



**Securities Investors Association (Singapore)**

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: [admin@sias.org.sg](mailto:admin@sias.org.sg) [www.sias.org.sg](http://www.sias.org.sg)

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**Issuer:** EnGro Corporation Limited

**Security:** EnGro Corporation Limited

**Meeting details:**

Date: 26 April 2019

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 is a Singapore-based investment holding company. The Company is engaged in the manufacturing and sale of cement and building materials, and specialty polymers. The Company's segments include Cement and building materials, Specialty polymer, Investments, Food and beverage, and Others. The Cement and building materials segment is engaged in the manufacturing and sale of cement, ready-mix concrete and building materials. The Specialty polymer segment is engaged in the manufacturing and sale of thermosetting synthetic resin and plastic materials. The Investments segment is engaged in the trading of equity securities, debt securities and holding of investments in venture capital funds and equity securities. The Food and beverage segment is engaged in the operation of food and beverage outlets under franchise. The Other segment includes operation, such as provision of carbon consultancy services. It operates in Singapore, Malaysia and People's Republic of China.

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

1. Would the board/management provide shareholders with better clarity on the following operational matters? Specifically:

(i) **Top-Mix Concrete Singapore (TMS):** The company has been reporting on the challenging conditions faced by TMS. In prior years, the company has stated the following:

- 2015 has been a very challenging year for Top-Mix Concrete Singapore.
- EnGro's RMC subsidiary, Top-Mix Concrete Singapore faced a challenging year in 2016.
- 2017 was indeed a very challenging year for EnGro's RMC subsidiary, Top-Mix Concrete Singapore.

In 2018, the company has once again reported that "2018 was a very challenging year for TMS" (page 12).

**Has the board carried out a strategic review of TMS? Does TMS have the scale and competitive advantage to thrive in the crowded marketplace? Would the board be reviewing the long-term viability of this business?**

Management has stated that TMS suffered lower sales revenue and margin and will carry out stringent cost cutting. **Did management just started on its cost cutting in FY2018?**

**In addition, has the North-South Corridor (NSC106) contract started contributing to the segment's revenue and profit?**

(ii) **Ground Granulated Blastfurnace Slag (GGBS):** The group's China Specialty Cement operations in China via its five joint ventures have a combined annual capacity of 10.2 million tons of GGBS. The GGBS JVs achieved higher combined revenue and near-record combined profits in 2018. The group delivered 7.1 million tons in 2018. **Is there sufficient spare capacity in its Wuhan, Huai'an and Qingdao plants to support the anticipated demand especially from the HSR construction?**

(iii) **Specialty polymer:** Revenue from the Specialty polymer segment dropped 27.7% "due to a slowdown in demand". **Can the company help shareholders understand how closely linked is the segment's performance to the state of the domestic demand of automobile in China? What are the non-automotive applications for the specialty polymer?**

(iv) **Divestment of China subsidiary:** The company has also reported a "one-off gain from divestment of a subsidiary in China". **Was this announced by the company on SGXNet?** Based on Note 5 (page 93 – Subsidiaries), it would appear that Shanghai S3 Building Materials Co Ltd, a wholly owned subsidiary, was

divested by the group. **Would the board elaborate further on the group's disclosure framework? While the transaction may fall under the threshold, would it be in the interest of the board to keep shareholders updated on the corporate actions? What were the reasons for the divestment of the subsidiary?**

- (v) **HBS:** In addition, on 1 March 2019, the company announced the sale of its 30% equity interest in HBS Investments Pte Ltd ("HBS"). HBS holds the investment in Parliament View residential apartment project in London. **Has the board also evaluated its other minority investments into property developments, such as Turquoise in Sentosa, and the Tangshan Nanhu Eco city project in PRC?**

2. As can be seen from the Statement of financial position (page 61), Other investments (non-current) jumped from \$16.5 million to \$37.4 million while Other investments (current) decreased from \$26.1 million to \$10.7 million.

For the full year financial result announcement dated 27 February 20189, the company has stated the following:

*The Group's Other Investments increased \$5.5 million during the year largely due to capital calls and additional investments in venture capital, bond funds, quoted equities and structured deposits amounting to \$10.7 million, as well as fair value gain of \$15.9 million on adoption of SFRS(I) 9. The increase was partially offset by liquidation of investments in discretionary funds and disposal of certain quoted equities and bonds amounting to \$20.9 million.*

- (i) **Can the board help shareholders understand if the passive investment into bond funds and structured deposits is aligned with the group's mission and strategic growth plans?**
- (ii) **Is there an investment committee that oversees the group's investments into these financial assets?**
- (iii) **What are the risk management framework and policies that are put in place? For instance, are there single counter limits on the investments in quoted securities?**
- (iv) **On the adoption of SFRS(I) 9 Financial instruments, the group recognised a fair value gain of \$15.9 million. Can the board provide a breakdown of the fair value gain and help shareholders understand how the fair value was obtained?**

3. There were changes to the board composition in 2017 as two independent directors, namely Mr Ng Tat Pun and Mr Soh Kim Soon, resigned from the board and the company appointed Mr Tan Soo Nan and Mr Steven Ong Kay Eng as independent directors.

The nominating committee (NC) has disclosed the process for board appointments on page 28, including “developing a framework on desired competencies and diversity on board” and “initiating search for new Directors including external search, if necessary”.

- (i) Can the NC elaborate further on the level of desired diversity on the board? Has the board developed a policy on gender diversity? Has the NC also considered the value of younger directors on the board?**
- (ii) Did the NC leverage an external search firm to cast a wider net for directors?**
- (iii) For the long term success of the group, can the NC provide better clarity on the succession planning for the executive directors and key management personnel, especially for the group’s China operations? Please help shareholders understand the depth of its senior management team, including its technical expertise.**

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=EnGro%20Corporation%20Ltd&cid=6370,4613>

The company’s response could be found here: -----