



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

UNAUDITED SECOND QUARTER FINANCIAL STATEMENT AND RELATED ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2014

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group			Group		
	2Q14 S\$'000	2Q13 S\$'000	% Change	YTD14 S\$'000	YTD13 S\$'000	% Change
Continuing operations						
Revenue	43,971	41,039	7.1	88,804	79,948	11.1
Changes in inventories of finished goods and work-in-progress	(1,550)	(1,860)	(16.7)	(3,234)	(2,905)	11.3
Raw materials	(30,665)	(27,403)	11.9	(61,929)	(54,213)	14.2
Gain on disposal of property, plant and equipment	129	1	n.m.	31	1	n.m.
Gain/ (Loss) on disposal of investments	36	(26)	n.m.	37	(39)	n.m.
Investment income	415	106	n.m.	425	164	n.m.
Interest income	29	47	(38.3)	71	79	(10.1)
Dividend income	68	62	9.7	306	114	n.m.
Other income	131	369	(64.5)	468	498	(6.0)
Exchange (loss)/ gain	(178)	656	n.m.	(238)	802	n.m.
Write back/ (Allowance) for doubtful receivables and bad debts written off	50	(8)	n.m.	(82)	(9)	n.m.
Depreciation of property, plant and equipment	(810)	(640)	26.6	(1,614)	(1,303)	23.9
Gain on disposal of investment on financial assets available for sales	5	38	(86.3)	5	38	(86.3)
Allowance for impairment on investments	(89)	(9)	n.m.	(89)	(152)	(41.2)
Net change in fair value of financial assets held for trading	725	357	n.m.	749	827	(9.4)
Staff costs	(3,936)	(3,738)	5.3	(7,556)	(7,459)	1.3
Rental expenses	(568)	(491)	15.7	(1,133)	(975)	16.2
Other expenses	(5,782)	(6,059)	(4.6)	(11,506)	(13,626)	(15.6)
Interest expenses	(3)	(5)	(40.0)	(5)	(11)	(54.5)
Profit before share of profit of associates	1,978	2,436	(18.8)	3,510	1,779	97.3
Share of profit of associates (net of tax)	3,052	3,375	(9.6)	3,353	17,633	(81.0)
Profit from ordinary activities before taxation	5,030	5,811	(13.4)	6,863	19,412	(64.6)
Income tax expense	(244)	(283)	(13.8)	(512)	(553)	(7.4)
Net profit for the period ended	4,786	5,528	(13.4)	6,351	18,859	(66.3)

Attributable to:

Equity holders of the Company	4,804	5,530	(13.1)	6,373	18,868	(66.2)
Non-controlling interests	(18)	(2)	n.m.	(22)	(9)	n.m.
Net profit for the period ended	4,786	5,528	(13.4)	6,351	18,859	(66.3)

n.m. - not meaningful

Statement of Comprehensive Income

	Group			Group		
	2Q14 S\$'000	2Q13 S\$'000	% Change	YTD14 S\$'000	YTD13 S\$'000	% Change
Net profit for the period ended	4,786	5,528	(13.4)	6,351	18,859	(66.3)
Other comprehensive income:						
Exchange differences on translation of financial statements of foreign subsidiaries and associates	(213)	1,065	n.m.	(1,111)	2,278	n.m.
Exchange differences on monetary items forming part of net investment	(295)	853	n.m.	(384)	1,376	n.m.
Net change in fair value of equity securities available for sale transferred to profit or loss	84	(29)	n.m.	84	114	(26.3)
Net change in fair value of equity securities available for sale	2,743	(165)	n.m.	3,839	383	902.3
Other comprehensive income for the period, net of tax	2,319	1,724	34.5	2,428	4,151	(41.5)
Total comprehensive income for the period	7,105	7,252	(2.0)	8,779	23,010	(61.8)
Total comprehensive income attributable to:						
Equity holders of the Company	7,123	7,254	(1.8)	8,801	23,019	(61.8)
Non-controlling interests	(18)	(2)	800.0	(22)	(9)	144.4
	7,105	7,252	(2.0)	8,779	23,010	(61.8)

n.m. - not meaningful

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company		Group	Company
	30.06.2014	31.12.2013	30.06.2014	31.12.2013	%	%
	S\$'000	S\$'000	S\$'000	S\$'000	Change	Change
Non-current assets						
Property, plant and equipment	14,014	13,392	2,157	1,880	4.6	14.7
Subsidiaries	-	-	45,528	45,397	0.0	0.3
Associates	100,857	93,803	60,243	60,243	7.5	0.0
Amount due from associates	2,472	2,520	-	-	(1.9)	0.0
Other investments	23,447	18,167	1,275	1,275	29.1	0.0
Other financial assets	172	172	172	172	0.0	0.0
	140,962	128,054	109,375	108,967	10.1	0.4
Current assets						
Inventories	4,510	8,261	2,893	6,549	(45.4)	(55.8)
Trade and other receivables	38,286	36,231	65,734	39,874	5.7	64.9
Other investments	30,921	7,561	-	678	n.m.	(100.0)
Cash and cash equivalents	37,732	64,707	18,898	44,425	(41.7)	(57.5)
	111,449	116,760	87,525	91,526	(4.5)	(4.4)
Total assets	252,411	244,814	196,900	200,493	3.1	(1.8)
Equity						
Share capital	85,270	85,263	85,270	85,263	0.0	0.0
Reserves	138,160	129,100	93,588	91,142	7.0	2.7
Equity attributable to equity holders of the Company	223,430	214,363	178,858	176,405	4.2	1.4
Non-controlling interests	151	153	-	-	(1.3)	0.0
Total equity	223,581	214,516	178,858	176,405	4.2	1.4
Non-current liabilities						
Loans and borrowings	4,457	3,871	154	154	15.1	0.0
Deferred tax liabilities	952	802	-	-	18.7	0.0
	5,409	4,673	154	154	15.8	0.0
Current liabilities						
Trade and other payables	21,089	23,992	8,911	15,349	(12.1)	(41.9)
Loans and borrowings	1,459	1,106	8,977	8,585	31.9	4.6
Current tax liabilities	873	527	-	-	65.7	0.0
	23,421	25,625	17,888	23,934	(8.6)	(25.3)
Total liabilities	28,830	30,298	18,042	24,088	(4.8)	(25.1)
Total equity and liabilities	252,411	244,814	196,900	200,493	3.1	(1.8)

Explanatory Notes to Balance Sheet

Shareholders' equity of the Group grew by S\$9.1 million to S\$223.4 million as at 30 June 2014 as compared to S\$214.4 million as at 31 December 2013. This was attributed by net profit of S\$6.4 million and increase in fair value reserve of S\$3.9 million but partially offset by foreign currency translation loss of S\$1.5 million.

Total assets for the Group amounted to S\$252.4 million as at 30 June 2014, representing S\$7.6 million or 3.1% increase from the total assets of S\$244.8 million as at 31 December 2013.

Non-Current Assets

Associates increased by S\$7.1 million. This was attributable to share of profits from associates of S\$3.4 million and additional investment in an associate of S\$5.6 million offset by dividends received of S\$0.8 million and translation exchange loss of S\$1.3 million.

Other investments increased by S\$5.3 million due to net of capital calls and distributions amounting to S\$1.4 million and fair value increase of S\$3.9 million.

Current Assets

Inventories fell by S\$3.8 million to S\$4.5 million as at 30 June 2014 due to lower goods-in-transit.

Trade and other receivables increased by S\$2.1 million due to timing difference in customers' collections.

Other investments increased by S\$23.4 million due to new investment in quoted equity securities of S\$21.7 million coupled with net fair value increase of S\$1.7 million.

Current Liabilities

Trade and other payables decreased by S\$2.9 million in line with decrease in inventories orders.

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30.06.2014		As at 31.12.2013	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
1,459	-	1,106	-

Amount repayable after one year

As at 30.06.2014		As at 31.12.2013	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
4,457	-	3,871	-

Details of any collateral

The Group's banking facilities are secured by:

- the hire purchase facilities of the Group are secured by the Company and its subsidiaries' plant and machinery and motor vehicles.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	2Q14 S\$'000	2Q13 S\$'000
Operating activities		
Profit before income tax	5,030	5,811
Adjustments for:		
(Write back)/ Allowance for doubtful receivables	(50)	8
Property, plant and equipment written off	-	6
Depreciation of property, plant and equipment	810	640
Dividend income	(68)	(62)
Share-based payment transactions	28	13
Gain on disposal of investment on financial assets available for sale	(5)	(38)
Allowance of impairment loss on investments	89	9
Interest expense	3	5
Interest income	(29)	(47)
(Gain)/ Loss on disposal of investments	(36)	26
Gain on disposal of property, plant and equipment	(129)	(1)
Net change in fair value of financial assets held for trading	(725)	(357)
Share of profit of associates (net of tax)	(3,052)	(3,375)
Operating profit before working capital changes	<u>1,866</u>	<u>2,638</u>
Changes in working capital:		
Inventories	1,726	1,863
Trade and other payables	(3,256)	1,349
Trade and other receivables	(1,450)	4,123
Cash (used in)/ from operating activities	<u>(1,114)</u>	<u>9,973</u>
Income tax paid	(138)	(312)
Net cash (used in)/ from operating activities	<u>(1,252)</u>	<u>9,661</u>
Investing activities		
Distribution from other investments	96	624
Dividends received from other investments	68	62
Dividends received from associates	222	227
Interest received	29	47
Proceeds from disposal of other investments	1,222	1
Proceeds from disposal of property, plant and equipment	562	4
Purchase of other investments	(24,575)	(668)
Purchase of property, plant and equipment	(45)	(1,082)
Investment in associates	(5,584)	-
Net cash used in investing activities	<u>(28,005)</u>	<u>(785)</u>
Financing activities		
Deposits refunded/ (pledged)	613	(14)
Interest paid	(3)	(5)
Repayment of short term borrowings	-	(94)
Proceeds from exercise of share options	7	-
Issue of treasury shares pursuant to exercise of share options	232	-
Proceeds from issue of shares under share options scheme	-	142
Purchase of treasury shares	-	(33)
Repayment of finance leases	(353)	(277)
Net cash from/ (used in) financing activities	<u>496</u>	<u>(281)</u>
Net (decrease)/ increase in cash and cash equivalents	<u>(28,761)</u>	<u>8,595</u>
Cash and cash equivalents at beginning of period	66,489	50,904
Effect of exchange fluctuations on cash held	4	125
Cash and cash equivalents at end of period	<u>37,732</u>	<u>59,624</u>
Comprising:		
Fixed deposits	1,381	2,132
Bank balances	36,351	58,124
	<u>37,732</u>	<u>60,256</u>
Deposits pledged	-	(632)
	<u>37,732</u>	<u>59,624</u>

- 1(c) **A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Explanatory Notes to Cash Flow Statement

The Group recorded net outflow in cash and cash equivalents of S\$28.8 million for the period ended 30 June 2014 as compared to a net inflow of S\$8.6 million for the same period last year.

This was attributable to higher net cash used in investing and operating activities for S\$27.2 million and S\$10.9 million respectively, partially offset by higher cash generated from financing activities amounting to S\$0.8 million.

The higher net cash used in investing activities arose from additional net investments in equity securities of S\$23.4 million and capital injection in a new associate for S\$5.6 million. Higher net cash was also used to fund working capital from operating activities. The cash generated from financing activities came from deposit refund.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Share capital S\$'000	Capital reserve S\$'000	Reserve for own shares S\$'000	Share option reserve S\$'000	Foreign currency translation reserve S\$'000	Fair value reserve S\$'000	Accumulated profits S\$'000	Total attributable to equity holders of the parent S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
At 1 April 2013	84,347	-	(373)	964	(7,375)	7,334	117,641	202,538	159	202,697
Total comprehensive income for the period										
Net profit for the period	-	-	-	-	-	-	5,530	5,530	(2)	5,528
Other comprehensive income										
Exchange differences on translation of financial statements of foreign subsidiaries and associates	-	-	-	-	1,065	-	-	1,065	-	1,065
Exchange differences on monetary items forming part of net investment	-	-	-	-	853	-	-	853	-	853
Net change in fair value of equity securities available for sale transferred to profit or loss	-	-	-	-	-	(29)	-	(29)	-	(29)
Net change in fair value of equity securities available for sale	-	-	-	-	-	(165)	-	(165)	-	(165)
Total other comprehensive income	-	-	-	-	1,918	(194)	-	1,724	-	1,724
Total comprehensive income for the period	-	-	-	-	1,918	(194)	5,530	7,254	(2)	7,252
Contributions by and distributions to owners										
Purchase of treasury shares	-	-	(33)	-	-	-	-	(33)	-	(33)
Issue of shares under share option scheme	142	-	-	-	-	-	-	142	-	142
Share-based payment transactions	-	-	-	13	-	-	-	13	-	13
Total transactions with owners	142	-	(33)	13	-	-	-	122	-	122
At 30 June 2013	84,489	-	(406)	977	(5,457)	7,140	123,171	209,914	157	210,071
At 1 April 2014	85,263	(22)	(302)	191	(5,758)	8,481	128,187	216,040	169	216,209
Total comprehensive income for the period										
Net profit for the period	-	-	-	-	-	-	4,804	4,804	(18)	4,786
Other comprehensive income										
Exchange differences on translation of financial statements of foreign subsidiaries and associates	-	-	-	-	(213)	-	-	(213)	-	(213)
Exchange differences on monetary items forming part of net investment	-	-	-	-	(295)	-	-	(295)	-	(295)
Net change in fair value of equity securities available for sale transferred to profit or loss	-	-	-	-	-	84	-	84	-	84
Net change in fair value of equity securities available for sale	-	-	-	-	-	2,743	-	2,743	-	2,743
Total other comprehensive income	-	-	-	-	(508)	2,827	-	2,319	-	2,319
Total comprehensive income for the period	-	-	-	-	(508)	2,827	4,804	7,123	(18)	7,105
Contributions by and distributions to owners										
Issue of shares under share option scheme	7	-	-	-	-	-	-	7	-	7
Share-based payment transactions	-	-	-	28	-	-	-	28	-	28
Issue of treasury shares pursuant to exercise of share options	-	1	282	(51)	-	-	-	232	-	232
Total transactions with owners	7	1	282	(23)	-	-	-	267	-	267
At 30 June 2014	85,270	(21)	(20)	168	(6,266)	11,308	132,991	223,430	151	223,581

	Share capital S\$'000	Capital reserve S\$'000	Reserve for own shares S\$'000	Share option reserve S\$'000	Accumulated profits S\$'000	Total equity S\$'000
Company						
At 1 April 2013	84,347	-	(373)	964	86,355	171,293
Total comprehensive income for the period						
Net profit for the period	-	-	-	-	2,377	2,377
Other comprehensive income						
Total other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	2,377	2,377
Contributions by and distributions to owners						
Purchase of treasury shares	-	-	(33)	-	-	(33)
Issue of shares under share option scheme	142	-	-	-	-	142
Share-based payment transactions	-	-	-	13	-	13
Total transactions with owners	142	-	(33)	13	-	122
At 30 June 2013	84,489	-	(406)	977	88,732	173,792
At 1 April 2014	85,263	(22)	(302)	191	93,045	178,175
Total comprehensive income for the period						
Net profit for the period	-	-	-	-	416	416
Other comprehensive income						
Total other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	416	416
Contributions by and distributions to owners						
Issue of shares under share option scheme	7	-	-	-	-	7
Share-based payment transactions	-	-	-	28	-	28
Issue of treasury shares pursuant to exercise of share options	-	1	282	(51)	-	232
Total transactions with owners	7	1	282	(23)	-	267
At 30 June 2014	85,270	(21)	(20)	168	93,461	178,858

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

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

	<u>Number of Shares</u>
Issued share capital of the Company (excluding treasury shares) as at 31 March 2014	118,378,500
Issue of treasury shares pursuant to exercise of employees' share options	305,000
Issued share capital of the Company (excluding treasury shares) as at 30 June 2014	<u>118,683,500</u>

There were 19,000 treasury shares held by the Company as at 30 June 2014 (30 June 2013: 439,000) and has been excluded in the above number of issued ordinary shares.

As at 30 June 2014, options to subscribe to 1,282,500 ordinary shares remained unexercised (30 June 2013: 1,712,500 ordinary shares).

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	<u>As at 30 June 2014</u>	<u>As at 31 December 2013</u>
Total number of issued shares excluding treasury shares	<u>118,683,500</u>	<u>118,378,500</u>

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There were 305,000 treasury shares issued upon the exercise of share option under employees' share scheme in Q214 (Q213 : Nil)

- 2 Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard).**

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

- 3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).**

Not applicable.

- 4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Other than the adoption of the new and revised Financial Reporting Standards (FRS) which took effect from current year, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as compared with the audited financial statements for the financial year ended 31 December 2013.

- 5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Management is currently assessing the financial impact on the results and position of the Group and of the Company for the financial year ending 31 December 2014 arising from the adoption of the new and revised accounting standards.

6 Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group		Group	
	2Q14	2Q13	YTD14	YTD13
Weighted average no. of shares (excluding treasury shares)	118,489,654	118,212,995	118,434,384	118,094,942
Weighted average no. of shares on a fully diluted basis (excluding treasury shares)	118,743,364	118,440,562	118,694,144	118,338,976
Earnings per ordinary shares for the period				
(i) Based on weighted average number of ordinary shares in issue (excluding treasury shares)	4.05 cents	4.68 cents	5.38 cents	15.98 cents
(ii) On a fully diluted basis (excluding treasury shares)	4.05 cents	4.67 cents	5.37 cents	15.94 cents

Earnings per ordinary shares of the period based on operating profit after tax attributable to members of the company after deducting any provision for preference dividends:-

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.

	Group		Company	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
Net asset value per ordinary share	S\$1.88	S\$1.81	S\$1.51	S\$1.49

The calculation of net asset value per ordinary share of the Group and Company was based on the net assets of the Group and the Company as at 30 June 2014 and 31 December 2013 after adjusting for non-controlling interest and 118,683,500 shares (excluding treasury shares) as at 30 June 2014 (31 December 2013: 118,378,500 shares).

8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

(a) Revenue

Revenue for the Group rose by S\$2.9 million (7.1%) from S\$41 million in 2Q13 to S\$44 million in 2Q14 due to higher sales generated from Ready-Mix Concrete business.

(b) Profitability

Profit after tax declined by S\$0.7 million (13.4%) from S\$5.5 million in 2Q13 to S\$4.8 million in 2Q14. This was due to unrealised exchange loss of S\$0.8 million arising from the strengthening of SGD against USD, a decline in share of profits of associates of S\$0.3 million, partially offset by fair value gain in financial assets held for trading of S\$0.4 million.

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

Actual results were in line with prospect statement made in 1Q 14.

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

Based on the latest advance estimates by the Ministry of Trade and Industry (MTI), the construction sector grew by 5.0% on a year-on-year basis, compared to 6.4% in the preceding quarter. The lower rate of growth was due to a slowdown in private sector construction activities.

The construction demand in 2H14 is expected to remain positive with strong support from the Public sector construction. Barring any unforeseen circumstances, we expect our Singapore Integral Cement and Ready-Mix Concrete business to remain stable. However, rising costs and a tight labour market remain a challenge.

In Malaysia, our Ready-Mix Concrete business is well positioned to gain market share from increased construction activities.

China's GDP is forecast to grow at 7.5% in 2014. EnGro's GGBS business is expected to continue to contribute to the Group's profit.

11 Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on ? None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year ? None

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

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

13 If the Group has obtained a General Mandate from shareholders for the IPT, the aggregate values of such transactions as required under Rule 920 (1) (a) (ii). If no IPT mandate has been obtained, a statement to that effect.

There is no interested person transactions conducted during 2nd quarter of financial year 2014.

No IPT mandate has been obtained from shareholders.

CONFIRMATION BY THE BOARD

We, TAN CHENG GAY and TAN YOK KOON being two of the Directors of EnGro Corporation Limited (the "Company"), do hereby confirm on behalf of the Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the period ended 30 June 2014 to be false or misleading in any material respect.

On behalf of the Board of Directors

TAN CHENG GAY
Chairman and CEO

TAN YOK KOON
Director

BY ORDER OF THE BOARD

Tan Cheng Gay
Chairman and CEO
12 August 2014