

Issuer: EnGro Corporation Limited
Security: EnGro Corporation Limited

Meeting details:

Date: 27 April 2018

Time: 10.00 a.m.

Venue: 25 International Business Park, German Centre, Stuttgart Room, 5th floor, East Wing, Singapore 609916

Company Description

EnGro Corporation Limited, an investment holding company, manufactures and sells cement and building materials, and specialty polymers. The company operates through four segments: Cement and Building Materials, Specialty Polymer, Investments, and Food and Beverage. The Cement and Building Materials segment manufactures and sells cement, ready-mix concrete, and building materials. It offers ordinary Portland cement, Portland blast furnace cement, high slag blast furnace cement, and microfine cement; ground granulated blast furnace slag under the VCEM brand name; and concrete under the DuraCrete brand name. The Specialty Polymer segment provides thermosetting synthetic resin and plastic materials for the electrical, electronics, automotive, construction and civil engineering, household, consumer, and packaging sectors. The Investments segment trades in equity and debt securities, and holds investments in venture capital funds and equity securities. The Food and Beverage segment operates food and beverage outlets under franchise. The company also supplies workers; offers carbon consultancy services; and sells, distributes, and trades in building materials. It has operations primarily in Singapore, Malaysia, and the People's Republic of China. The company was formerly known as SsangYong Cement (Singapore) Limited and changed its name to EnGro Corporation Limited in February 2005. EnGro Corporation Limited was founded in 1973 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=S44)

Q1. The group's associates and joint ventures contributed a profit of \$8.6 million to help the group to report a full year profit after tax of \$3.8 million in FY2017. In the group's core business segment of cement and building materials, revenue dropped by 14% to \$108 million and the reportable segment profit before tax slipped by more than 65% to \$1.87 million.

The weakness was attributed to the total value of construction contracts falling short of projections once again in FY2017 although construction demand may pick up in the later part of 2018.

In particular, in the home market of Singapore, the Ready-Mix Concrete segment remains highly competitive and Top-Mix Concrete Singapore once again suffered lower sales revenue and margin squeeze.

- a) **Apart from the differentiation strategy to supply more high performance concrete, what are management's plans to turnaround and to future-proof Top-Mix Concrete Singapore?**
- b) **What is the market share of Top-Mix Concrete Singapore? Has management considered if Top-Mix Concrete Singapore is in the position to drive consolidation in the segment?**
- c) **If not, has the segment gotten too competitive that it is no longer profitable for the group to continue?**

Q2. Can management and/or the board provide better clarity to shareholders on the following operational matters?

- a) **Specialty polymer:** Revenue increased by more than 20% and reportable segment profit more than doubled to \$656,000. **With the Thermoplastic Polyolefin being qualified by more automotive players, how much of its current capacity has been taken up?**
- b) **Property investments: Can management update shareholders on the sale progress of Turquoise?**
- c) **Food & Beverage:** With approximately three years of operations under the belt since the opening of Brotzeit in Qingdao, revenue has increased \$2.3 million but the F&B segment still reported segment losses of \$(602,000). **Has the board evaluated the long-term future of the F&B segment? If the F&B is still considered a core business segment of the group, what are management's plans to turn it around and make it profitable?**

Q3. The company made the following disclosure under Principle 13: Internal Audit section of the Corporate Governance Report (page 38 of the annual report):

Corporate **GOVERNANCE** REPORT

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

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| 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. |

(Source: Company annual report)

- a) **Can the audit committee (AC) help shareholders understand the size of the in-house internal audit team?**
- b) **What are the experience and qualification of the in-house internal audit team?**
- c) **Does the in-house internal audit team meet the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors?**