ENGRO CORPORATION LIMITED
(Registration no: 197302229H)

EnGro Corporation Limited AGM – Q&As

No.	Questions from a shareholder	Replies
1	As noted in the chairman's message, the group reported a profit after tax of $11.1 million in FY2019, driven by higher fair value gains from the investment segment, improved performance from the China joint ventures and Integral cement and RMC business. In particular, it was stated that the cement industry in China witnessed a record year which resulted in high demand for Ground Granulated Blastfurnace Slag (GGBS) in most provinces, resulting in higher GGBS prices nationwide. The group's GGBS production capacity increased to 10.8 million tons per year with a new production line in Rizhao, Shandong province in April 2019. Sales volume grew to 8.3 million tons in 2019, up from 7.1 million tons in 2018. The group now has 8 plants in 5 locations. (i) Are there opportunities for the group to increase its production capacity or to expand its network to new provinces? (ii) Does the group have any visibility on the market share of its GGBS operations? (iii) Would management also provide shareholders with an update on the progress of the green cement pilot plant in Zibo, Shandong?	(i) The Group remains committed to our vision of growth in North Asia, and will continue to expand capacity if it is feasible. We will explore expansion to new provinces if we can find suitable partners. (ii) There is no official estimate of market share. We have our internal estimates, but this is proprietary information. (iii) We have stopped the pilot project because it is deemed no longer feasible, and full provision has been made in FY2019. We will review the green concept again at the appropriate time.
2	For the group's specialty polymer business, the group has diversified into nonautomotive customers in film packaging. The group has also signed up a first electric vehicle (EV) maker, Byton. (i) What other industries can R&P serve, other than the automotive industry? (ii) Is the profit margin for packaging film masterbatch comparable to profit margin for the automotive industry?	(i) Besides the automotive industry, R&P can also serve the medical devices and furniture industries. (ii) We expect it to be comparable. (iii) We have commenced production.

	(iii) When does the group expect to start the production for Byton?	
3	In the corporate governance report, the company has stated that it has a dividend policy which seeks to balance dividend return to shareholders with the need for long-term sustainable growth whilst aiming for an efficient capital structure. For FY2019, and since FY2015, the company has recommended and has paid 2.5 cents per ordinary share as dividend each year. The total amount of dividend adds up to just under $3 million for each financial year. Between FY2008 and FY2014, the company used to declare 3 cents per ordinary share with special dividends for some years, for example for FY2013 and for FY2009. (i) Can the board help shareholders understand if it had deliberated on the ability of the company to raise dividends? As at 31 December 2019, the company has cash and cash equivalents of $34.9 million, an increase from $33.0 million as at the end of the last financial year. In addition, the group has more than $48 million in financial assets, consisting of venture capital funds ($21.5 million), equity securities ($20.7 million), structured deposits ($2.6 million) etc. (ii) Has the board reviewed the capital structure and assessed if the current capital structure is efficient (as stated in its dividend policy)? (iii) How is the quoted securities portfolio managed? What is the level of oversight by the board/audit committee on the investment performance and the risks associated with equity investments? Are these pure financial investments that are not strategic to the group's long-term objectives? If so, would the board also consider returning the excess capital to shareholders?	(i) Amid the significant uncertainties in the business environment, the Company needs to conserve cash in the event the COVID-19 pandemic and its adverse impact on business turns out to be protracted. In addition, the downturn may also offer us business opportunities. (ii) The Board periodically reviews the capital structure of the Group and is satisfied that the current capital structure is an appropriate balance between efficiency and resilience. (iii) EnGro's quoted securities portfolio is relatively insignificant and is managed by its in-house investment team. The portfolio is reviewed by the Audit Committee and Board on a regular basis.

For and on behalf of
EnGro Corporation Limited

23 June 2020