	2	100	<250,000
Vincent Loh	Manager, Knowledge Management & Business Development	63	32	5	100	<250,000
The Aggregate Total Remuneration (S$'000) of Top 5 Key Management Personnel					1,250	

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.

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2016

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 2016.

In our opinion:

(a) the financial statements set out on pages 54 to 128 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

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

Tan Cheng Gay	Executive Chairman
Tan Yok Koon	Executive Director
Ng Tat Pun	Independent and Non-executive Director
Soh Kim Soon	Lead Independent and Non-executive Director
Ronnie Teo Heng Hock	Independent and Non-executive Director

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 ("the Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares and share options 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		
– direct interests held		
Tan Cheng Gay	636,750	636,750
Tan Yok Koon	366,000	366,000
Soh Kim Soon	46,500	46,500
– deemed interests held		
Tan Cheng Gay	16,500,500	16,500,500
Tan Yok Koon	15,674,500	15,674,500

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

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2016

Directors' interests (Continued)

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2017.

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), Soh Kim Soon and Ng Tat Pun.

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 S$0.75 per share (Option 1), S$1.17 per share (Option 2) and S$0.55 per share (Option 3).

(c) The options can be exercised after 1 December 2007 (Option 1), 8 January 2009 (Option 2) and 30 March 2010 (Option 3).

(d) The options granted shall expire on 1 December 2016 (Option 1), 8 January 2018 (Option 2) and 30 March 2019 (Option 3).

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

(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), Soh Kim Soon and Ng Tat Pun.

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 S$0.79 per share.

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2016

Share options (Continued)

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

(c) The option can be exercised after 18 April 2013.

(d) The option granted shall expire on 18 April 2022.

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

Date of grant of options	Exercise price per share	Options outstanding at 1 January 2016	Options exercised	Options forfeited	Options outstanding at 31 December 2016	Number of option holders at 31 December 2016	Exercise period
ESOS 2000*							
01/12/2006	S$0.75	287,500	(145,000)	(142,500)	–	–	02/12/2007 – 30/11/2016
08/01/2008	S$1.17	740,000	–	–	740,000	8	09/01/2009 – 07/01/2018
		1,027,500	(145,000)	(142,500)	740,000		
ESOS 2011							
18/04/2012	S$0.79	205,000	–	–	205,000	5	19/04/2013 – 17/04/2022
		1,232,500	(145,000)	(142,500)	945,000		

* *No further options will be granted under ESOS 2000.*

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

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

Except as disclosed above, there were no unissued shares of the Company or its subsidiary corporations under options granted by the Company or its subsidiary corporations as at the end of the financial year.

Audit Committee

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

Ng Tat Pun (Chairman)
Soh Kim Soon
Ronnie Teo Heng Hock

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

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2016

Audit Committee (Continued)

The Audit Committee has held four meetings since the last directors' statement. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

(i) effectiveness of the management of financial business risks and the reliability of management reporting;

(ii) assistance provided by the Company's officers to the internal and external auditors;

(iii) quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and

(iv) interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

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

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

30 March 2017

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
ENGRO CORPORATION LIMITED

REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of EnGro Corporation Limited ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, 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 54 to 128.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 ("the Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

INDEPENDENT **AUDITORS' REPORT**

MEMBERS OF THE COMPANY
ENGRO CORPORATION LIMITED

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

The key audit matter

As at 31 December 2016, the Group's net asset value exceeded its market capitalisation by approximately $120 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, and property, plant and equipment (PPE), account for approximately 45% of the Group's total assets.

In accordance with FRS36 *Impairment of Assets*, the Group performed an assessment of the recoverable amounts of the Group's non-financial assets as at the reporting date for the Group's significant cash generating units (CGUs), comprising five CGUs with a total PPE carrying amount of S$14.3 million and carrying amount of investment in associates and joint ventures of S$101.1 million.

The recoverable amounts of these CGUs have been derived using their values in use. Various assumptions which involve estimates and judgements made by the Group are used in the value in use calculations. These estimates and judgements include revenue growth, selling price growth and the discount rates.

How the matter was addressed in our audit

We considered management's assessment of those cash generating units ("CGUs") with indicators of impairment. For those CGUs with indicators 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 sales volume growth rate, selling price growth rate and discount rate by comparing to historical sales data and market data drawn from independent data sources.

Our findings

We found that the Group's CGUs with impairment indicators have been appropriately identified. The key assumptions used in the value in use calculations were balanced in comparison with the Group's historical performance against market data. We found the disclosures of the inherent estimation uncertainty to be proportionate with respect to the assumptions in the value in use calculations.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
ENGRO CORPORATION LIMITED

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

The key audit matter

The Group has significant investments in available-for-sale financial assets. These investments comprise mainly investments in Venture Capital Funds ("VCFs").

For investments in VCFs, the fair values are based on the valuation of the underlying assets, which consist of quoted and unquoted debt and equity securities. For certain unquoted debt and equity securities, there are unobservable inputs used in the determination of fair value.

The valuation of these investments requires the use of expertise and judgement.

How the matter was addressed in our audit

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

Our findings

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

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
ENGRO CORPORATION LIMITED

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

The key audit matter

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

How the matter was addressed in our audit

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

Our findings

Our testing of control did not identify weaknesses in the design and operation of control that would have required us to expand the extent of our planned audit procedures. We found the Group's estimate of the allowance for impairment of trade receivables as described in note 25 to be balanced and the disclosures of the inherent estimation uncertainty to be adequate.

Other information

Management is responsible for the other information. The other information comprises the Corporate Profile, Chairman's Message, Directors' Profiles, Management Team, Corporate Structure, Regional Footprint, Business Review, Corporate Social Responsibility, Financial Highlights, Corporate Governance Report, Supplementary Information and Statistics of Shareholdings ("the Reports"), which we obtained prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditors' report, 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.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
ENGRO CORPORATION LIMITED

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists management's going concern assumption related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT **AUDITORS' REPORT**

MEMBERS OF THE COMPANY
ENGRO CORPORATION LIMITED

- 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
30 March 2017

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Assets					
Property, plant and equipment	4	**14,250**	15,199	**2,760**	2,948
Subsidiaries	5	**–**	–	**54,475**	47,333
Intangible assets	6	**425**	328	**131**	–
Associates and joint ventures	7	**101,096**	101,007	**60,555**	60,243
Other investments	8	**17,742**	21,914	**1,217**	1,217
Other assets	9	**97**	172	**97**	172
Amounts due from associates and joint venture	11	**1,037**	1,607	**–**	–
Loan to a subsidiary	12	**–**	–	**5,059**	–
Deferred tax assets	17	**29**	29	**–**	–
Non-current assets		**134,676**	140,256	**124,294**	111,913
Other investments	8	**21,717**	23,611	**–**	–
Inventories	10	**10,132**	13,725	**5,114**	8,170
Trade and other receivables	11	**47,964**	51,580	**49,012**	67,135
Loans to a subsidiary	12	**–**	–	**–**	7,498
Cash and cash equivalents	13	**39,393**	33,621	**20,363**	10,992
Current assets		**119,206**	122,537	**74,489**	93,795
Total assets		**253,882**	262,793	**198,783**	205,708
Equity					
Share capital	14	**85,270**	85,270	**85,270**	85,270
Reserves	14	**133,938**	138,181	**90,112**	95,129
Equity attributable to owners of the Company		**219,208**	223,451	**175,382**	180,399
Non-controlling interests		**123**	62	**–**	–
Total equity		**219,331**	223,513	**175,382**	180,399
Liabilities					
Loans and borrowings	16	**6,919**	7,291	**244**	433
Deferred tax liabilities	17	**756**	655	**–**	–
Non-current liabilities		**7,675**	7,946	**244**	433
Loans and borrowings	16	**3,633**	4,440	**13,775**	11,867
Trade and other payables	18	**22,881**	26,685	**9,382**	13,009
Current tax liabilities		**362**	209	**–**	–
Current liabilities		**26,876**	31,334	**23,157**	24,876
Total liabilities		**34,551**	39,280	**23,401**	25,309
Total equity and liabilities		**253,882**	262,793	**198,783**	205,708

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 2016

	Note	2016 $'000	2015 $'000
Revenue	19	**153,297**	180,770
Changes in inventories of finished goods and work in progress		**(2,507)**	1,779
Other income		**2,883**	5,302
Raw materials		**(114,659)**	(142,603)
Depreciation of property, plant and equipment	4	**(4,358)**	(4,768)
Amortisation of intangible assets	6	**(77)**	(5)
Staff costs		**(14,296)**	(17,439)
Other expenses		**(22,318)**	(27,942)
Results from operating activities		**(2,035)**	(4,906)
Finance income	20	**5,679**	3,876
Finance costs	20	**(1,676)**	(3,411)
Net finance income		**4,003**	465
Share of profit/(loss) of associates and joint ventures, net of tax		**4,884**	(698)
Profit/(Loss) before tax		**6,852**	(5,139)
Tax expense	21	**(971)**	(306)
Profit/(Loss) for the year	22	**5,881**	(5,445)
Profit/(Loss) attributable to:			
Owners of the Company		**5,768**	(5,283)
Non-controlling interests		**113**	(162)
Profit/(Loss) for the year		**5,881**	(5,445)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		**(2,937)**	180
Exchange differences on monetary items forming part of net investment in foreign operations		**941**	2,459
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		**(3,486)**	2,377
Net change in fair value of available-for-sale financial assets		**(1,528)**	(575)
Other comprehensive income for the year, net of tax		**(7,010)**	4,441
Total comprehensive income for the year		**(1,129)**	(1,004)
Total comprehensive income attributable to:			
Owners of the Company		**(1,190)**	(933)
Non-controlling interests		**61**	(71)
Total comprehensive income for the year		**(1,129)**	(1,004)
Earnings per share			
Basic earnings per share (cents)	23	**4.86**	(4.45)
Diluted earnings per share (cents)	23	**4.86**	(4.45)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2016

	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 2015	85,270	(21)	(20)	168	632	8,125	133,844	227,998	133	228,131
Total comprehensive income for the year										
Loss for the year	–	–	–	–	–	–	(5,283)	(5,283)	(162)	(5,445)
Other comprehensive income										
Foreign currency translation differences	–	–	–	–	89	–	–	89	91	180
Exchange differences on monetary items forming part of net investment in foreign operations	–	–	–	–	2,459	–	–	2,459	–	2,459
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	–	–	–	–	–	2,377	–	2,377	–	2,377
Net change in fair value of available-for-sale financial assets	–	–	–	–	–	(575)	–	(575)	–	(575)
Total other comprehensive income	–	–	–	–	2,548	1,802	–	4,350	91	4,441
Total comprehensive income for the year	–	–	–	–	2,548	1,802	(5,283)	(933)	(71)	(1,004)
Transactions with owners, recognised directly in equity										
Distributions to owners										
Final one-tier dividend declared of 3 cents per share in respect of year ended 31 December 2014	–	–	–	–	–	–	(3,561)	(3,561)	–	(3,561)
Own shares acquired	–	–	(53)	–	–	–	–	(53)	–	(53)
Total distributions to owners	–	–	(53)	–	–	–	(3,561)	(3,614)	–	(3,614)
At 31 December 2015	85,270	(21)	(73)	168	3,180	9,927	125,000	223,451	62	223,513

* Included in accumulated profits is the Group's share of statutory common reserves of its associates and joint ventures of $15,031,000 that are not distributable as cash dividends.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

YEAR ENDED 31 DECEMBER 2016

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Profit/(Loss) before tax		**6,852**	(5,139)
Adjustments for:			
Depreciation of property, plant and equipment	4	**4,358**	4,768
Allowance for inventory obsolescence		**64**	–
Amortisation of intangible assets	6	**77**	5
Dividend income	20	**(436)**	(844)
Gain on disposal of property, plant and equipment	22	**(230)**	(362)
Allowance for doubtful receivables	22	**688**	501
Impairment losses on other assets	9	**75**	–
Impairment loss on available-for-sale financial assets	20	**1,261**	2,957
Interest income	20	**(766)**	(162)
Interest expense		**415**	454
Other investment income	20	**(220)**	(1,110)
Gain on disposal of available-for-sale financial assets	20	**(3,466)**	(56)
Impairment loss on property, plant and equipment	22	**–**	1,540
Net change in fair value of financial assets at fair value through profit or loss		**(745)**	(655)
Share of (profit)/loss of associates and joint ventures, net of tax		**(4,884)**	698
		3,043	2,595
Changes in working capital:			
Inventories		**3,526**	(2,580)
Trade and other receivables		**(2,258)**	(7,098)
Trade and other payables		**1,097**	664
Cash generated from/(used in) operations		**5,408**	(6,419)
Tax paid		**(465)**	(894)
Net cash from/(used in) operating activities		**4,943**	(7,313)
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(2,765)**	(1,140)
Distributions from available-for-sale financial assets		**835**	1,038
Dividends received from:			
– associates and joint ventures		**1,960**	4,358
– other investments		**384**	844
Interest received		**183**	162
Proceeds from disposal of:			
– available-for-sale financial assets		**2,634**	1,341
– financial assets at fair value through profit or loss		**3,285**	14,833
– property, plant and equipment		**668**	686
Purchase of available-for-sale financial assets		**(1,374)**	(1,990)
Purchase of financial assets at fair value through profit or loss		**(613)**	(3,720)
Investment in a joint venture		**(312)**	–
Advance of non-trade amount to a joint venture		**–**	(6,503)
Repayment of non-trade amount from a joint venture		**6,071**	–
Net cash from investing activities		**10,956**	9,909

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2016

	Note	2016 $'000	2015 $'000
Cash flows from financing activities			
Refund of deposits pledged		**500**	–
Dividends paid		**(7,326)**	(2,966)
Interest paid		**(415)**	(679)
Payment of finance lease liabilities		**(3,106)**	(3,555)
Proceeds from exercise of share options		**106**	–
Proceeds from trust receipts		**1,273**	–
Repayment of loan from a non-controlling interest of a subsidiary		**(947)**	–
Repurchase of own shares		**(191)**	(53)
Loan from a non-controlling interest of a subsidiary		**569**	1,361
Net cash used in financing activities		**(9,537)**	(5,892)
Net increase/(decrease) in cash and cash equivalents		**6,362**	(3,296)
Cash and cash equivalents at 1 January		**33,121**	36,440
Effect of exchange rate fluctuations on cash held		**(90)**	(23)
Cash and cash equivalents at 31 December	13	**39,393**	33,121

Significant non-cash transaction

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

	2016 $'000	2015 $'000
Acquisition of property, plant and equipment under finance leases	**1,457**	2,404

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 30 March 2017.

1 DOMICILE AND ACTIVITIES

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

The financial statements of the Group as at and for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in equity-accounted investees.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2016

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

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

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

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

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

Measurement of fair values

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

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

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

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

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

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

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

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

2.5 Changes in accounting policies

In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRSs ("INT FRSs") that are relevant to its operations and effective for annual periods beginning on 1 January 2016. The adoption of these new and revised FRSs and INT FRSs does not result in substantial changes to the Group's accounting policies and has no material effect on the amounts reported for the current and prior periods.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Business combinations **(Continued)**

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

Subsidiaries

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

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

Loss of control

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

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

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

Investments in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Investments in associates and joint ventures ("equity-accounted investees") (Continued)

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

Transactions eliminated on consolidation

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

Subsidiaries, associates and joint ventures in the separate financial statements

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

3.2 Foreign currency

Foreign currency transactions

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency (Continued)

Foreign operations

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

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

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

3.3 Financial instruments

Non-derivative financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

Non-derivative financial assets (Continued)

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

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

Financial assets at fair value through profit or loss

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

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

Financial assets designated at fair value through profit or loss comprise equity and debt securities that otherwise would have been classified as available-for-sale.

Loans and receivables

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

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

Cash and cash equivalents

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

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2016

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

Non-derivative financial assets (Continued)

Available-for-sale financial assets

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

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

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

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

Non-derivative financial liabilities

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

Share capital

Ordinary shares

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

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

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares 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.

Intra-group financial guarantees in the separate financial statements

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

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

3.4 Property, plant and equipment

Recognition and measurement

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

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

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (Continued)

Recognition and measurement (Continued)

- 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; and

- capitalised borrowing costs.

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

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

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

Subsequent costs

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

Depreciation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (Continued)

Depreciation (Continued)

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

Leasehold property	–	over remaining lease term of 31 years
Buildings and civil works	–	3 to 20 years
Plant, machinery and equipment	–	4 to 10 years
Office equipment, furniture and fittings	–	5 to 10 years
Computers	–	3 to 5 years
Motor vehicles and transport equipment	–	5 years

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

3.5 Intangible assets

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

Subsequent expenditure

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

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leased assets

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

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

3.7 Inventories

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

Non-derivative financial assets

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

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

<u>Loans and receivables</u>

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment (Continued)

Non-derivative financial assets (Continued)

Loans and receivables (Continued)

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

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

Available-for-sale financial assets

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

Associates and joint ventures

An impairment loss in respect of an associate or joint venture is measured by comparing the recoverable amount of the investment with its carrying amount, where the recoverable amount is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Non-financial assets

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

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2016

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment (Continued)

Non-financial assets (Continued)

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

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.9 Employee benefits

Defined contribution plans

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

Short-term employee benefits

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

Share-based payment transactions

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Revenue

Sales of goods

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

3.11 Lease payments

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

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

3.12 Finance income and finance costs

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2016

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and

- temporary differences related to investments in subsidiaries, associates and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, 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.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 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.

3.15 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 interest income, interest-bearing loans and interest expense, headquarter expense 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.

3.16 New standards and interpretations not adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these statements.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Group and the Company in future financial periods, the management is assessing the transition options and the potential impact on its financial statements, and to implement these standards. The Group does not plan to adopt these standards early.

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2016

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 New standards and interpretations not adopted (Continued)

Applicable to 2018 financial statements

New standards

Summary of the requirements	Potential impact on the financial statements
FRS 115 *Revenue from Contracts with Customers*	
FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*. FRS 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. FRS 115 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.	Based on its initial assessment, the Group expects the adoption of FRS 115 to have no material impact to its financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 New standards and interpretations not adopted (Continued)

Applicable to 2018 financial statements (Continued)

New standards

Summary of the requirements	Potential impact on the financial statements
FRS 109 ***Financial Instruments***	
FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39. FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.	Based on the initial assessment, there will be changes to the classification and measurement of financial assets under the Group's Investment Segment. In addition, the expected credit loss model relevant to the impairment of financial assets will also affect the measurement of credit loss. The impact of the new standard on the Group's financial statements will be determined when management completes the assessment.

Convergence with International Financial Reporting Standards (IFRS)

In addition, the Accounting Standards Council ("ASC") announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Exchange ("SGX") will apply a new financial reporting framework identical to the International Financial Reporting Standards (referred to as SG-IFRS in these financial statements) for the financial year ending 31 December 2018 onwards.

The Group has performed a preliminary assessment of the impact of SG-IFRS 1 *First-time adoption of International Financial Reporting Standards* for the transition to the new reporting framework. Based on the Group's preliminary assessment, the Group expects that the impact on adoption of SG-IFRS 15 *Revenue from Contracts with Customers* and SG-IFRS 9 *Financial Instruments* will be similar to adopting FRS 115 and FRS 109 as described in this Note.

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2016

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 New standards and interpretations not adopted (Continued)

Convergence with International Financial Reporting Standards (IFRS) (Continued)

Other than arising from the adoption of new and revised standards, the Group does not expect to change its existing accounting policies on adoption of the new framework.

The Group is currently performing a detailed analysis of the available policy choices, transitional optional exemptions and transitional mandatory exceptions under SG-IFRS 1 and the preliminary assessment may be subject to changes arising from the detailed analyses.

Applicable to 2019 financial statements

New standards

Summary of the requirements	Potential impact on the financial statements
FRS 116 *Leases*	
FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor. When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*; INT FRS 15 *Operating Leases – Incentives*; and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.	Based on initial assessment, the Group expects changes to its accounting policies on lease accounting with the adoption of FRS 116, for leases currently classified as operating leases. However, there are no significant adjustments to the Group's financial statements expected.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

4 PROPERTY, PLANT AND EQUIPMENT

	Note	Leasehold property $'000	Buildings and civil works $'000	Plant, machinery and equipment $'000	Office equipment, furniture and fittings $'000	Computers $'000	Motor vehicles and transport equipment $'000	Assets under construction $'000	Total $'000
Group									
Cost									
At 1 January 2015		415	23,159	24,413	1,293	1,530	14,503	131	65,444
Additions		–	–	229	108	51	3,044	112	3,544
Disposals/write-offs		–	(7)	(211)	(16)	(944)	(1,442)	–	(2,620)
Effect of movements in exchange rates		4	(105)	(342)	2	(3)	(337)	–	(781)
At 31 December 2015		419	23,047	24,089	1,387	634	15,768	243	65,587
Additions		–	251	738	19	6	2,340	868	4,222
Reclassification		–	202	37	–	–	–	(239)	–
Reclassification to intangible assets	6	–	–	–	–	–	–	(174)	(174)
Disposals/write-offs		–	(728)	(567)	(223)	–	(2,055)	–	(3,573)
Effect of movements in exchange rates		(18)	(57)	(101)	(32)	–	(133)	(16)	(357)
At 31 December 2016		401	22,715	24,196	1,151	640	15,920	682	65,705
Accumulated depreciation and impairment losses									
At 1 January 2015		176	21,698	17,903	861	1,424	4,537	–	46,599
Depreciation for the year		19	405	1,037	70	43	3,194	–	4,768
Impairment loss		–	–	1,441	45	54	–	–	1,540
Disposals/write-offs		–	(5)	(106)	(15)	(942)	(1,228)	–	(2,296)
Effect of movements in exchange rates		1	(47)	(69)	2	(1)	(109)	–	(223)
At 31 December 2015		196	22,051	20,206	963	578	6,394	–	50,388
Depreciation for the year		18	436	817	189	23	2,875	–	4,358
Disposals/write-offs		–	(651)	(564)	(117)	–	(1,803)	–	(3,135)
Effect of movements in exchange rates		(9)	(41)	(50)	(11)	–	(45)	–	(156)
At 31 December 2016		205	21,795	20,409	1,024	601	7,421	–	51,455
Carrying amounts									
At 1 January 2015		239	1,461	6,510	432	106	9,966	131	18,845
At 31 December 2015		223	996	3,883	424	56	9,374	243	15,199
At 31 December 2016		196	920	3,787	127	39	8,499	682	14,250

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year, the Group acquired property, plant and equipment with an aggregate cost of $4,126,000 (2015: $3,544,000), of which $1,457,000 (2015: $2,404,000) were acquired under finance leases.

Impairment loss

In the prior year, as the Specialty Polymer CGU continued to incur losses, the Group re-assessed the recoverable amount of the Specialty Polymer CGU and recognised an impairment loss of $1,540,000 in respect of the property, plant and equipment in profit or loss under other expenses.

The recoverable amount of the Specialty Polymer CGU was determined based on value in use calculation. This calculation uses cash flow projections based on the financial budget approved by management covering a four-year period (the remaining useful lives of the underlying property, plant and equipment in the CGU).

Key assumptions used in discounted cash flow projection calculations

Key assumptions used in the calculation of recoverable amount of the Specialty Polymer CGU are discount rate and sales volume growth rate. The values assigned to the key assumptions represented management's assessment of future trends in the specialty polymer industry and were based on both external and internal sources (e.g. historical data) of information. The key assumptions were as follows:

	2015
	%
Discount rate	7.22
Sales volume growth rate	Nil

Management determined zero growth rate over sales volume based on its expectation of future market development and the contracted volumes with its customers to be appropriate. The discount rates used are pre-tax and reflect specific risks associated with the Specialty Polymer CGU. No terminal value was assumed.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Buildings and civil works $'000	Plant, machinery and equipment $'000	Office equipment, furniture and fittings $'000	Computers $'000	Motor vehicles and transport equipment $'000	Assets under construction $'000	Total $'000
Company								
Cost								
At 1 January 2015		17,211	14,638	836	1,065	746	131	34,627
Additions		–	97	7	16	780	88	988
Disposals/write-offs		–	(4)	–	(911)	(238)	–	(1,153)
At 31 December 2015		17,211	14,731	843	170	1,288	219	34,462
Additions		–	89	4	6	471	–	570
Reclassifications		–	37	–	–	–	(37)	–
Reclassification to intangible assets	6	–	–	–	–	–	(174)	(174)
Disposals/write-offs		–	(204)	(14)	–	(92)	–	(310)
At 31 December 2016		17,211	14,653	833	176	1,667	8	34,548
Accumulated depreciation								
At 1 January 2015		17,211	12,862	542	1,030	603	–	32,248
Depreciation for the year		–	254	35	21	107	–	417
Disposals/write-offs		–	(4)	–	(909)	(238)	–	(1,151)
At 31 December 2015		17,211	13,112	577	142	472	–	31,514
Depreciation for the year		–	266	37	17	264	–	584
Disposals/write-offs		–	(204)	(14)	–	(92)	–	(310)
At 31 December 2016		17,211	13,174	600	159	644	–	31,788
Carrying amounts								
At 1 January 2015		–	1,776	294	35	143	131	2,379
At 31 December 2015		–	1,619	266	28	816	219	2,948
At 31 December 2016		–	1,479	233	17	1,023	8	2,760

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

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Plant, machinery and equipment	**1,766**	1,546	**–**	–
Motor vehicles	**7,257**	8,652	**570**	636

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 31 years. The Group reviews annually the estimated useful economic lives of property, plant and equipment based on factors that include asset utilisation, internal technical evaluation, technological changes and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful economic lives of property, plant and equipment would increase depreciation expense and decrease non-current assets.

5 SUBSIDIARIES

	Company	
	2016	**2015**
	$'000	**$'000**
Equity investments at cost	**56,802**	51,774
Accumulated impairment losses	**(45,201)**	(45,201)
	11,601	6,573
Loans to subsidiaries	**60,118**	54,604
Accumulated impairment losses	**(17,244)**	(13,844)
	42,874	40,760
Interest in subsidiaries	**54,475**	47,333

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

Impairment loss

The carrying value of investments in subsidiaries is tested for impairment whenever there is any objective evidence or indication that the investments may be impaired. This determination requires judgement. In estimating the recoverable amount of the investments, the Company evaluates, amongst other factors, the future profitability of the subsidiaries, their financial health and near-term business outlook, including factors such as industry and sector performance, changes in technology, and operational and financing cash flows.

During the year, the Group re-assessed the recoverable amount of its investment in a subsidiary in the Investment segment due to prolonged decline in the fair value of its underlying net assets and recognised an impairment loss of $3,400,000 in the Company's profit or loss. The recoverable amount was estimated using the fair value less costs to sell approach, taking into consideration the estimated fair values of its underlying net assets, which comprise mainly assets and liabilities measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

5 SUBSIDIARIES (CONTINUED)

Impairment loss (Continued)

In the prior year, as the Specialty Polymer CGU continued to incur losses, the Group re-assessed the recoverable amount of the investment in subsidiary in the Specialty Polymer CGU and recognised an impairment loss of $2,934,000 in the Company's profit or loss. The recoverable amount was determined based on value in use calculation. This calculation uses cash flow projections based on the financial budget approved by management covering a four-year period (the remaining useful lives of the underlying property, plant and equipment in the CGU).

Key assumptions used in discounted cash flow projection calculations

Key assumptions used in the calculation of recoverable amount of the Specialty Polymer CGU are discount rate and sales volume growth rate. The values assigned to the key assumptions represented management's assessment of future trends in the specialty polymer industry and were based on both external and internal sources (e.g. historical data) of information. The key assumptions were as follows:

	2015
	%
Discount rate	7.22
Sales volume growth rate	Nil

Management determined zero growth rate over sales volume based on its expectation of future market and the contracted volumes with its customers to be appropriate. The discount rates used are pre-tax and reflect specific risks associated with the Specialty Polymer CGU. No terminal value was assumed.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

5 SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Group 2016 %	2015 %
Held by the Company				
CemtecAsia (H.K.) Limited[(1)]	Inactive	Hong Kong	**100**	100
CemtecAsia (M) Sdn Bhd[(4)]	Manufacture and sale of construction 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	Manufacture and sale of construction and building materials	Singapore	**100**	100
Sancem Investment Pte Ltd	Investment trading	Singapore	**100**	100
Shanghai S3 Building Materials Co Ltd[(3)]	Manufacture and sale of construction and building materials	People's Republic of China	**100**	100
SsangYong Cement (S) Pte. Ltd.	Sale of building materials	Singapore	**100**	100
e-Invest Limited[(2)]	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	Marketing and distribution of building materials	Singapore	**80**	80
Shanghai Vcem Commercial Co Ltd[(6)]	Trading, wholesale and distribution of building materials	People's Republic of China	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

5 SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Group 2016 %	Effective equity held by the Group 2015 %
Held by subsidiaries				
EnGro Chemicals Pte. Ltd.	Inactive	Singapore	**100**	100
MPT Pacific Technology Sdn Bhd(4)	Inactive	Malaysia	**100**	100
Top-Mix Concrete Pte Ltd	Manufacture and sale of concrete and other building materials	Singapore	**100**	100
Top Mix Concrete (Malaysia) Sdn Bhd(2)	Manufacture and sale of concrete and other building materials	Malaysia	**100**	100
Pelopor Niaga Sdn Bhd(4)	Provision and supply of workers	Malaysia	**100**	100
Tianjin Ang De Food & Beverages Management Co., Ltd(8)	Operation of food and beverage outlets	People's Republic of China	**100**	100
Jointly held by the Company and a subsidiary				
R&P (Pte.) Ltd.	Manufacture of thermosetting synthetic resin and plastic materials	Singapore	**98.57**	98.57
Burkill (Singapore) Pte. Ltd.	Inactive	Singapore	**98.57**	98.57
Resin & Pigment Technologies Sdn Bhd(5)	Inactive	Malaysia	**98.57**	98.57
Resin & Pigment Technologies (Wuxi) Co Ltd(7)	Inactive	People's Republic of China	**98.57**	98.57

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

(1) KT Chan and Company, Hong Kong.
(2) Member firms of KPMG International in the respective country of incorporation.
(3) Shanghai Huiya Certified Public Accountants, China.
(4) Kudos Ling Chuo & Lim, Malaysia.
(5) SQ Morrison, Malaysia.
(6) Inactive company and thus not required to be audited by laws of country of incorporation.
(7) Wuxi Taibo Public Accountants Partnership.
(8) Beijing DongShen DingLi International Certified Public Accountants Co., Ltd.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

6 INTANGIBLE ASSETS

	Note	Software $'000	Franchise rights $'000	Total $'000
Group				
Cost				
At 1 January 2015 and 31 December 2015		–	333	333
Reclassification from property, plant and equipment	4	174	–	174
At 31 December 2016		174	333	507
Accumulated amortisation				
At 1 January 2015		–	–	–
Amortisation for the year		–	5	5
At 31 December 2015		–	5	5
Amortisation for the year		43	34	77
At 31 December 2016		43	39	82
Carrying amounts				
At 1 January 2015		–	333	333
At 31 December 2015		–	328	328
At 31 December 2016		131	294	425

	Note	Software $'000
Company		
Cost		
At 1 January 2015 and 31 December 2015		–
Reclassification from property, plant and equipment	4	174
At 31 December 2016		174
Accumulated amortisation		
At 1 January 2015 and 31 December 2015		–
Amortisation for the year		43
At 31 December 2016		43
Carrying amounts		
At 1 January 2015 and 31 December 2015		–
At 31 December 2016		131

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

7 ASSOCIATES AND JOINT VENTURES

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Associates				
Equity investments at cost	**2,436**	2,436	**320**	320
Loan to an associate	**15,213**	15,213	**15,213**	15,213
Share of reserves*	**4,698**	3,699	**–**	–
	22,347	21,348	**15,533**	15,533
Joint ventures				
Equity investments at cost	**57,629**	57,317	**45,022**	44,710
Share of reserves*	**21,120**	22,342	**–**	–
	78,749	79,659	**45,022**	44,710
	101,096	101,007	**60,555**	60,243

* Included in share of reserves is the Group's share of statutory common reserves of its associates and joint ventures of $15,694,000 (2015: $15,031,000) that are not distributable as cash dividends.

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

Details of the associates and joint ventures are as follows:

Name of associates	Principal activities	Country of incorporation	Effective equity held by the Group 2016 %	2015 %
Held by the Company				
HBS Investments Pte Ltd[1]	Investment holding	Singapore	**30**	30
HB Investments (China) Pte. Ltd.[1]	Investment holding	Singapore	**20**	20
Held by subsidiaries				
Changshu Changlong Concrete Co Ltd [2],[5]	Manufacture and sale of building materials	People's Republic of China	**40**	40
Changshu Changxin Ready Mix Concrete Co Ltd[2],[5]	Manufacture and sale of building materials	People's Republic of China	**40**	40

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

7 ASSOCIATES AND JOINT VENTURES (CONTINUED)

Name of joint ventures	Principal activities	Country of incorporation	Effective equity held by the Group 2016 %	Effective equity held by the Group 2015 %
Held by the Company				
Jiangsu Huailong Materials Co Ltd[(2),(8)]	Manufacture and sale of specialty cement	People's Republic of China	**40**	40
Jinan Luxin Materials Co Ltd[(2),(9)]	Manufacture and sale of specialty cement	People's Republic of China	**40**	40
Tangshan Tanglong Materials Co Ltd[(3)]	Manufacture and sale of specialty cement	People's Republic of China	**40**	40
Tangshan TangAng Materials Co Ltd[(3)]	Manufacture and sale of specialty cement	People's Republic of China	**40**	40
Wuhan Wuxin Materials Co Ltd[(10)]	Manufacture and sale of specialty cement	People's Republic of China	**33**	33
Xin-shan Ang-de (Zibo) Materials Co., Ltd.[(7)]	Manufacture and sale of specialty cement	People's Republic of China	**40**	–
Held by subsidiaries				
VCEM Materials Co Ltd[(4)]	Manufacture and sale of specialty cement	South Korea	**40**	40
Changshu Changyin Ready Mix Concrete Co Ltd[(2),(6)]	Manufacture and sale of building materials	People's Republic of China	**40**	40
Qingdao Evergreen Materials and Technologies Co Ltd[(11)]	Manufacture and sale of specialty cement	People's Republic of China	**34.40**	34.40

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

7 ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

(1) KPMG LLP, Singapore.

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

(3) Zhongxi CPAs (Special General Partnership), China.

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

(5) Jiangsu Xinrui Certified Public Accountants Co., Limited, China.

(6) Suzhou Fangben Certified Public Accountants Changsu Xinlian Branch.

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

(8) Talent CPAs (Special General Partnership).

(9) Pan-China CPAs (Special General Partnership).

(10) BDO China Shu Lun Pan Certified Public Accountants LLP.

(11) Grant Thornton CPAs, Shandong.

Associates

The Group has interest in one (2015: one) associate which is considered to be material and a number of associates that are individually immaterial to the Group. All associates are equity accounted.

	HB Investments (China) Pte. Ltd.
Nature of relationship with the Group	Investment in property and real estate
Principal place of business/Country of incorporation	Singapore
Ownership interest/Voting rights held	20% (2015: 20%)

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FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

7 ASSOCIATES AND JOINT VENTURES (CONTINUED)

Associates (Continued)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

7 ASSOCIATES AND JOINT VENTURES (CONTINUED)

2015	HB Investments (China) Pte. Ltd. $'000	Immaterial associates $'000	Total $'000
Revenue	–		
Loss from continuing operations	(8,265)		
Other comprehensive income	4,605		
Total comprehensive income	(3,660)		
Non-current assets	64,112		
Current assets	248		
Non-current liabilities	(76,066)		
Current liabilities	(11)		
Net assets	(11,717)		
Add: Non-current liabilities	76,066*		
Adjusted net assets	64,349		
Group's interest in net assets of investee at beginning of the year	13,603	7,857	21,460
Group's share of:			
– (loss)/profit from continuing operations	(1,653)	988	(665)
– other comprehensive income	921	232	1,153
– total comprehensive income	(732)	1,220	488
Dividends recognised during the year	–	(600)	(600)
Carrying amount of interest in investee at end of the year	12,871	8,477	21,348

* 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% (2015: 40%, 40% and 33%) ownership interest respectively. These investees are incorporated in the People's Republic of China, 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.

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

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YEAR ENDED 31 DECEMBER 2016

7 ASSOCIATES AND JOINT VENTURES (CONTINUED)

2016	Jiangsu Huailong Materials Co Ltd $'000	Jinan Luxin Materials Co Ltd $'000	Wuhan Wuxin Materials Co Ltd $'000	Immaterial joint ventures $'000	Total $'000
Revenue	26,400	67,319	59,001		
Profit from continuing operations[a]	2,178	2,950	712		
Other comprehensive income	(918)	(1,918)	(1,112)		
Total comprehensive income	1,260	1,032	(400)		
[a] Includes:					
– depreciation	2,709	5,087	3,974		
– income tax expense	846	631	138		
– interest expense	–	–	888		
Non-current assets	13,188	39,710	74,275		
Current assets[b]	21,063	28,570	48,559		
Non-current liabilities	–	–	(998)		
Current liabilities	(4,624)	(10,998)	(79,834)		
Net assets	29,627	57,282	42,002		
Includes					
[b] Cash and cash equivalents	8,603	9,518	15,488		
Group's interest in net assets of investee at beginning of the year	11,396	23,676	15,099	29,488	79,659
Group's share of:					
– profit from continuing operations	871	1,180	235	1,732	4,018
– other comprehensive income	(367)	(767)	(367)	(793)	(2,294)
– total comprehensive income	504	413	(132)	939	1,724
Dividends recognised during the year	–	(1,176)	(1,106)	(352)	(2,634)
Carrying amount of interest in investee at end of the year	11,900	22,913	13,861	30,075	78,749

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7 ASSOCIATES AND JOINT VENTURES (CONTINUED)

2015	Jiangsu Huailong Materials Co Ltd $'000	Jinan Luxin Materials Co Ltd $'000	Wuhan Wuxin Materials Co Ltd $'000	Immaterial joint ventures $'000	Total $'000
Revenue	24,104	70,968	73,473		
(Loss)/Profit from continuing operations[a]	(3,048)	2,778	94		
Other comprehensive income	338	593	542		
Total comprehensive income	(2,710)	3,371	636		
[a] Includes:					
– depreciation	3,211	4,523	3,940		
– income tax (credit)/expense	(1,007)	589	87		
Non-current assets	17,555	45,722	75,873		
Current assets[b]	14,285	21,652	24,346		
Non-current liabilities	–	–	(1,917)		
Current liabilities	(3,342)	(8,183)	(52,549)		
Net assets	28,498	59,191	45,753		
Includes					
[b] Cash and cash equivalents	2,803	2,774	2,631		
Group's interest in net assets of investee at beginning of the year	12,942	23,598	16,176	29,687	82,403
Group's share of:					
– (loss)/profit from continuing operations	(1,219)	1,111	31	44	(33)
– other comprehensive income	135	236	179	(9)	541
– total comprehensive income	(1,084)	1,347	210	35	508
Dividends recognised during the year	(462)	(1,269)	(1,287)	(234)	(3,252)
Carrying amount of interest in investee at end of the year	11,396	23,676	15,099	29,488	79,659

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8 OTHER INVESTMENTS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Non-current investments				
Available-for-sale financial assets:				
– Equity securities, quoted	**627**	3,801	**–**	–
– Venture capital funds	**14,313**	15,598	**–**	–
– Equity securities, unquoted	**2,802**	2,515	**1,217**	1,217
	17,742	21,914	**1,217**	1,217
Current investments				
Convertible loan	**1,447**	1,413	**–**	–
Financial assets classified as held for trading:				
– Equity securities	**7,675**	8,488	**–**	–
– Debt securities	**1,228**	3,362	**–**	–
Financial assets designated as at fair value through profit or loss:				
– Equity securities	**7,846**	7,760	**–**	–
– Debt securities	**3,521**	2,588	**–**	–
	21,717	23,611	**–**	–
	39,459	45,525	**1,217**	1,217

An impairment loss of $1,261,000 (2015: $2,957,000) in respect of available-for-sale equity securities of the Group was recognised in profit or loss during the year.

The convertible loan with a carrying amount of $1,447,000 (2015: $1,413,000) at 31 December 2016 bears interest at 8% (2015: 8%) per annum and matures in October 2017.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

9 OTHER ASSETS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Club memberships, at cost	**238**	238	**238**	238
Accumulated impairment losses	**(141)**	(66)	**(141)**	(66)
	97	172	**97**	172

During the year, the club memberships were impaired by $75,000 (2015: Nil) due to a decline in their market values.

10 INVENTORIES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
At cost				
Raw materials	**2,126**	3,245	**–**	–
Work in progress	**–**	18	**–**	–
Goods-in-transit	**2,935**	2,850	**2,175**	2,850
Finished goods	**5,071**	7,612	**2,939**	5,320
	10,132	13,725	**5,114**	8,170

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).

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2016

11 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Non-current				
Amounts due from associates and joint venture, non-trade	**1,037**	1,607	**–**	–
Current				
Trade receivables due from				
– Subsidiaries	**–**	–	**7,524**	11,776
– Third parties	**36,846**	40,478	**15,792**	15,834
	36,846	40,478	**23,316**	27,610
Allowance for doubtful receivables	**(1,526)**	(842)	**(246)**	(299)
Net trade receivables	**35,320**	39,636	**23,070**	27,311
Non-trade receivables due from				
– Joint ventures	**620**	6,582	**139**	11
– Subsidiaries	**–**	–	**26,716**	42,905
Allowance for doubtful receivables	**–**	–	**(4,466)**	(4,466)
	620	6,582	**22,389**	38,450
Deposits	**564**	556	**28**	28
Other receivables	**2,012**	1,608	**472**	333
Dividend receivable from a joint venture	**1,106**	–	**1,106**	–
Tax recoverable	**134**	140	**–**	–
Loans and receivables	**39,756**	48,522	**47,065**	66,122
Prepayments	**8,208**	3,058	**1,947**	1,013
	47,964	51,580	**49,012**	67,135
Loans and receivables (non-current and current)	**40,793**	50,129	**47,065**	66,122

The non-current amounts due from associates and joint venture pertain to dividends receivable from the associates and joint venture which are unsecured, interest-free and are not expected to be settled within the next twelve months. There is no allowance for doubtful debts arising from these amounts.

In the prior year, a non-trade amount of $6,550,000 due from a joint venture bore interest rate of 6% per annum. The amount was fully repaid during the year.

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

12 LOAN TO A SUBSIDIARY

The loan to a subsidiary of $5,059,000 (2015: $7,498,000) is unsecured, bear interest at 3% (2015: 3%) per annum and is repayable in 2018.

No impairment loss has been recognised in respect of the loan to a subsidiary.

13 CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Fixed deposits	**13,751**	601	**10,033**	500
Bank balances	**25,642**	33,020	**10,330**	10,492
Cash and cash equivalents in the statements of financial position	**39,393**	33,621	**20,363**	10,992
Fixed deposits pledged	**–**	(500)	**–**	(500)
Cash and cash equivalents in the statement of cash flows	**39,393**	33,121	**20,363**	10,492

Fixed deposits pledged represented bank balances of the Company pledged as security to obtain credit facilities in the prior year.

The weighted average effective interest rates per annum relating to cash and cash equivalents at 31 December 2016 for the Group and the Company are 0.38% (2015: 0.33%) and 0.42% (2015: 0.06%) per annum respectively.

14 CAPITAL AND RESERVES

Share capital

	Ordinary shares			
	2016	**2016**	**2015**	**2015**
	No. of shares		**No. of shares**	
	'000	**$'000**	**'000**	**$'000**
Company				
In issue at 1 January and 31 December	**118,703**	**85,270**	118,703	85,270

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

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

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

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14 CAPITAL AND RESERVES (CONTINUED)

Reserves

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Foreign currency translation reserve	**1,236**	3,180	**–**	–
Fair value reserve	**4,913**	9,927	**–**	–
Share option reserve	**154**	168	**154**	168
Reserve for own shares	**(120)**	(73)	**(120)**	(73)
Capital reserve	**(45)**	(21)	**(45)**	(21)
Accumulated profits	**127,800**	125,000	**90,123**	95,055
	133,938	138,181	**90,112**	95,129

Foreign currency translation reserve

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

Fair value reserve

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

Share option reserve

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

Reserve for own shares

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group, which is recorded as a deduction of equity. As at 31 December 2016, the Group held 134,200 (2015: 75,000) 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.

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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), Soh Kim Soon and Ng Tat Pun.

Other information regarding the ESOS 2000 is set out below:

(a) Options were granted on 1 December 2006 (Option 1), 8 January 2008 (Option 2) and 30 March 2009 (Option 3).

(b) The exercise prices of the options are set at $0.75 per share (Option 1), $1.17 per share (Option 2) and $0.55 per share (Option 3).

(c) The options can be exercised after 1 December 2007 (Option 1), 8 January 2009 (Option 2) and 30 March 2010 (Option 3).

(d) The options granted shall expire on 1 December 2016 (Option 1), 8 January 2018 (Option 2) and 30 March 2019 (Option 3).

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

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), Soh Kim Soon and Ng Tat Pun.

Other information regarding the ESOS 2011 is set out below:

(a) Option was granted on 18 April 2012.

(b) The exercise price of the option is set at $0.79 per share.

(c) The option can be exercised after 18 April 2013.

(d) The option granted shall expire on 18 April 2022.

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2016

15 EMPLOYEE SHARE OPTIONS (CONTINUED)

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

	2016		2015	
	Weighted average exercise price $	No. of options '000	Weighted average exercise price $	No. of options '000
Outstanding at 1 January	**1.05**	**1,232**	1.02	1,282
Forfeited	**0.75**	**(142)**	1.17	(50)
Exercised	**0.75**	**(145)**	–	–
Outstanding at 31 December	**1.09**	**945**	1.05	1,232
Exercisable at 31 December	**1.09**	**945**	1.05	1,232

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

	2016		2015	
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 2000				
Option 1 – $0.75 each	**–**	**145**	–	–

At 31 December 2016, outstanding share options granted under its Ssangyong Cement (Singapore) Ltd 2000 Employees' Share Option Scheme amounted 740,000 shares (2015: 1,027,500 shares) and under its EnGro Corporation Limited 2011 Employees' Share Option Scheme amounted to 205,000 shares (2015: 205,000 shares).

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

15 EMPLOYEE SHARE OPTIONS (CONTINUED)

Fair value of share options and assumptions (Continued)

	ESOS 2000			ESOS 2011
Date of grant of options	**Option 1 1 December 2006**	**Option 2 8 January 2008**	**Option 3 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	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Non-current liabilities				
Loan from a non-controlling interest of a subsidiary	**1,145**	–	**–**	–
Finance lease liabilities	**5,774**	7,291	**244**	433
	6,919	7,291	**244**	433
Current liabilities				
Loans from subsidiaries	**–**	–	**12,312**	11,653
Loan from a non-controlling interest of a subsidiary	**–**	1,871	**–**	–
Trust receipts	**1,273**	–	**1,273**	–
Finance lease liabilities	**2,360**	2,569	**190**	214
	3,633	4,440	**13,775**	11,867
	10,552	11,731	**14,019**	12,300

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

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

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FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

16 LOANS AND BORROWINGS (CONTINUED)

Terms and debt repayment schedule

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

	Nominal interest rate %	Year of maturity	2016 Face value $'000	2016 Carrying amount $'000	2015 Face value $'000	2015 Carrying amount $'000
Group						
Loan from a non-controlling interest of a subsidiary	–	2018	**1,145**	**1,145**	1,871	1,871
Trust receipts	2.17%	2017	**1,279**	**1,273**	–	–
Finance lease liabilities	1.30% – 3.52%	2017 – 2021	**8,689**	**8,134**	10,534	9,860
			11,113	**10,552**	12,405	11,731
Company						
Trust receipts	2.17%	2017	**1,279**	**1,273**	–	–
Finance lease liabilities	1.50%	2018	**452**	**434**	680	647
			1,731	**1,707**	680	647

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2016 Future minimum lease payments $'000	2016 Present value of minimum lease payments $'000	2015 Future minimum lease payments $'000	2015 Present value of minimum lease payments $'000
Group				
Within one year	**2,619**	**2,360**	2,858	2,569
Between two to five years	**6,070**	**5,774**	7,671	7,286
More than five years	**–**	**–**	5	5
	8,689	**8,134**	10,534	9,860
Less: Future finance charges	**(555)**		(674)	
Present value of obligation	**8,134**		9,860	
Company				
Within one year	**200**	**190**	228	214
Between two to five years	**252**	**244**	452	433
	452	**434**	680	647
Less: Future finance charges	**(18)**		(33)	
Present value of obligation	**434**		647	

NOTES TO THE FINANCIAL STATEMENTS

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17 DEFERRED TAX (ASSETS)/LIABILITIES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. Movements in deferred tax liabilities of the Group during the year, after appropriate offsetting, are as follows:

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

	At 1 January 2015 $'000	Recognised in profit or loss (note 21) $'000	Withholding tax paid $'000	At 31 December 2015 $'000
Group				
Property, plant and equipment	71	(100)	–	(29)
Withholding tax on share of profits of associates and joint ventures	926	(117)	(154)	655

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

	Group 2016 $'000	Group 2015 $'000
Unabsorbed tax losses	**33,377**	33,004
Unabsorbed wear and tear allowances	**475**	475
Deductible temporary differences	**12,170**	9,818
	46,022	43,297
Unutilised donations	**2,263**	2,035

The tax losses and unabsorbed wear and tear allowances at 31 December 2016 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. Certain of the Group's 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.

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2016

18 TRADE AND OTHER PAYABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables:				
– Third parties	**11,771**	11,822	**2,599**	2,481
– Joint ventures	**–**	832	**–**	832
Advances received from:				
– Third parties	**39**	505	**–**	500
– Joint ventures	**4**	–	**–**	–
Accrued expenses	**8,524**	7,336	**4,727**	4,375
Dividend payable	**–**	4,358	**–**	4,358
Non–trade payables due to:				
– Subsidiaries	**–**	–	**332**	339
Other payables	**2,543**	1,832	**1,724**	124
	22,881	26,685	**9,382**	13,009

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

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

19 REVENUE

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

20 FINANCE INCOME AND FINANCE COSTS

	Group	
	2016	**2015**
	$'000	**$'000**
Finance income		
Dividend income from:		
– Financial assets held for trading	**286**	344
– Available-for-sale financial assets	**150**	500
Interest income	**766**	162
Other investment income	**220**	1,110
Net change in fair value of financial assets:		
– Held for trading	**238**	156
– Designated as at fair value through profit or loss	**507**	499
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		
– Gain on disposal of available-for-sale financial assets	**3,466**	56
Exchange gains	**46**	1,049
	5,679	3,876

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20 FINANCE INCOME AND FINANCE COSTS (CONTINUED)

	Group 2016 $'000	Group 2015 $'000
Finance costs		
Interest expense on trust receipts	**(90)**	–
Interest expense on finance lease liabilities	**(325)**	(454)
Impairment loss on available-for-sale financial assets	**(1,261)**	(2,957)
	(1,676)	(3,411)
Net finance income	**4,003**	465

21 TAX EXPENSE

	Group 2016 $'000	Group 2015 $'000
Current tax expense		
Current year	**667**	568
Under/(Over) provided in prior years	**132**	(45)
	799	523
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	**172**	(196)
Over provided in prior years	**–**	(21)
	172	(217)
	971	306

Reconciliation of effective tax rate

	Group 2016 $'000	Group 2015 $'000
Profit/(Loss) before tax	**6,852**	(5,139)
Less: Share of (profit)/loss of associates and joint ventures (net of tax)	**(4,884)**	698
	1,968	(4,441)
Tax using the Singapore tax rate of 17% (2015: 17%)	**335**	(755)
Effect of tax rates in foreign jurisdictions	**210**	179
Non-deductible expenses	**444**	191
Tax exempt income	**(785)**	(158)
Utilisation of deferred tax benefits previously not recognised	**(226)**	(160)
Tax on/(Reversal of tax on) unremitted profits	**172**	(117)
Unrecognised deferred tax assets	**689**	1,192
Under/(Over) provided in prior years	**132**	(66)
	971	306

NOTES TO THE FINANCIAL STATEMENTS

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22 PROFIT/(LOSS) FOR THE YEAR

The following items have been included in arriving at profit/(loss) for the year:

	Group	
	2016	**2015**
	$'000	**$'000**
Allowance for doubtful receivables	**688**	501
Bad debts recovered	**(18)**	(13)
Impairment loss on property, plant and equipment	**–**	1,540
Gain on disposal of property, plant and equipment	**(230)**	(362)
Compensation income received from early termination of a contract by a customer	**–**	(2,649)
Contributions to defined contribution plans	**1,819**	1,479
Audit fees paid to:		
– auditors of the Company	**341**	427
– other auditors	**37**	33
Non-audit fees paid to:		
– auditors of the Company	**50**	51
Operating lease expense	**2,854**	2,900

23 EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 31 December 2016 was based on the profit attributable to ordinary shareholders of $5,768,000 (2015: loss attributable to ordinary shareholders of $5,283,000), and a weighted average number of ordinary shares outstanding of 118,631,000 (2015: 118,682,000), calculated as follows:

Weighted average number of ordinary shares

	Group	
	2016	**2015**
	No. of shares	**No. of shares**
	'000	**'000**
Issued ordinary shares at 1 January (excluding treasury shares)	**118,628**	118,684
Effect of share options exercised	**114**	–
Effect of own shares held	**(111)**	(2)
Weighted average number of ordinary shares during the year	**118,631**	118,682

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YEAR ENDED 31 DECEMBER 2016

23 EARNINGS PER SHARE (CONTINUED)

Diluted earnings per share

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

Weighted average number of ordinary shares (diluted)

	Group	
	2016	**2015**
Profit/(Loss) attributable to owners of Company ($'000)	**5,768**	(5,283)
Weighted average number of ordinary shares (basic) ('000)	**118,631**	118,682
Potential ordinary shares issuable under share options ('000)	**47**	–
Weighted average number of ordinary shares (diluted) during the year ('000)	**118,678**	118,682
Basic earnings/(loss) per share (cents)	**4.86**	(4.45)

The potential ordinary shares issuable under share options were excluded from the diluted weighted average number of ordinary shares calculation for the year ended 31 December 2015 because their effect would decrease loss per share and have an anti-dilutive effect.

24 OPERATING SEGMENTS

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

– Cement and building materials: Manufacture and sale of cement, ready-mix concrete and building materials.

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

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

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

Other operations include the provision of carbon consultancy services. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2016 or 2015.

NOTES TO THE FINANCIAL STATEMENTS

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24 OPERATING SEGMENTS (CONTINUED)

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning fixed deposits and interest income, interest-bearing loans, borrowings and interest expenses and tax assets and liabilities. Inter-segment pricing is determined on an arm's length basis.

Information about reportable segments

	Cement and building materials $'000	Specialty polymer $'000	Investments $'000	Food & Beverage $'000	Others $'000	Total $'000
Revenue and expenses						
2016						
External revenues, representing consolidated revenue	**125,569**	**25,933**	**–**	**1,795**	**–**	**153,297**
Dividend income	**–**	**–**	**436**	**–**	**–**	**436**
Reportable segment profit/(loss) before tax	**3,393**	**303**	**3,224**	**(1,178)**	**–**	**5,742**
Share of profit of associates and joint ventures	**4,825**	**–**	**59**	**–**	**–**	**4,884**
	8,218	**303**	**3,283**	**(1,178)**	**–**	**10,626**
Headquarter expense						**(4,125)**
Interest expense						**(415)**
Interest income						**766**
Tax expense						**(971)**
Profit for the year						**5,881**
2015						
External revenues, representing consolidated revenue	165,475	14,513	–	774	8	180,770
Dividend income	–	–	844	–	–	844
Reportable segment profit/(loss) before tax	3,457	(2,174)	1,070	(1,379)	–	974
Share of profit/(loss) of associates and joint ventures	961	–	(1,659)	–	–	(698)
	4,418	(2,174)	(589)	(1,379)	–	276
Headquarter expense						(5,123)
Interest expense						(454)
Interest income						162
Tax expense						(306)
Loss for the year						(5,445)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

24 OPERATING SEGMENTS (CONTINUED)

Information about reportable segments (Continued)

	Cement and building materials $'000	Specialty polymer $'000	Investments $'000	Food & Beverage $'000	Others $'000	Total $'000
Assets and liabilities						
2016						
Total assets for reportable segments	**57,462**	**14,860**	**62,978**	**3,556**	**45**	**138,901**
Investments in associates and joint ventures						**101,096**
Other unallocated amounts						**13,885**
Consolidated total assets						**253,882**
Total liabilities for reportable segments	**25,997**	**4,706**	**66**	**242**	**5**	**31,016**
Other unallocated amounts						**3,535**
Consolidated total liabilities						**34,551**
2015						
Total assets for reportable segments	62,725	12,562	82,961	2,747	50	161,045
Investments in associates and joint ventures						101,007
Other unallocated amounts						741
Consolidated total assets						262,793
Total liabilities for reportable segments	32,865	3,248	1,586	711	5	38,415
Other unallocated amounts						865
Consolidated total liabilities						39,280
Other segment information						
2016						
Capital expenditure	**4,187**	**26**	**–**	**9**	**–**	**4,222**
Depreciation and amortisation	**4,290**	**2**	**–**	**143**	**–**	**4,435**
Impairment loss on available-for-sale financial assets	**–**	**–**	**1,261**	**–**	**–**	**1,261**
2015						
Capital expenditure	2,912	17	–	615	–	3,544
Depreciation and amortisation	4,363	346	–	64	–	4,773
Impairment loss on available-for-sale financial assets	–	–	2,957	–	–	2,957

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FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

24 OPERATING SEGMENTS (CONTINUED)

Reconciliation of reportable segment profit or loss

	2016 $'000	2015 $'000
Profit or loss		
Total profit for reportable segments	**5,742**	974
Unallocated amounts	**(3,774)**	(5,415)
Share of profit/(loss) of associates and joint ventures	**4,884**	(698)
Consolidated profit/(loss) before tax	**6,852**	(5,139)

Geographical segments

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

	Singapore $'000	Malaysia $'000	People's Republic of China $'000	Others $'000	Elimination $'000	Total $'000
2016						
External customers	**92,416**	**33,686**	**25,431**	**1,764**	**–**	**153,297**
Inter-segment revenue	**14,449**	**1,921**	**–**	**–**	**(16,370)**	**–**
Total revenue	**106,865**	**35,607**	**25,431**	**1,764**	**(16,370)**	**153,297**
Total assets for reportable segments	**107,343**	**20,743**	**10,815**	**–**	**–**	**138,901**
Investments in associates and joint ventures						**101,096**
Other unallocated amounts						**13,885**
Consolidated total assets						**253,882**
2015						
External customers	122,330	42,289	16,151	–	–	180,770
Inter-segment revenue	27,984	1,592	–	–	(29,576)	–
Total revenue	150,314	43,881	16,151	–	(29,576)	180,770
Total assets for reportable segments	137,486	18,055	5,504	–	–	161,045
Investments in associates and joint ventures						101,007
Other unallocated amounts						741
Consolidated total assets						262,793

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

24 OPERATING SEGMENTS (CONTINUED)

Major customer

Revenues from one customer of the Group's specialty polymer segment represent approximately $20,909,000 (2015: $12,748,000) of the Group's total revenues.

25 FINANCIAL INSTRUMENTS

Financial risk management

Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

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

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

Credit risk

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

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

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YEAR ENDED 31 DECEMBER 2016

25 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (Continued)

Guarantees

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

The maximum exposure of the Company in respect of the intra-group financial guarantee at the reporting date is if the facility is drawn down by the subsidiary in the amount of $10,489,000 (2015: $4,592,000). At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantee.

Trade and other receivables

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

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

Exposure to credit risk

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

		Group		Company	
	Note	**2016**	**2015**	**2016**	**2015**
		$'000	**$'000**	**$'000**	**$'000**
Convertible loan	8	**1,447**	1,413	**–**	–
Financial assets classified as held for trading					
– Debt securities	8	**1,228**	3,362	**–**	–
Financial assets designated as at fair value through profit or loss					
– Debt securities	8	**3,521**	2,588	**–**	–
Loans and receivables	11	**40,793**	50,129	**47,065**	66,122
Loans to a subsidiary	12	**–**	–	**5,059**	7,498
Cash and cash equivalents	13	**39,393**	33,621	**20,363**	10,992
Recognised financial assets		**86,382**	91,113	**72,487**	84,612

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

25 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (Continued)

***Trade and other receivables* (Continued)**

Exposure to credit risk (Continued)

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

	2016		2015	
	Gross $'000	Impairment losses $'000	Gross $'000	Impairment losses $'000
Group				
Not past due	**30,843**	**–**	27,696	–
Past due 0 – 30 days	**6,911**	**–**	11,087	–
Past due 31 – 90 days	**2,283**	**(208)**	8,614	–
Past due 91 days	**2,282**	**(1,318)**	3,574	(842)
	42,319	**(1,526)**	50,971	(842)
Company				
Not past due	**42,890**	**(4,466)**	70,228	(4,466)
Past due 0 – 30 days	**5,312**	**–**	4,806	–
Past due 31 – 90 days	**2,310**	**–**	2,051	–
Past due 91 days	**6,324**	**(246)**	1,300	(299)
	56,836	**(4,712)**	78,385	(4,765)

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

Impairment losses

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

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

25 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (Continued)

***Trade and other receivables* (Continued)**

Impairment losses (Continued)

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	**842**	436	**4,765**	496
Impairment loss recognised in profit or loss	**920**	501	**–**	4,269
Amount written back	**(232)**	–	**(53)**	–
Amount utilised	**(8)**	(51)	**–**	–
Translation difference	**4**	(44)	**–**	–
At 31 December	**1,526**	842	**4,712**	4,765

Based on historical default rates, the Group believes that no additional impairment allowance is necessary in respect of the Group's outstanding receivables. These receivables are mainly with customers that have a good payment record with the Group.

At 31 December 2016, the Group's exposure to credit risk primarily comprises $20,824,000 (2015: $29,021,000), $9,760,000 (2015: $10,410,000) and $9,878,000 (2015: $10,677,000) due from companies in Singapore, People's Republic of China and Malaysia respectively.

At 31 December 2016, the Group's exposure to credit risk primarily comprises $29,176,000 (2015: $35,154,000) due from construction companies.

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).

Cash and cash equivalents

The Group and Company held cash and cash equivalents of $39,393,000 and $20,363,000 respectively at 31 December 2016 (2015: $33,621,000 and $10,992,000 respectively), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with banks and financial institutions which are regulated.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

25 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

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

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Generally, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding 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					
2016					
Non-derivative financial liabilities					
Loan from a non-controlling interest of a subsidiary	**1,145**	**(1,145)**	**–**	**(1,145)**	**–**
Finance lease liabilities	**8,134**	**(8,689)**	**(2,619)**	**(6,070)**	**–**
Trust receipts	**1,273**	**(1,279)**	**(1,279)**	**–**	**–**
Trade and other payables*	**22,838**	**(22,838)**	**(22,838)**	**–**	**–**
	33,390	**(33,951)**	**(26,736)**	**(7,215)**	**–**
2015					
Non-derivative financial liabilities					
Loan from a non-controlling interest of a subsidiary	1,871	(1,871)	(1,871)	–	–
Finance lease liabilities	9,860	(10,534)	(2,858)	(7,671)	(5)
Trade and other payables*	26,180	(26,180)	(26,180)	–	–
	37,911	(38,585)	(30,909)	(7,671)	(5)

* excludes advances received

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2016

25 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (Continued)

		Cash flows		
	Carrying amount	**Contractual cash flows**	**Within 1 year**	**Between 2 to 5 years**
	$'000	**$'000**	**$'000**	**$'000**
Company				
2016				
Non-derivative financial liabilities				
Finance lease liabilities	**434**	**(452)**	**(200)**	**(252)**
Trust receipts	**1,273**	**(1,279)**	**(1,279)**	**–**
Trade and other payables*	**9,382**	**(9,382)**	**(9,382)**	**–**
Loans from subsidiaries	**12,312**	**(12,312)**	**(12,312)**	**–**
	23,401	**(23,425)**	**(23,173)**	**(252)**
2015				
Non-derivative financial liabilities				
Finance lease liabilities	647	(680)	(228)	(452)
Trade and other payables*	12,509	(12,509)	(12,509)	–
Loans from subsidiaries	11,653	(11,653)	(11,653)	–
	24,809	(24,842)	(24,390)	(452)

* excludes advances received

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

Market risk

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

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, China renminbi, Australia dollar.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

25 FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (Continued)

Currency risk **(Continued)**

At 31 December, the Group's and the Company's exposure to currencies, other than the respective functional currency of each individual company within the Group, are as follows:

	Singapore dollar $'000	US dollar $'000	China renminbi $'000	Australian dollar $'000
Group				
2016				
Trade and other receivables	**1,538**	**227**	**2,709**	**–**
Cash and cash equivalents	**419**	**2,721**	**1,372**	**28**
Other investments	**584**	**17,964**	**–**	**322**
Loan from a non-controlling interest of a subsidiary	**–**	**–**	**(1,145)**	**–**
Trust receipts	**–**	**(1,273)**	**–**	**–**
Trade and other payables	**(1,527)**	**(7)**	**(137)**	**–**
	1,014	**19,632**	**2,799**	**350**
2015				
Trade and other receivables	1,157	1,291	8,156	–
Cash and cash equivalents	421	5,411	1,278	14
Other investments	–	18,153	–	409
Loan from a non-controlling interest of a subsidiary	–	–	(350)	–
Trade and other payables	(1,149)	(12)	(836)	–
	429	24,843	8,248	423

	US dollar $'000	China renminbi $'000
Company		
2016		
Trade and other receivables	**6,941**	**4,170**
Cash and cash equivalents	**458**	**1,311**
Loans to subsidiaries	**39,986**	**–**
Trust receipts	**(1,273)**	**–**
Trade and other payables	**(134)**	**–**
Loans from subsidiaries	**(9,752)**	**(1,960)**
	36,226	**3,521**
2015		
Trade and other receivables	8,734	8,165
Cash and cash equivalents	2,361	1,275
Loans to subsidiaries	39,052	7,498
Trade and other payables	(12)	(828)
Loans from subsidiaries	(9,524)	(1,528)
	40,611	14,582

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YEAR ENDED 31 DECEMBER 2016

25 FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis

A 10% strengthening of the group entities' functional currencies, as indicated below, against the following currencies at 31 December would have increased/(decreased) equity and profit or loss before tax by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2015, as indicated below:

	Group		**Company**	
	Profit or loss	**Equity**	**Profit or loss**	**Equity**
	$'000	**$'000**	**$'000**	**$'000**
31 December 2016				
Singapore dollar	**(101)**	**–**	**–**	**–**
US dollar	**(1,959)**	**(4)**	**(3,623)**	**–**
China renminbi	**(280)**	**–**	**(352)**	**–**
Australia dollar	**(35)**	**–**	**–**	**–**
31 December 2015				
Singapore dollar	(43)	–	–	–
US dollar	(2,464)	(20)	(4,061)	–
China renminbi	(825)	–	(1,458)	–
Australia dollar	(42)	–	–	–

A 10% weakening of the Singapore dollar 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.

Interest rate risk

Exposure to interest rate risk

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

	Group		**Company**	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets classified as held for trading				
– Debt securities	**1,228**	3,362	**–**	–
Financial assets designated at fair value through profit or loss				
– Debt securities	**3,521**	2,588	**–**	–
Convertible loan				
– Debt securities	**1,447**	1,413		
	6,196	7,363	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

25 FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (Continued)

Interest rate risk (Continued)

Fair value sensitivity analysis for fixed rate instruments

A change of 100 basis points in interest rates would have increased or decreased profit or loss by approximately \$263,000 (2015: \$219,000) for the Group. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis is performed on the same basis for 2015.

Cash flow sensitivity analysis for variable rate instruments

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

Equity price risk

Sensitivity analysis

For investments classified as available-for-sale financial assets, a 10% increase in the equity prices at the reporting date would have increased equity by \$63,000 (2015: \$380,000). For investments classified as fair value through profit or loss, the impact on profit or loss would have been an increase of \$1,552,000 (2015: \$1,625,000). The analysis is performed on the same basis for 2015. A 10% decrease in equity prices would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

Capital management

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

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

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

Accounting classifications and fair values

Fair values versus carrying amounts

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

25 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

Fair values versus carrying amounts (Continued)

		Carrying amount						Fair value			
	Note	Held for trading $'000	Designated at fair value $'000	Loans and receivables $'000	Available-for-sale $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group											
31 December 2016											
Financial assets measured at fair value											
Available-for-sale financial assets											
– Equity securities, quoted	8	–	–	–	627	–	627	584	43	–	627
– Venture capital funds	8	–	–	–	14,313	–	14,313	–	–	14,313	14,313
Financial assets classified as held for trading											
– Debt securities	8	1,228	–	–	–	–	1,228	–	1,228	–	1,228
– Equity securities	8	7,675	–	–	–	–	7,675	7,150	525	–	7,675
Financial assets designated as at fair value through profit or loss											
– Debt securities	8	–	3,521	–	–	–	3,521	–	3,521	–	3,521
– Equity securities	8	–	7,846	–	–	–	7,846	2,500	5,346	–	7,846
		8,903	11,367	–	14,940	–	35,210				
Financial assets not measured at fair value											
Convertible loan	8	–	–	1,447	–	–	1,447				
Available-for-sale financial assets											
– Equity securities, unquoted	8	–	–	–	2,802	–	2,802				
Trade and other receivables	11	–	–	40,793	–	–	40,793				
Cash and cash equivalents	13	–	–	39,393	–	–	39,393				
		–	–	81,633	2,802	–	84,435				
Financial liabilities not measured at fair value											
Finance lease liabilities	16	–	–	–	–	(8,134)	(8,134)				
Loan from a non-controlling interest of subsidiaries	16	–	–	–	–	(1,145)	(1,145)				
Trust receipts	16	–	–	–	–	(1,273)	(1,273)				
Trade and other payables	18	–	–	–	–	(22,838)	(22,838)				
		–	–	–	–	(33,390)	(33,390)				

25 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

Fair values versus carrying amounts (Continued)

		Carrying amount						Fair value			
	Note	Held for trading $'000	Designated at fair value $'000	Loans and receivables $'000	Available-for-sale $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group											
31 December 2015											
Financial assets measured at fair value											
Available-for-sale financial assets											
– Equity securities, quoted	8	–	–	–	3,801	–	3,801	3,602	199	–	3,801
– Venture capital funds		–	–	–	15,598	–	15,598	–	–	15,598	15,598
Financial assets classified as held for trading											
– Debt securities	8	3,362	–	–	–	–	3,362	–	3,362	–	3,362
– Equity securities	8	8,488	–	–	–	–	8,488	8,488	–	–	8,488
Financial assets designated as at fair value through profit or loss											
– Debt securities	8	–	2,588	–	–	–	2,588	–	2,588	–	2,588
– Equity securities	8	–	7,760	–	–	–	7,760	1,803	5,957	–	7,760
		11,850	10,348	–	19,399	–	41,597				
Financial assets not measured at fair value											
Convertible loan	8	–	–	1,413	–	–	1,413				
Available-for-sale financial assets											
– Equity securities, unquoted	8	–	–	–	2,515	–	2,515				
Trade and other receivables	11	–	–	50,129	–	–	50,129				
Cash and cash equivalents	13	–	–	33,621	–	–	33,621				
		–	–	85,163	2,515	–	87,678				
Financial liabilities not measured at fair value											
Finance lease liabilities	16	–	–	–	–	(9,860)	(9,860)				
Loan from a non-controlling interest of a subsidiary	16	–	–	–	–	(1,871)	(1,871)				
Trade and other payables	18	–	–	–	–	(26,180)	(26,180)				
		–	–	–	–	(37,911)	(37,911)				

NOTES TO THE
FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

25 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

Fair values versus carrying amounts (Continued)

		Carrying amount						Fair value			
	Note	Held for trading $'000	Designated at fair value $'000	Loans and receivables $'000	Available-for-sale $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Company											
31 December 2016											
Financial assets not measured at fair value											
Available-for-sale financial assets											
- Equity securities, unquoted	8	**–**	**–**	**–**	**1,217**	**–**	**1,217**				
Trade and other receivables	11	**–**	**–**	**47,065**	**–**	**–**	**47,065**				
Loan to a subsidiary	12	**–**	**–**	**5,059**	**–**	**–**	**5,059**				
Cash and cash equivalents	13	**–**	**–**	**20,363**	**–**	**–**	**20,363**				
		–	**–**	**72,487**	**1,217**	**–**	**73,704**				
Financial liabilities not measured at fair value											
Finance lease liabilities	16	**–**	**–**	**–**	**–**	**(434)**	**(434)**				
Trust receipts	16	**–**	**–**	**–**	**–**	**(1,273)**	**(1,273)**				
Loan from subsidiaries	16	**–**	**–**	**–**	**–**	**(12,312)**	**(12,312)**				
Trade and other payables	18	**–**	**–**	**–**	**–**	**(9,382)**	**(9,382)**				
		–	**–**	**–**	**–**	**(23,401)**	**(23,401)**				
31 December 2015											
Financial assets measured at fair value											
Available-for-sale financial assets											
- Equity securities, unquoted	8	–	–	–	1,217	–	1,217				
Trade and other receivables	11	–	–	66,122	–	–	66,122				
Loan to a subsidiary	12	–	–	7,498	–	–	7,498				
Cash and cash equivalents	13	–	–	10,992	–	–	10,992				
		–	–	84,612	1,217	–	85,829				
Financial liabilities not measured at fair value											
Finance lease liabilities	16	–	–	–	–	(647)	(647)				
Loan from subsidiaries	16	–	–	–	–	(11,653)	(11,653)				
Trade and other payables	18	–	–	–	–	(12,509)	(12,509)				
		–	–	–	–	(24,809)	(24,809)				

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

25 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

During the year ended 31 December 2016, available-for-sale financial assets with a carrying amount of $11,000 (2015: $86,000) were transferred out of Level 3 into Level 1 because the quoted securities held by a venture capital fund was distributed as equity shares directly to the Group. There were no transfers of financial assets from Level 2 to Level 1 during the years ended 31 December 2016 and 31 December 2015.

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

Level 3 fair values

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

	Available-for-sale financial assets	
	2016	**2015**
	$'000	**$'000**
Group		
At 1 January	**15,598**	14,248
Total gains/(losses) recognised in profit or loss	**973**	(1,511)
Total gains recognised in other comprehensive income		
– Net change in fair value of equity securities available-for-sale financial assets	**(2,577)**	927
Purchases	**1,070**	1,990
Settlements	**(1,169)**	(930)
Transfer out of Level 3	**(11)**	(86)
Exchange movement	**429**	960
At 31 December	**14,313**	15,598
Company		
At 1 January	**–**	58
Total losses recognised in profit or loss	**–**	(58)
At 31 December	**–**	–

At 31 December 2016 and 31 December 2015, the Group did not have any liabilities classified in Level 3 of the fair value hierarchy.

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2016

25 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

Level 3 fair values (Continued)

Available-for-sale equity securities in Level 3 of the fair value hierarchy consist of investments in venture capital funds ("VCFs"). Fair values of VCFs are derived based on net asset values ("NAV") obtained from the Fund Managers as at 31 December 2016. Otherwise, the latest available valuation obtained is adjusted for any capital contributions and distributions where relevant, up to 31 December 2016, to determine the fair values of these venture capital funds as at 31 December 2016.

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

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

For the fair value of Level 3 available-for-sale financial assets, increasing the significant unobservable input by 10% at the reporting date would have increased equity by $1,431,000 (2015: $1,560,000). A 10% decrease in the significant unobservable input would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

Sources of estimation uncertainty

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

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 securities and debt securities

The fair values of investments in equity and debt securities are determined by reference to their quoted closing bid price in an active market at the measurement date, or where such information is unavailable, based on broker quotes (Level 2 fair values) or determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using contractual or expected future cash flows as applicable, and a market-related discount rate.

Non-derivative financial liabilities

Non-derivative financial liabilities are measured at fair value at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) approximate their fair values due to the short period to maturity.

27 OPERATING LEASES

Leases as lessee

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Within one year	**2,161**	1,815	**805**	874
Between two to five years	**3,124**	3,778	**1,838**	2,183
More than five years	**6,633**	7,245	**5,551**	6,011
	11,918	12,838	**8,194**	9,068

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

28 CAPITAL COMMITMENTS

As at year end, the Group has commitments amounting to $8,970,000 (2015: $9,872,000) in respect of additional investments in venture capital funds.

As at 31 December 2016, the Group has entered into contracts to purchase property, plant and equipment for $2,816,000 (2015: nil).

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

Key management personnel compensation comprised:

	Group	
	2016	**2015**
	$'000	**$'000**
Directors' fees	**263**	263
Short-term employee benefits:		
– directors	**1,116**	1,086
– other management personnel	**1,250**	1,171
	2,629	2,520

During the year, the Group received dividends amounting to $150,000 (2015: $500,000) 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	
	2016	**2015**
	$'000	**$'000**
Joint ventures		
Purchases of finished goods	**15,608**	13,532

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

30 CONTINGENCIES

The Company has given formal undertakings, which are unsecured, to provide financial support to its subsidiaries. As at 31 December 2016, the net current liabilities and net liabilities of these subsidiaries amounted to approximately $13,843,000 and $21,252,000 (2015: $20,083,000 and $20,999,000) respectively.

31 SUBSEQUENT EVENT

In January 2017, a subsidiary, R&P (Pte.) Ltd., entered into an agreement to incorporate a joint venture, Kunshan R&P Co., Ltd. The principal activities of the joint venture are those relating to the research and development, manufacturing and distribution of thermoplastic compounds of automotive industry.

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	
	2016	**2015**
$500,001 to $750,000	**2**	2
Below $250,000	**3**	3
Total	**5**	5

2 Interested Person Transactions

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

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

STATISTICS OF SHAREHOLDINGS

AS AT 14 MARCH 2017

SHARE CAPITAL

Issued and fully paid-up Share Capital	:	S$85,270,272
Class of Shares	:	Ordinary Shares
Voting Rights excluding treasury shares	:	one vote for every ordinary share
Number of issued shares excluding treasury shares	:	118,573,300

The Company has 129,200 treasury shares as at 14 March 2017.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	39	2.13	816	0.00
100 – 1,000	294	16.03	200,274	0.17
1,001 – 10,000	1,073	58.50	4,520,052	3.81
10,001 – 1,000,000	417	22.74	25,195,773	21.25
1,000,001 and above	11	0.60	88,656,385	74.77
TOTAL	**1,834**	**100.00**	**118,573,300**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1	AFRO-ASIA INTERNATIONAL ENTERPRISES PTE LIMITED	44,463,000	37.50
2	AFRO ASIA SHIPPING CO (PTE) LTD	14,270,500	12.04
3	UOB KAY HIAN PRIVATE LIMITED	13,154,010	11.09
4	CHUA WEE KENG	5,902,300	4.98
5	DBS NOMINEES (PRIVATE) LIMITED	2,224,825	1.88
6	MORPH INVESTMENTS LTD	1,596,500	1.35
7	NG SOO GIAP OR CHEW SOOI GUAT	1,495,500	1.26
8	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,444,250	1.22
9	TAN CHOO SUAN	1,419,000	1.20
10	PERFORMANCE INVESTMENT PTE LTD	1,404,000	1.18
11	ZEN PROPERTY MANAGEMENT PTE LTD	1,282,500	1.08
12	NEW TOWN DEVELOPMENT PTE LTD	826,000	0.70
13	LIM CHER KHIANG	771,881	0.65
14	SON FONG MENG	756,000	0.64
15	CHUA HOONG TAT FRANZ	755,100	0.64
16	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	734,000	0.62
17	KWOK HAE MENG	714,250	0.60
18	LIM & TAN SECURITIES PTE LTD	644,100	0.54
19	TAN CHOO HOON @TAN CHENG GAY	636,750	0.54
20	CHEN ENYI	620,000	0.52
	TOTAL	**95,114,466**	**80.23**

STATISTICS OF SHAREHOLDINGS

AS AT 14 MARCH 2017

SHAREHOLDING HELD IN THE HANDS OF PUBLIC

Based on the information provided to the Company as at 14 March 2017, approximately 43.97% of the total number of issued shares of the Company is held by the public. Accordingly, the Company has complied with Rule 723 of the SGX-ST Listing Manual.

SUBSTANTIAL SHAREHOLDERS as at 14 March 2017 as shown in the Company's Register of Substantial Shareholders

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	636,750	16,500,500(1)	17,137,250	14.45
Tan Yok Koon	366,000	15,674,500(2)	16,040,500	13.53
Tan Chin Hoon	–	16,500,500(3)	16,500,500	13.92
Chua Thian Poh	165,000	45,745,500(4)	45,910,500	38.72
Ho Bee Holdings (Pte) Ltd	–	45,745,500(5)	45,745,500	38.58
Afro-Asia International Enterprises Pte. Limited	44,463,000	–	44,463,000	37.50
Afro Asia Shipping Co (Pte) Ltd	14,270,500	1,404,000(6)	15,674,500	13.22

Notes:

(1) This represents Mr 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 Mr 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 Mr Tan Chin Hoon's deemed interest of 16,500,500 shares held in the name of the following:–
  (a) 14,270,500 shares held by Afro Asia Shipping Co (Pte) Ltd;
  (b) 1,404,000 shares held by Performance Investment Pte Ltd; and
  (c) 826,000 shares held by New Town Development Pte. Ltd.

(4) This represents Mr Chua Thian Poh's deemed interest of 45,745,500 shares held indirectly by Ho Bee Holdings (Pte) Ltd.

(5) This represents Ho Bee Holdings (Pte) Ltd's deemed interest of 45,745,500 shares held in the name of the following:–
  (a) 44,463,000 shares held by Afro-Asia International Enterprises Pte. Limited; and
  (b) 1,282,500 shares held by Zen Property Management Pte Ltd.

(6) This represents Afro Asia Shipping Co (Pte) Ltd's deemed interest of 1,404,000 shares held by its wholly-owned subsidiary Performance Investment Pte Ltd.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of EnGro Corporation Limited (the "Company") will be held at 25 International Business Park, German Centre, Stuttgart Room, 5th floor, East Wing, Singapore 609916 on Friday, 28 April 2017 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2016, the Directors' Statement and Report of the Auditors thereon. **(Resolution 1)**

2. To declare a first and final tax-exempt (1-tier) dividend of 2.5 cents per ordinary share for the financial year ended 31 December 2016. **(Resolution 2)**

3(a) To re-elect Mr Tan Cheng Gay who retires pursuant to Article 87 of the Company's Articles of Association. **(Resolution 3)**

3(b) To re-elect Mr Ronnie Teo Heng Hock who retires pursuant to Article 87 of the Company's Articles of Association. **(Resolution 4)**

Mr Ronnie Teo Heng Hock will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

[See Explanatory Note]

4. To re-appoint Messrs KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

AS SPECIAL BUSINESS

5. To approve the payment of Directors' fees of S$262,500 for the financial year ended 31 December 2016 (2015: S$262,500). **(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 under the Ssangyong Cement (Singapore) Limited 2000 Employees' Share Option Scheme (the "ESOS 2000")

"That authority be and is hereby given to the Directors to allot and issue from time to time such number of ordinary shares in the Company as may be required to be issued pursuant to the exercise of options under the ESOS 2000, provided always that the aggregate number of shares to be issued pursuant to the ESOS 2000 shall not exceed fifteen per centum (15%) of the total issued shares in the capital of the Company excluding treasury shares, from time to time." **(Resolution 7)**

NOTICE OF
ANNUAL GENERAL MEETING

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

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

(A) (i) issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise, and/or

(ii) make or grant offers, agreements or options (collectively "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

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

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

provided that:

(a) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) of the Company (the "Rights Issue Limit") (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) 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) shall be based on the total number of issued shares (excluding treasury shares) of the Company at the time this Resolution is passed, after adjusting for:–

(i) new shares arising from the conversion or exercise of any convertible securities;

(ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with the provisions of the Listing Manual of the SGX-ST; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares;

(c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company;

NOTICE OF
ANNUAL GENERAL MEETING

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

provided further that notwithstanding the Rights Issue Limit set out in sub-paragraph (a) above, but subject always to any applicable regulations as may be prescribed by the SGX-ST, the Rights Issue Limit and accordingly the authority conferred thereunder, shall be increased to 100% of the total number of issued shares (excluding treasury shares) of the Company (the "Enhanced Rights Issue Limit") (as calculated in accordance with sub-paragraph (b) above) for such purpose, on such renounceable basis and on such other conditions as may be prescribed in Practice Note 8.3 of the Listing Manual of SGX-ST (as such Practice Note may be amended, varied, supplemented or replaced from time to time) in respect of such Enhanced Rights Issue Limit. **(Resolution 8)**

6.3 Authority to grant options and to allot and issue shares under with the EnGro Corporation Limited 2011 Employees' Share Option Scheme (the "ESOS 2011")

"That authority be and is hereby given to the Directors of the Company to offer and grant options in accordance with the provisions of the ESOS 2011 and to allot and issue from time to time such number of ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of options under the ESOS 2011, whether granted during subsistence of this authority or otherwise, provided always that the aggregate number of new shares to be allotted and issued pursuant to the ESOS 2011 and other share based schemes of the Company (which shall include the ESOS 2000 and the EnGro Performance Share Award Scheme) shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time."

(Resolution 9)

6.4 Authority to issue shares under the EnGro Performance Share Award Scheme (the "EnGro PSA Scheme")

"That authority be and is hereby given to the Directors of the Company to allot and issue from time to time such number of fully paid-up shares as may be required to be allotted and issued pursuant to the vesting of awards under the EnGro PSA Scheme, whether granted during subsistence of this authority or otherwise, provided always that the aggregate number of shares to be allotted and issued pursuant to the EnGro PSA Scheme and other share based schemes (including the ESOS 2000 and ESOS 2011) of the Company shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time."

(Resolution 10)

6.5 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

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

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

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

(i) the date on which the next annual general meeting of the Company is held; or

(ii) the date by which the next annual general meeting of the Company is required by law to be held; or

(iii) the date on which the purchases of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(c) in this Resolution:–

"**Prescribed Limit**" means 10% of the total number of issued ordinary shares of the Company 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 ordinary shares of the Company shall be taken to be the number of issued ordinary shares of the Company as altered (excluding any 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;

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

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

(i) in the case of a Market Purchase, 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price,

where:–

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

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

(Resolution 11)

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

NOTICE OF BOOK CLOSURE DATE FOR DIVIDEND

NOTICE IS ALSO HEREBY GIVEN that, subject to the approval of shareholders being obtained at the Annual General meeting of the Company for the payment of the first and final tax-exempt (1-tier) dividend, the Share Transfer Books and the Register of Members of the Company will be closed on 26 May 2017 for the preparation of dividend warrants. Duly completed transfers received by the Company's Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 25 May 2017 will be registered to determine shareholders' entitlement to the proposed dividends. The first and final tax-exempt (1-tier) dividend of 2.5 cents per ordinary share for the financial year ended 31 December 2016, if approved at the Annual General Meeting, will be paid on 9 June 2017.

By Order of the Board

Joanna Lim
Company Secretary

13 April 2017

EXPLANATORY NOTE

In relation to Ordinary Resolutions 3 and 4 proposed in items 3(a) and 3(b) above, the detailed information on Mr Tan Cheng Gay and Mr Ronnie Teo Heng Hock are set out in the section entitled "Directors Profile" and Table 3 in the Corporate Governance Report of the Company's 2016 Annual Report.

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

There are no relationships (including immediate family relationships) between Mr Ronnie Teo Heng Hock and the other directors, the Company or its 10% shareholders.

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

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 2016.

Ordinary Resolution 7

Resolution 7 proposed in item 6.1 above, if passed, will authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares in the Company pursuant to the exercise of options granted under the "ESOS 2000", provided that the aggregate number of shares to be issued does not exceed 15% of the issued share capital of the Company from time to time. Note that the ESOS 2000 was at the end of its 10-year duration and discontinued on 15 January 2011. However, subsisting options granted prior to that date are not affected by the discontinuation and remain exercisable in accordance with the rules of the ESOS 2000. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

Ordinary Resolution 8

Resolution 8 proposed in item 6.2 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to issue shares and convertible securities in the Company. The number of shares and convertible securities that the Directors may issue under this Resolution would not exceed Rights Issue Limit, ie 50% of the total number of issued shares (excluding treasury shares) of the Company at the time of the passing of this Resolution, or the Enhanced Rights Issue Limit, ie 100% of the total number of issued shares (excluding treasury shares) of the Company at the time of the passing of this Resolution where the Company meets the requirements for such Enhanced Rights Issue Limit prescribed in Practice Note 8.3 of the Listing Manual of SGX-ST. For issue of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed 20% of the total number of issued shares (excluding treasury shares) of the Company. The aggregate number of shares which may be issued shall be based on the total number of issued shares (excluding treasury shares) of the Company at the time that Ordinary Resolution 8 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Ordinary Resolution 9 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares. The Enhanced Rights Issue Limit widens fund-raising avenues available to the Company, thereby enabling it to respond to financing needs to meet on-going changes and challenges in the business environment in more expedient and cost-efficient manner. The Directors are therefore of the view that the Enhanced Rights Issue Limit is in the interest of the Company and its shareholders.

Ordinary Resolution 9

Resolution 9 proposed in item 6.3 above, if passed, will authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to grant options under the ESOS 2011 which was approved at the Extraordinary General Meeting of the Company on 27 April 2011 and to allot and issue shares upon the exercise of such options granted under the ESOS 2011 in accordance with the rules of the ESOS 2011. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

NOTICE OF ANNUAL GENERAL MEETING

Ordinary Resolution 10

Resolution 10 proposed in item 6.4 above, if passed, will authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares in the Company pursuant to the vesting of awards under the EnGro PSA Scheme which was approved at the Extraordinary General Meeting of the Company on 27 April 2011 in accordance with the rules of the EnGro PSA Scheme. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

Ordinary Resolution 11

Resolution 11 proposed in item 6.5 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) 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 2016 are set out in greater detail in the Addendum in relation to the proposed renewal of the Share Purchase Mandate.

Notes:

(1) A member of the Company (other than a depository agent) entitled to attend and vote at the Meeting may appoint not more than two proxies to attend and vote in his/her stead.

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

(3) Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of his shareholding concerned to be represented by each proxy shall be specified in the form of proxy. Relevant intermediary is either:

  (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

  (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or

  (c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

(4) If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

NOTICE OF ANNUAL GENERAL MEETING

(5) An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

(6) The instrument appointing a proxy must be deposited at the registered office of the Company at 29 International Business Park, #08-05/06 Acer Building Tower B, Singapore 609923 not later than 48 hours before the time appointed for holding the Meeting.

Personal data privacy:

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

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ENGRO CORPORATION LIMITED

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

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

PROXY FORM

*I/We, ____

of ____

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

Name	Address	NRIC/ Passport No.	Proportion of Shareholding(s) (%)

*and/or

or failing whom, the Chairman of the Meeting, as *my/our *proxy/proxies to vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting ("AGM") of the Company to be held at 25 International Business Park, German Centre, Stuttgart Room, 5th floor, East Wing, Singapore 609916 on Friday, 28 April 2017 at 10.00 a.m. and at any adjournment thereof. The *proxy is/proxies are to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/their discretion, as *he/they will on any other matter arising at the Meeting:–

Ordinary Resolutions		**For**	**Against**
Resolution 1	To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2016, the Directors' Statement and the Report of the Auditors thereon.		
Resolution 2	To declare a first and final tax-exempt (1-tier) dividend of 2.5 cents per ordinary share for the financial year ended 31 December 2016.		
Resolution 3	To re-elect Mr Tan Cheng Gay (Retiring under Article 87).		
Resolution 4	To re-elect Mr Ronnie Teo Heng Hock (Retiring under Article 87).		
Resolution 5	To re-appoint Messrs KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.		
Resolution 6	To approve the payment of Directors' fees of S$262,500 for the financial year ended 31 December 2016 (2015: S$262,500).		
Resolution 7	To authorise Directors to allot and issue shares pursuant to the exercise of options granted under Ssangyong Cement (Singapore) Limited 2000 Employees' Share Option Scheme.		
Resolution 8	To authorise the Directors to allot and issue shares pursuant to the Share Issue Mandate.		
Resolution 9	To authorise Directors to grant options and to allot and issue shares under EnGro ESOS 2011.		
Resolution 10	To authorise Directors to issue shares under the EnGro PSA Scheme.		
Resolution 11	To approve the Proposed Renewal of the Share Purchase Mandate.		

Please indicate with a tick [√] in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of the Meeting.

Dated this __________ day of ______________ 2017

Total Number of Shares Held

____

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

** Delete where applicable*

Notes:–

1. A member of the Company (other than a depository agent) entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.
2. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
3. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of his shareholding concerned to be represented by each proxy shall be specified in the form of proxy. Relevant intermediary is either:
   (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
   (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
   (c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
5. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.
6. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 29 International Business Park, #08-05/06 Acer Building Tower B, Singapore 609923 not later than 48 hours before the time set for the Annual General Meeting.
7. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
9. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the Annual General Meeting.
10. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

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 13 April 2017.

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Please
Affix
Postage
Stamp

The Company Secretary

ENGRO CORPORATION LIMITED

29 International Business Park

#08-05/06 Acer Building Tower B

Singapore 609923

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