



**TEE INTERNATIONAL LIMITED**

Annual Report 2019

## CONTENTS

<b>1</b>	.....	Our Vision & Mission and Corporate Profile
<b>2</b>	.....	Chairman's Message
<b>4</b>	.....	Interim Group Chief Executive and Managing Director's Message
<b>6</b>	.....	Our Strategic Focus
<b>7</b>	.....	Projects Map
<b>8</b>	.....	Business Segments
<b>9</b>	.....	Operating Review
<b>10</b>	.....	Financial Highlights
<b>11</b>	.....	Financial Review
<b>13</b>	.....	Investor Relations
<b>14</b>	.....	Corporate Structure
<b>16</b>	.....	Board of Directors
<b>18</b>	.....	Key Executives
<b>20</b>	.....	Sustainability Report
<b>33</b>	.....	Corporate Governance Report
<b>60</b>	.....	Additional Information on Directors Seeking Re-election
<b>77</b>	.....	Directors' Statement & Financial Statements
<b>192</b>	.....	Shareholders' Information
<b>194</b>	.....	Warranholders' Information
<b>195</b>	.....	Notice of Annual General Meeting
		Proxy Form
		Corporate Information

# CORPORATE PROFILE

Listed in 2001, TEE International Limited (“TEE” or together with its subsidiaries and associated companies, “TEE Group”) is a leading regional engineering group with business interests in real estate and infrastructure that spans across Singapore, Malaysia, Thailand, the Philippines, Hong Kong, Australia and New Zealand. Its core engineering business dates back to 1991 when it was first established as a general electrical contractor. Anchored on a strong track record in delivering quality and value-added integrated engineering solutions, TEE is now recognised as a trusted partner in the engineering & construction industry.

Through its majority-owned SGX Mainboard listed subsidiary, TEE Land Limited, TEE undertakes the development of residential, commercial, and industrial property projects, as well as invests in income-generating properties in Singapore and the region. TEE has also expanded into the infrastructure business through investments in the environmental, power and water segments.

## OUR VISION

We aim to be among the best and the preferred choice in the industry.

## OUR MISSION

We strive to be a leading Integrated Engineering, Real Estate and Infrastructure Group recognised for our quality and value-added services, as well as cost competitiveness; backed by people with a devotion to quality service delivery and the tenacity to face challenges.



## CHAIRMAN'S MESSAGE



**Bertie Cheng**  
Chairman and Independent Director

FY2019 was a challenging year, as TEE Group operated against a backdrop of heightened economic uncertainty along with intensifying competition. These factors, coupled with changes to the accounting standards and the impact from cash and non-cash accounting items, have contributed to a substantial loss in our financial performance for FY2019.

### NAVIGATING THROUGH CHALLENGES

Competitive tender prices and rising operating costs are inevitable in today's E&C business landscape. While this has been challenging, the E&C team was still able to secure new projects. As at 31 May 2019, the outstanding engineering order book closed at S\$396 million for the financial year. The demand for M&E engineering services and mission critical AEI works is supported by a steady pipeline of major construction projects in Singapore. These projects include the mega development of Changi Airport Terminal 5 and its supporting infrastructure, expansion of integrated resorts, and the development of data centres to name a few. With these opportunities in sight, the E&C team is poised to boost its order book by selectively pitching for projects that require high value complex engineering services, and mission critical AEI projects. Delivering projects on time and of high quality is paramount to the success of the E&C business.

On the Infrastructure business, the main segment fronting this business is the Environmental division. Through this division, TEE provides industrial and commercial waste management in Singapore. During the year, the environmental business faced headwinds as industry players aggressively fought for market share with intense price competition. Amid these challenges, the long-term prospects of the environmental business continue to remain bright in the light of the Singapore government's vision of becoming a zero-waste nation. To this end, the infrastructure team will enhance its capabilities in efforts to offer holistic

waste management services and solutions to clients. As for the other investments in infrastructure assets, the team will maintain optimal operational efficiency of the vested assets and concurrently explore opportunities to divest its stakes when prospects arise.

### REDEFINING STRATEGIES

The property market in Singapore has its fair share of challenges in view of new cooling measures introduced and increased number of new residential projects available for sale. These challenges have called for TEE to undertake a strategic review of its Real Estate business, TEE Land. Part of TEE's strategic review involved making calculated moves that would realise its investment in TEE Land – a proposed disposal of TEE's shares in TEE Land. Whilst the mandate for the disposal was approved by shareholders, the proposed disposal did not materialise during the course of the year. TEE will continue to evaluate potential prospects and shareholders will be apprised of the progress on a timely basis. Moving forward, TEE Land will continue to operate as part of TEE Group and the real estate team will take a cautious approach when seeking opportunities to acquire new land sites, and in making any investments.

The challenges in the overall business environment will not be lifted in the near term. Our businesses will focus on addressing their respective challenges by renewing strategies, managing operating costs and improving business performance. At the Group level, resources will be consolidated so as to maintain optimal operational efficiency and enhance our competitiveness.

### SUSTAINABILITY

At TEE Group, we remain steadfast in our commitment to sustainable development and responsible business practices. As we strive to be a responsible corporate citizen, we continue to



care for the needs of our community and the environment. Moving forward, the Board will continue to oversee the management and to address our material factors of TEE Group's businesses and operations in the sustainability report.

#### ENHANCING INTERNAL CONTROL SYSTEMS

In September 2019, a series of SGXNet announcements were made regarding the fund remittances between the Company's subsidiaries and related parties as disclosed in Note 5 (g)(ii).

Since the discovery, the Board has acted quickly to address the matter. In the interim, the Deputy Group Managing Director, Mr. Eric Phua was appointed as the Interim Group Chief Executive by the Board and he is backed by a strong management team.

At the same time, the Board had also instructed internal auditors Protiviti Pte. Ltd. ("Protiviti") to review and recommend areas of improvement to strengthen TEE Group's internal controls system. Following the review by Protiviti, the recommendations and enhanced internal controls systems will be implemented progressively. The matter is also currently investigated by Pricewaterhouse Coopers Risk Services Pte Ltd ("PWC"), who was appointed on 13 September 2019, and we await their findings.

We will keep our shareholders informed of the situation, as and when there are material developments. This incident has no doubt highlighted the importance of robust internal controls and we will learn from this incident to further strengthen our corporate governance.

#### BOARD RENEWAL

On this note, I would like to acknowledge Mr. Lee Ah Fong's years of outstanding service to the Board. Mr. Lee, who has

stepped down from the Board, has given invaluable insights and contributions to the Board and TEE Group. On behalf of the Board, we would like to express our heartfelt thanks and give our best wishes to Mr. Lee.

I would like to welcome on board our new Independent Directors, Mr. Lai Hock Meng and Mr. Wu Geng who joined our Board on 6 November 2019. Both Mr. Lai and Mr. Wu, bring with them a wealth of experience in the corporate and investment arena. We look forward to their contributions towards the strategic direction and corporate governance of TEE Group.

In August 2018, SGX and the Monetary Authority of Singapore have introduced new listing rules to strengthen director independence and encourage board renewal in listed companies. Having been on the Board for 18 years, I will retire by rotation at the conclusion of the forthcoming Annual General Meeting ("AGM") and will not be seeking re-election as Chairman and Independent Director of TEE. It has been my privilege to be part of the Board and I would like to extend my best wishes to the Management and staff of TEE.

#### A NOTE OF THANKS

I also want to express my deep appreciation to our stakeholders for their continued support. With the support from all our stakeholders, we strive to emerge as a better performing Group going forward.

**Bertie Cheng**  
Chairman and Independent Director



## INTERIM GROUP CHIEF EXECUTIVE & MANAGING DIRECTOR'S MESSAGE



**Eric Phua**

Interim Group Chief Executive and Managing Director

Dear Shareholders,

The past year was nothing like what TEE Group had experienced before. Our results were affected by operational challenges, as well as changes in accounting standards. Competition has intensified across all our markets as our industry peers jostle for market share while operating costs continued to escalate, further adding pressure on margins and returns on investment.

### SETTING THE COURSE FOR THE FUTURE

The competitive landscape of the E&C business has also evolved with more international contractors in the industry, and coupled with developers and main contractors prudently managing construction budgets. Despite these challenges, we have differentiated with our competencies and the team has successfully secured a total of S\$314.4 million new contracts in FY2019.

During the year, the E&C team has focused on pursuing M&E engineering and AEI projects in three specific areas, namely commercial buildings, transport infrastructure, and data centres. Out of the three areas, we have built strong track record in delivering M&E engineering services and mission critical AEI projects for commercial buildings and transport infrastructure.

In FY2019, we have achieved a breakthrough in the data centre market by securing our maiden fit-out works contract for a data centre in Singapore. Carrying out fit-out works in such a controlled and live environment entails strict qualification processes by clients & consultants. Towards this, the team had put in a lot of hard work getting TEE qualified as a one of the clients' designated contractors. With this breakthrough, we will continue to pursue engineering projects in this niche data centre market.

With the mega development of Changi Airport Terminal 5 and its supporting infrastructure underway, there will be a tremendous number of projects calling for tenders over the next ten years or so. Having invested in setting up a dedicated team for airport-related projects, we strongly believe that our readily available resources together with their proven expertise will put us in the forefront when pitching for more airport-related projects with high engineering content, as well as works relating to the airfield.

To further entrench our foothold in the market, we have embarked on the implementation of digital construction and the early adoption of productivity technologies, which will raise the bar of our project management standards. As the industry and business conditions get tougher, our efforts to stay relevant in this dynamic market is integral to the success of the E&C business. Beyond competition, we will also evaluate our cost structure, as well as to constantly refine our pricing strategies to alleviate the impact of margin erosion. Another key aspect would be striking a balance between large-scale M&E engineering projects and short turnaround AEI projects, so as to effectively deploy our resources and maintain a healthy cash flow position for the E&C business.

### OPTIMISING OPERATIONS

In the past year, the Infrastructure business, TEE Infrastructure, carried out strategic corporate actions to streamline the business and focused on rolling out cost control measures. The Environmental division faced operational challenges with much of its expenses attributed to higher rental and manpower costs. The team commenced a thorough review of the business and developed a systematic approach to improve operating performance. The first aspect was to optimise operating processes, which entails the implementation of process

automation and stepping of manpower productivity. Experienced headcounts in this sector have also been hired to ensure results from this aspect. The other aspect to focus on, was to relook at pricing strategies in order to stay competitive in the market. We shall expect to see steady improvement in the operating performance.

With increasing demands from existing clients for holistic waste management services, the Environmental division has set up a small-scale paper and plastic recycling plant to integrate waste management solutions for our clients. To further enhance the Environmental division's capabilities, an integrated waste management hub will be constructed to include hazardous waste treatment.

In terms of the investments in infrastructure assets, we are pleased to report that the wastewater treatment plants in Thailand is operating in optimal capacity. On the 25-megawatt thermal hybrid power plant in Philippines, it has been operational for more than a year and we are exploring the sale of our 21.05% stake to realise our investment. We believe that this asset will be attractive to infrastructure funds or power operators who are looking to invest in an operational plant for the long term.

#### UNLOCKING INVESTMENT

The Singapore property market has been volatile in the past year. It took the market six months for the effects from the additional cooling measures to set in, leading to weak residential property sale figures followed by an upturn in sales trend in the second half of FY2019. Amidst the difficult market conditions, TEE Land launched 35 Gilstead and Lattice One in late March and June, respectively. Take-up rates for both projects had been encouraging considering the current market sentiment. However, it is TEE Land's utmost priority to generate more sales and complete the construction of the newly launched developments expeditiously without compromising on quality.

The continued challenges in the real estate business will not likely to ease in the near term. As such, we have undertaken a strategic review to evaluate the business and the outcome of this evaluation was to realise TEE's investment in TEE Land via a proposed disposal of its TEE Land's shares. While the proposed disposal of TEE Land's had lapsed, we remain open to fresh negotiations with new prospects. Until the disposal of TEE Land's shares materialises, TEE Land will remain as part of TEE Group. Looking ahead, TEE Land will closely monitor the property market so as to ensure pricing strategies are in tune with market conditions, as well as to exercise prudence in future land acquisitions and investments.

#### SUSTAINABILITY EFFORTS

Creating a sustainable business performance while driving positive change in our communities is an important aspect of TEE Group's organisational culture. As we envisage our operations to grow in line with new engineering contract wins, we are investing in building a competent team that is future-ready. On the operational front, we have placed effort in monitoring the use of energy and water so as to effectively improve energy and water usage in our operations, as well as to promote environmental protection practices. In the longer term, we will systematically improve TEE's sustainability reporting framework with the view of setting certain measurements to report our progress.

#### ENHANCING OUR INTERNAL CONTROLS SYSTEMS

With reference to a series of SGXNet announcements made regarding the fund remittances between the Company's subsidiaries and related parties, I wish to assure shareholders that this matter is currently under review and that the Board has acted quickly and decisively in order to keep the abovementioned situation curtailed.

At the operating level, it is business as usual. As this matter is being resolved, we remain committed to the timely delivery of our customer's projects, which are funded by our internal working capital coupled with the support of our principal financial institutions.

At the same time, we have taken steps to adopt the recommendations by Protiviti and began implementing enhanced internal controls systems and processes progressively. While it is a challenging and difficult time for TEE, we will exhaust means to assist with the external investigation and take the necessary remedial actions.

#### STRENGTHENING OUR BOARD

We would like to extend a warm welcome to our newly appointed Independent Directors, Mr. Lai Hock Meng and Mr. Wu Geng. With their vast experience and expertise in the corporate field, TEE Group will no doubt benefit from their counsel and guidance.

In line with our Board renewal process, Mr. Cheng, Chairman and Independent Director of TEE will retire by rotation and not seek re-election at the forthcoming AGM. On Mr. Cheng's retirement, we would like to make a special acknowledgement to our Chairman, who has provided his strongest support throughout TEE's corporate journey in both good and trying times. During his tenure, we have greatly benefitted from his insight, experience and knowledge. Thank you, Mr. Cheng.

We would also like to acknowledge Mr. Lee Ah Fong, who has stepped down as Independent Director from the Board, for his dedication and commitment to the Board and TEE. Thank you, Mr. Lee.

On behalf the Management of TEE, we extend our best wishes to both Mr. Cheng and Mr. Lee for their future endeavours.

#### APPRECIATION

To all our partners, shareholders we are grateful for their continued support in various aspects of our businesses. My appreciation also goes to team TEE for your unwavering commitment. Together, we will strive in unison for the betterment of TEE Group and to rise above and beyond adversity in trying times.

#### Eric Phua

Interim Group Chief Executive and Managing Director

# STRATEGIC FOCUS



## STRENGTHENING CORE FUNDAMENTALS IN ENGINEERING & CONSTRUCTION

Anchored on a strong track record in delivering quality Asset Enhancement Initiatives (AEI) works and integrated engineering solutions, we have built a reputation as a trusted partner in the engineering & construction industry. We offer a full suite of high-value engineering solutions based on international standards that are adopted for large-scale and complex commercial building projects. This includes the implementation of productivity technologies to support Design for Manufacturing & Assembly (DfMA) for Mechanical & Electrical engineering services. As a one-stop solutions provider, we are able to competitively bid for sizable and mission critical projects with a balance of high-value and complex engineering components.



## INVESTING IN HUMAN CAPITAL

Human capital is one of TEE's greatest asset. The essence of delivering its projects is built on the foundation of strong leadership and teamwork. It remains focused on long-term commitments and initiatives to impart valuable knowledge and experience to the team in order to constantly improve its standard of quality so as to create value to its clients and stakeholders.



## INTEGRATED BUSINESS PLATFORM TO TAP ON OVERSEAS MARKETS

TEE Group is able to create synergies and value through an integrated business platform comprising our three main businesses – Engineering, Real Estate and Infrastructure. By virtue of our established reputation and capabilities built from our Engineering & Construction business, we are able to tap on existing regional business network to pursue new business opportunities.



Our professional and technical team provides an array of solutions and services for our clients. These professionals, armed with the knowledge that enables them to meet the latest engineering and building developments to provide comprehensive solutions for our clients.

**PROJECT MANAGEMENT**

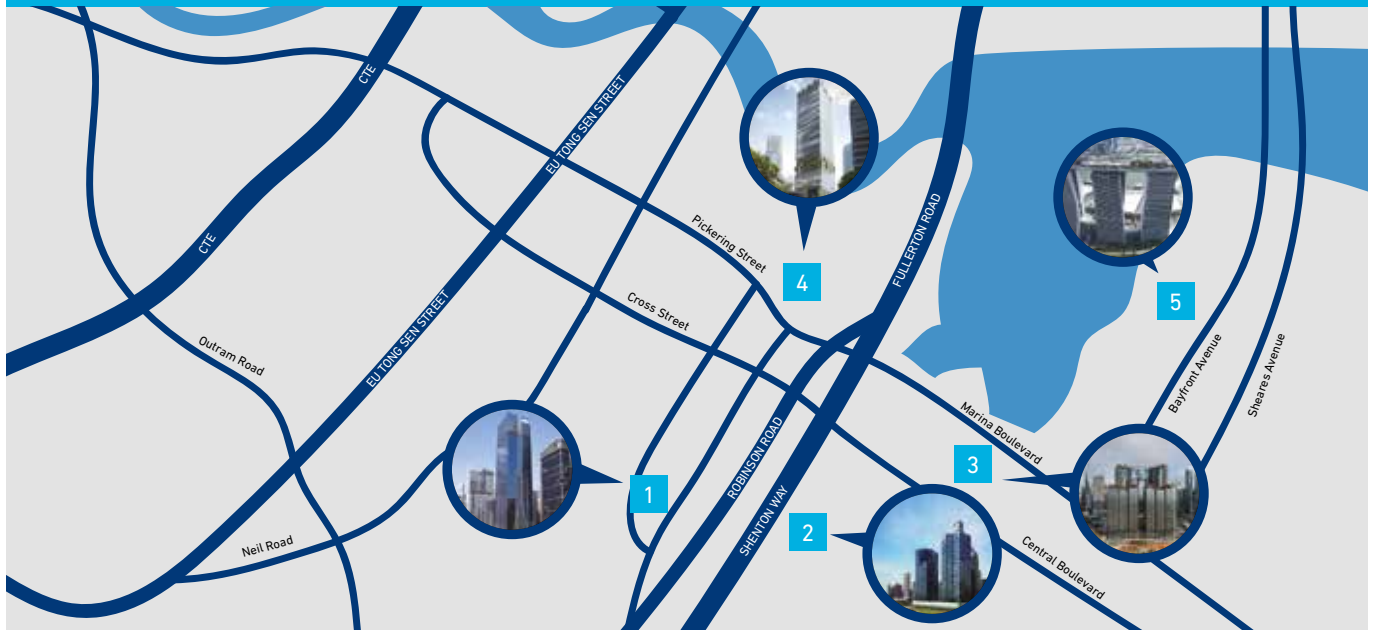
With years of experience in managing a wide spectrum of complex, mission critical, and large-scale projects, we deliver Project Management Services through the application of knowledge, skills, tools, techniques and technology to move projects from concepts to successful operations.

**CONSTRUCTION MANAGEMENT**

Our Construction Management Services range from construction consultancy to daily site supervision provided by a team of experienced engineers and resident supervisors who are registered with and certified by the relevant authorities.

**DESIGN MANAGEMENT**

Modern building structures are increasing more complex. We have continually aligned our construction and engineering know-how to keep up with latest advancement in productivity and technology. We integrate practical design solutions, which allows us to achieve better results that value-add to our clients



E&C projects completed in the CBD

1	2	3	4	5
<b>FRASERS TOWER</b>	<b>ASIA SQUARE TOWER 1</b>	<b>MARINA ONE</b>	<b>CAPITASPRING</b>	<b>MARINA BAY SAND</b>
Completed <b>April 2018</b>	Completed <b>Nov 2011</b>	Completed <b>Mar 2018</b>	Ongoing <b>2020</b>	Completed <b>Mar 2011</b>
Office GFA <b>0.6mil. sqft</b>	Office GFA <b>1.2mil. sqft</b>	Office GFA <b>1.8mil. sqft</b>	Office GFA <b>0.5mil. sqft</b>	Office GFA <b>0.3mil. sqft</b>

## BUSINESS SEGMENTS

### ENGINEERING & CONSTRUCTION BUSINESS

Our engineering business dates back to 1991 when we were first established as a general electrical contractor. Over the years, we have grown into an integrated engineering and construction solutions provider. Anchored on a strong track record in delivering quality integrated engineering solutions, we have built a reputation as a trusted partner in the engineering industry. We offer a full suite of high-value engineering solutions based on international standards that are adopted for large-scale and complex commercial building projects.

Our professional and technical team provides an array of solutions and services for our clients. These professionals, armed with the knowledge that enables them to meet the latest engineering and building developments to provide comprehensive solutions for our clients. Our services include, Project Management, Construction Management and Design Management

Our major clients over the years include, CapitaLand, Changi Airport Group, Dragages Singapore, Frasers Centrepoint, Hyundai Engineering and Construction, Land Transport Authority, Las Vegas Sands Group to name a few. Majority of them are repeat clients, which bear testimony to our work quality and ability to deliver. Our established track record is largely focused in the areas of Building Services, Asset Enhancement Initiatives works, and Transport Infrastructure.

#### MECHANICAL AND ELECTRICAL ("M&E") DIVISION

TEE's M&E Engineering division primarily undertakes large-scale and complex engineering projects as well as infrastructure-related projects. It possesses the expertise and experience to offer a complete suite of engineering services from design to final completion of projects.

These engineering services include Electrical, Air Conditioning & Mechanical Ventilation, Plumbing & Sanitary, Fire Protection, Extra Low Voltage, Integrated Building Management System, and Plants & Processes.

Advances in Smart construction methods like implementing requirements of Design for Manufacturing & Assembly (DfMA) has led our Construction & Engineering team to place a greater emphasis on the use of such technology in our project implementation.

With greater emphasis on implementing productivity technologies, TEE has formed a Productivity Technology team to establish MEP Design for Manufacturing & Assembly (DfMA) & Accreditation.

#### BUILDING AND CONSTRUCTION DIVISION

TEE's Building & Construction division provides turnkey solutions for commercial, industrial and institutional buildings through its wholly-owned subsidiary PBT Engineering Pte. Ltd. ("PBT"). Other than general building works, PBT is well-known in the industry for mission critical Asset Enhancement Initiative ("AEI") works.

Engineering services undertaken by PBT include Sub Structure, Super Structure, Civil, and Architecture & Interior Decoration. Coupled with TEE's M&E capability, the Building & Construction division is able to offer economies of scale for time and costs to our clients.

### INFRASTRUCTURE BUSINESS

TEE's wholly-owned subsidiary, TEE Infrastructure Private Limited ("TEE Infrastructure") was established to undertake infrastructure and infrastructure-related projects to offer complementary sustainable solutions to meet demands for integrated infrastructure services.

#### ENVIRONMENTAL DIVISION

TEE Infrastructure has a 50.1% stake in G3 Environmental Private Limited ("G3 Environmental"), which acquired TEE Environmental Pte. Ltd. - which in turn owns TEE Recycling Pte. Ltd. - and Envotek Engineering Pte. Ltd. As one of the leading players in the industrial and commercial waste segment, TEE Infrastructure's Environmental division offers a full suite of waste management solutions, from on-site and off-site waste management as well as collection and transport of waste, to processing of recyclables such as paper and plastics.

#### POWER DIVISION

TEE Infrastructure ventured into the power business through a 21.05% investment in PowerSource Philippines Distributed Power Holdings, Inc. in 2015. Through this investment, TEE Infrastructure own, construct and operate a 25-megawatt green-field thermal hybrid power plant in the Philippines. The plant has been commissioned and operational since June 2018.

TEE Infrastructure's solar arm leverages on TEE Group's complementary integrated engineering expertise to deliver a full suite of engineering, procurement, construction, as well as operations and maintenance solutions, coupled with the solar leasing model to clients.

#### WATER DIVISION

In Thailand, TEE Infrastructure, through its wholly owned subsidiary TEE Water Pte. Ltd., owns a 49% stake in Global Environmental Technology Co., Ltd. ("GETCO"). GETCO is one of Thailand's largest waste water treatment companies, with a total capacity of 350 million litres per day, serving commercial, industrial, business and residential communities. GETCO owns and operates a wastewater treatment plant in Bang Poo, Thailand, and also operates Bangkok's first underground wastewater treatment plant in Bang Sue, which seeks to reduce environmental footprint and enable better environmental preservation.

### REAL ESTATE BUSINESS

TEE Group has an established track record in delivering quality and well-designed residential, commercial and industrial property developments ("Real Estate business") via a majority-owned listed subsidiary, TEE Land Limited ("TEE Land"). TEE Land is a home-grown real estate developer with property development projects that are predominantly freehold in tenure, and are targeted at middle-to-high income consumers who value exclusivity in good locations. Leveraging on its experience in property development in Singapore, TEE Land has extended its geographical reach to Malaysia, Australia and New Zealand.

## OPERATING REVIEW

### ENGINEERING & CONSTRUCTION (“E&C”) BUSINESS

In FY2019, the E&C business continues to thrive on new contract wins. During the year, the E&C team had secured approximately S\$314.4 million worth of new contracts to carry out M&E engineering works and AEI works for mainly commercial buildings, transport infrastructure and data centre. As at 31 May 2019, TEE’s outstanding engineering order book stands at S\$396 million.

While we actively participate in tenders for M&E and AEI projects, we are selective of the type of tenders to participate in. For large-scale projects, we focus on pursuing projects that are high in values with complex engineering services, typically for commercial buildings and data centres. Concurrently, we also bid for short turnaround AEI projects where we have accumulated a strong track record in carrying out mission critical projects for operational commercial buildings and transport infrastructure. The E&C business’ margins will continue to face downward pressure as tender prices become more competitive alongside rising manpower and materials costs. To keep up with competition, the E&C team will boost its efforts in implementing Design for Manufacturing and Assembly (DfMA) for Mechanical, Electrical and Plumbing (MEP) modular systems, which is currently being implemented for an ongoing large-scale M&E project and consequently, strive to apply such systems in future M&E projects. Additionally, the E&C team will remain focused on tight cost control when executing projects in order to mitigate increasing operating costs.

### INFRASTRUCTURE BUSINESS

With increasing demands from existing clients for holistic waste management services, G3 Environmental has set up a small-scale paper and plastic recycling plant while TEE Infrastructure completed the acquisition of Arrow Waste Management Pte. Ltd. (“Arrow”) on 11 February 2019 for the construction of an integrated waste management hub. Arrow has the land lease rights to four plots of JTC Corporation land that have been given in-principle approval for hazardous waste treatment. These four plots totaling almost 3 hectares have a tenure of 17 years with effect from 1 January 2019.

On 1 March 2019, TEE Infrastructure divested its 45.0% stake of TEE Medical Services Pte. Ltd. (formerly known as Sembcorp Environmental Pte. Ltd.’s medical and biohazardous waste division) to Dymon Asia Private Equity.

TEE Infrastructure is exploring the sale of its 21.05% stake in Powersource Philippines Distributed Power Holdings Inc., where its 25-megawatt thermal hybrid power plant has been operational for more than a year. GETCO continues to provide efficient operating and maintenance services for its two projects on-hand and will participate in tenders for new O&M contracts.

### REAL ESTATE BUSINESS

TEE Land launched 35 Gilstead and Lattice One in late March and June, respectively. Despite the challenging residential market conditions, the take-up rates for both projects have been reasonable. TEE Land will continue to work closely with marketing agents to increase sales of these newly launched developments, and concurrently execute the construction of both developments.

As for TEE Land’s Malaysia project, sales of its SOHO units have reached 99% with 697 out of 701 units sold and 28 out of 31 units of its retail shops sold as at 31 May 2019. More recently, it had secured a number of tenants despite the challenging rental market in Malaysia. These tenants who are food & beverage operators and lifestyle services providers are progressively filling up the shop space in Third Avenue.

During the year, TEE Group had taken a strategic review on the real estate business. This review has led to the proposed disposal of TEE’s shares in TEE Land. While the disposal of TEE Land shares did not materialise, TEE will keep shareholders apprised of any developments on a timely basis.

Moving forward, TEE Land will take a cautious approach when seeking opportunities to acquire new land sites and in making any investments. In addition, the real estate business will continue to hold a tight rein on operation costs and assess the market situation so as to ensure that its sales strategies are relevant and in line with market conditions. In terms of investment properties, TEE Land will continue to review its portfolio of investment properties to realise their value, and remains open to good investment opportunities both locally and in overseas.

## FINANCIAL HIGHLIGHTS

	2019	2018 (restated)
<b>FOR THE YEAR (S\$'000)</b>		
Revenue	363,301	268,495
Gross Profit	30,816	36,803
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(916)	8,039
Operating Loss (EBIT)	(14,484)	(845)
Loss for the year	(29,610)	(12,947)
Loss attributable to owners of the Company	(18,173)	(10,006)
<b>AT YEAR END (S\$'000)</b>		
Current assets	530,479	526,332
Total assets	653,188	618,899
Current liabilities	344,653	295,835
Total liabilities	521,850	470,800
Total debts (including finance lease)	308,717	307,963
Equity attributable to owners of the Company	80,871	85,297
Total equity	131,338	148,099
Number of shares (excluding treasury shares) as at 31 May ('000)	646,882	501,953
Net asset value per share (cents)	12.5	17.0
<b>PRODUCTIVITY</b>		
Number of employees	867	832
Revenue/employees (S\$'000)	419.0	322.7
Number of employees (excluding workers)	640	637
Revenue/employees (S\$'000)	567.7	421.5

## FINANCIAL REVIEW

### INCOME STATEMENT

Revenue increased by S\$94.8 million due mainly to higher contribution of progressive revenue from on-going engineering projects and inclusion of revenue from waste management and recycling subsidiaries. Cost of sales correspondingly increased by S\$100.8 million.

Other operating income decreased by S\$5.0 million due mainly to the absence of the negative goodwill on the acquisition of the waste management and recycling subsidiaries, as well as foreign currency exchange adjustment gain in FY2018.

Selling and distribution expenses decreased by S\$4.1 million due mainly to lower promotional expense incurred for the sale of TEE Land's completed projects.

Administrative expenses increased by S\$6.4 million due mainly to the depreciation of Larmont Hotel and the start-up costs incurred by infrastructure's new business segment. No depreciation was provided for Larmont Hotel in prior years as it was previously classified as asset held for sale.

Other operating expenses decreased by S\$2.5 million due mainly to the absence of the one-off impairment losses recognised on the disposal of an associated company in FY2018. This was offset by the foreign currency exchange adjustment loss.

Share of profit of associates and joint venture decreased by S\$3.3 million due mainly to the share of losses from TEE Land's associated companies.

Income tax expenses increased by S\$2.1 million due mainly to the prior year's under provision of income tax and deferred tax asset.

As a result, the Group recorded a loss after tax of S\$29.6 million in FY2019, which was mainly due to a number of factors, including changes in revenue, cost and interest expense recognition resulting from changes in accounting standard requirements, cash and non-cash items as follows:

Description	Total S\$'000
<b><u>Impact from changes in accounting standard requirements</u></b>	
Revenue recognition	2,469
Cost of sales recognition	398
Interest expense	3,168
	6,035
<b><u>Cash and non-cash items</u></b>	
Depreciation of Larmont Hotel due to reclassification	4,736
Changes in fair value for investment property	691
Impairment of investment in associates - deemed costs of investment for issuance of financial guarantees	3,600
Deposit forfeited for aborted units of completed property held for sale	(316)
Rental guarantee for shop units of the Malaysia project	1,957
Forfeiture of option fee for aborted purchase of Teck Guan Ville	420
Additional buyer's stamp duty for Harvey Avenue	728
Impairment of loans receivable from associates	665
Variation orders for the Malaysia project	2,503
Write down value of completed properties held for sale	723
Foreign currency exchange adjustment loss	1,676
Compensation for extended delivery period of residential units for the handover of residential units in Malaysia	844
Start-up costs for infrastructure's new business segment	1,131
(Gain)/Loss on disposal of property, plant and equipment	24
Write back of allowance for doubtful other receivables	(15)
Sale of completed properties below carrying value	1,314
Amortisation of intangible assets	744
Changes in fair value of financial assets at FVTPL	536
Gain on disposal of an associate	(139)
Write back of allowance for doubtful trade receivables	(479)
Trade receivables written off	117
Secured notes costs	3,196
Other receivables written off	154
Property, plant and equipment written off	261
	25,071
<b>Total impact</b>	<b>31,106</b>



## FINANCIAL REVIEW

The total impact amounted to S\$31.1 million, of which S\$24.9 million was attributable to TEE Land.

Excluding expenses attributed by the changes in accounting standard requirements, significant cash and non-cash items for operation use, the Group would have reported a net profit after tax of S\$1.5 million.

Loss attributable to owners of the Company was S\$18.2 million in FY2019 as compared to a loss of S\$10.0 million in FY2018.

### STATEMENT OF FINANCIAL POSITION

Trade receivables increased by S\$13.3 million due mainly to completion of engineering projects and TEE Land's projects.

Other receivables decreased by \$4.2 million due mainly to the receipt of the proceeds from disposal of an associated company of \$9.1 million, which was offset by increase in prepayments, deposits and deferred show flat costs of S\$2.2 million.

Loans receivables decreased by S\$3.5 million due mainly to repayments by TEE land's associated companies and impairment loss.

Total contract assets, being revenue recognised but unbilled, increased by S\$42.2 million due mainly to on-going engineering projects.

Contract costs, commissions to property agents on the sale of properties decreased by S\$2.3 million due mainly to the completion of TEE Land's projects and these costs have been amortised to profit or loss as the Group had recognised the related revenue.

Development properties decreased by S\$18.7 million due mainly to the reclassification of TEE Land's Malaysia project's office tower to completed properties upon completion of the project.

Non-current assets classified as held for sale, being Larmont Hotel, has been reclassified to property, plant and equipment.

Investment in associates decreased by S\$5.9 million due mainly to dividends received from associates, write-off of deemed costs of investment for the issuance of corporate guarantee for bank loans and share of loss from TEE Land's associated companies. Intangible assets, property, plant and equipment increased by S\$39.8 million due mainly to the reclassification of non-current assets classified as held for sales as mentioned above.

Trade payables increased by S\$61.4 million due mainly to on-going engineering projects.

Total other payables decreased by S\$7.1 million due mainly to repayment of loan and reduction of advances received from TEE Land's customers.

Contract liabilities decreased by S\$2.6 million due mainly to rental guarantee and compensation payable for the extended delivery period relating to TEE Land's Malaysia project.

### STATEMENT OF CASH FLOWS

#### Operating activities

Net cash from operating activities was S\$19.0 million due mainly to increase in trade payables and completed properties and land held for sale, offset by decrease of contract assets and trade receivables.

#### Investing activities

Net cash from investing activities was S\$5.1 million, due mainly to proceeds on disposal of an associate, loan repayments from associates and dividends received from associates and joint venture.

#### Financing activities

Net cash from financing activities was S\$3.3 million, due mainly to proceeds from rights issue offset by repayment of loans.

As a result, the Group recorded a net increase in cash and cash equivalents of S\$27.3 million.

## INVESTOR RELATIONS

### INVESTOR RELATIONS POLICY

TEE Group views Investor Relations (“IR”) as a strategic management responsibility that integrates finance, communication, marketing and securities law compliance. IR enables the most effective two-way communication between TEE Group and its stakeholders - comprising staff and management, shareholders, the financial community, the media and the public, which will ultimately contribute to achieving a fair valuation of TEE Group.

TEE is committed to delivering timely, transparent, and consistent disclosures to its shareholders, the financial community and the public. Our IR function falls under the TEE’s corporate office, and is led by the IR and Communications department.

Our IR policy ensures fair and open communications with all our stakeholders. We ensure that relevant and material information are disclosed in a clear, concise and consistent manner, in accordance with the listing manual of the Singapore Exchange Limited Securities Trading (“SGX-ST”), and the Securities and Futures Act. In addition, we have a non-discriminatory and coordinated practice of disclosing information on matters that may influence share price movement to shareholders, members of the financial community, media and the public simultaneously.

Consistent with our commitment to a high standard of corporate disclosure, we regularly provide information on our financial performance through SGX-ST’s SGXNet broadcast network and on TEE’s corporate website at <http://www.teeintl.com>.

### ENGAGING STAKEHOLDERS

In line with its proactive investor and media relations approach, TEE Group regularly engages financial analysts, existing and potential investors, as well as shareholders through multiple channels, including one-to-one meetings, conference calls and investor roadshows. Key executives are present at such engagements to keep the stakeholders abreast of TEE Group’s financial performance and to discuss its business strategies and outlook.

### DIVIDEND POLICY

We do not have a formal dividend policy. The form, frequency and amount of any proposed dividend will take into consideration the Group’s operating results, financial position, committed capital expenditure, working capital requirements and any other relevant considerations the Board of Directors may deem appropriate.

## IR CALENDAR

### 2019

- JAN** Announcement of FY2019 Half-Year Results
- APR** Announcement of FY2019 Third Quarter Results
- MAY** Financial Year End
- JUL** Announcement of FY2019 Full-Year Results
- NOV** 19<sup>th</sup> Annual General Meeting
- DEC** Announcement of FY2020 First Quarter Results

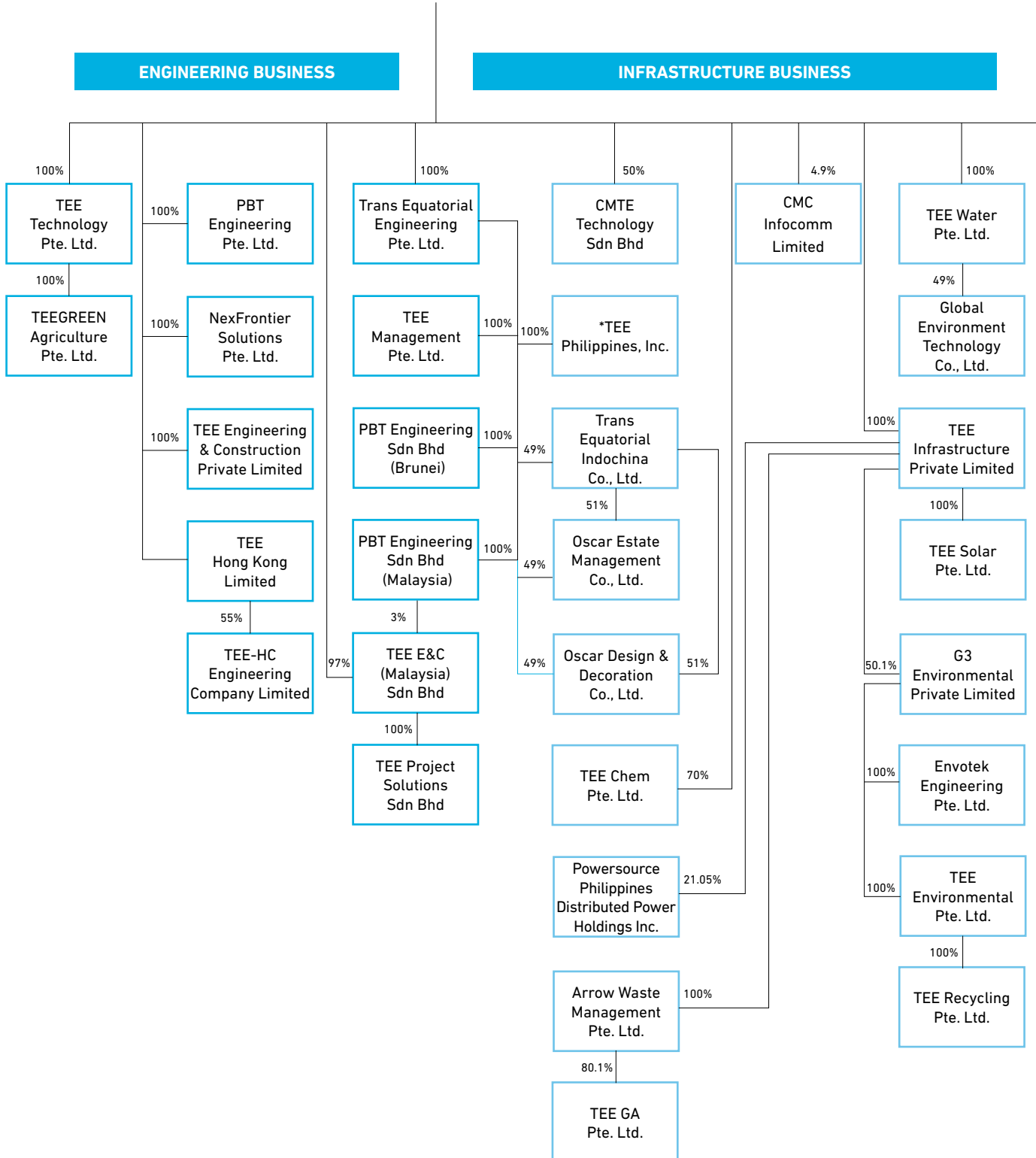
### 2020

- JAN** Announcement of FY2020 Half-Year Results
- APR** Announcement of FY2020 Third Quarter Results
- MAY** Financial Year End
- JUL** Announcement of FY2020 Full-Year Results
- SEP** 20<sup>th</sup> Annual General Meeting
- OCT** Announcement of FY2021 First Quarter Results

### INVESTORS, SHAREHOLDERS AND MEDIA CONTACT

Ms. Celine Ooi  
Senior Manager, Investor Relations & Communications  
Tel: (65) 6697 6589  
Email: [IR@teeintl.com](mailto:IR@teeintl.com)

# CORPORATE STRUCTURE

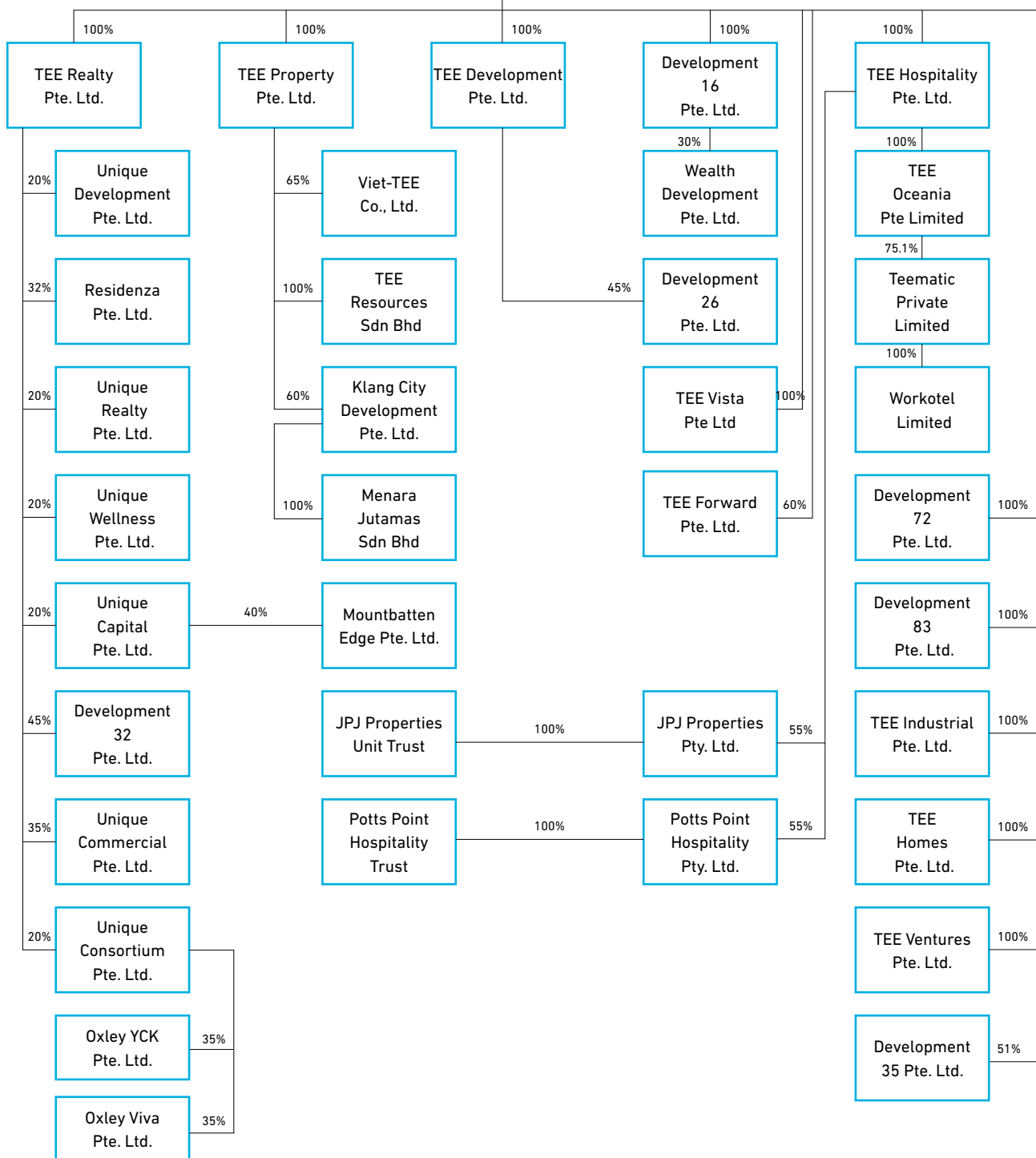


\*In the process of deregistration/closure.  
As at 31 May 2019

**REAL ESTATE BUSINESS**

63.28%

**TEE LAND LIMITED**



## BOARD OF DIRECTORS

### MR. BERTIE CHENG SHAO SHIONG, 82

*Chairman and Independent Director*

Mr. Cheng was appointed as an Independent Director of the Company on 5 March 2001 and was last re-appointed as a Director of the Company on 27 September 2016. He is a member of the Remuneration Committee and Audit Committee.

Mr. Cheng retired as the Chief Executive Officer of POSBank in July 1997. He was appointed as Advisor to POSBank on 1 June 2010. He holds and has held directorships in both listed and non-listed companies. Currently, he is the Chairman of TeleChoice International Limited. He is also a Director of Hong Leong Finance Limited, Pacific Andes Resources Development Limited and Baiduri Bank Berhad. His other appointments include being the Chairman of the Medifund Committee, Singapore General Hospital, Vice-Chairman of the Board of Trustees, Consumers Association of Singapore (CASE) Endowment Fund. He stepped down as the Chairman of the Investment Panel of SPRING SEEDS Capital Pte Ltd in 2017.

Mr. Cheng holds a Bachelor of Arts Degree in Economics (Honours) from the University of Malaya in Singapore. He received the Public Administration Medal (Silver) in 1984 and the Public Service Medal in 2001. In addition, he also received the Friend of Labour Award from the National Trade Union Congress (NTUC) in 2008.

Mr. Cheng will retire by rotation at the conclusion of the forthcoming AGM and will not be seeking re-election.

### MR. PHUA BOON KIN, 57

*Interim Group Chief Executive and Managing Director*

Mr. Phua was appointed to the Board of Directors on 1 September 2008 and was last re-elected a Director of the Company on 26 September 2018. He is a member of the Nominating Committee and Executive Committee.

Mr. Phua currently holds the post of Interim Group Chief Executive and Managing Director of TEE Group's Engineering business. He plays an active role in the corporate affairs of TEE Group, as well as the overall-in-charge of TEE Group's Engineering business. Mr. Phua has more than 30 years of experience in project execution and project management, and was instrumental in the setting up of the two main subsidiaries of TEE Group, namely Trans Equatorial Engineering Pte. Ltd. in 1991 and PBT Engineering Pte. Ltd. in 1996. He has been with TEE Group for the past 28 years and is a Company Director of various subsidiaries.

In 2016, Mr. Phua won the Asia-Pacific Entrepreneurship Award for the Engineering Industry. Mr. Phua holds a Technician Diploma in Mechanical Engineering from Singapore Polytechnic.

### MR. GN HIANG MENG, 71

*Independent Director*

Mr. Gn was appointed as an Independent Director of the Company on 1 June 2013 and was last re-elected a Director of the Company on 13 November 2017. He currently serves as Chairman of the Audit Committee, Nominating Committee and Remuneration Committee, as well as a member of the Executive Committee.

Mr. Gn has extensive experience in the banking, property and hospitality sectors.

Mr. Gn was with the United Overseas Bank Group for 28 years and was the Senior Executive Vice-President in charge of the investment banking and stock-broking businesses prior to his resignation in 2001. He was the Deputy President of UOL Group from 2001 till his retirement in 2007. Mr. Gn is also an Independent Director of Centurion Corporation Limited, Koh Brothers Group Limited, SingHaiyi Group Limited and Haw Par Corporation Limited.

Mr. Gn holds a Bachelor of Business Administration Degree (Honours) from the National University of Singapore.

### MR. ARIC LOH SIANG KHEE, 55

*Independent Director*

Mr. Loh was appointed as an Independent Director of the Company on 1 August 2014 and was last re-elected a Director of the Company on 26 September 2018. He is a member of the Audit Committee, Nominating Committee, Remuneration Committee and Executive Committee.

Mr. Loh was formerly an audit partner at Deloitte & Touche LLP, Singapore. He currently runs his own accounting practices. Mr. Loh is also an Independent Director of Noel Gifts International Ltd.

Mr. Loh holds a Bachelor Degree of Accountancy (2nd Class Honours) from the National University of Singapore. He is a member of the Institute of Singapore Chartered Accountants and the American Institute of Certified Public Accountants.

### MR. PHUA CHIAN KIN, 60

*Director*

Mr. Phua has been a Director of TEE International since 2000.

Mr. Phua has over 30 years of experience in the Engineering business, starting his career with Danish multi-national company LK-NES (SEA) Pte. Ltd. where he was later promoted to General Manager and Director. He joined Trans Equatorial Enterprises (SEA) Pte. Ltd. in 1991 and took over the company in 1993. Trans Equatorial together with its related companies was listed on SGX in 2001 as TEE International Limited. In June 2013, TEE Land Limited was listed on the SGX-Mainboard.



Mr. Phua graduated in 1979 from the Singapore Polytechnic with a Diploma in Electrical Engineering. He received the Public Service Medal in 2007 from the President of Singapore for his contributions to social services. In 2010, Mr. Phua won the Asia Pacific Most Outstanding Entrepreneurship Award.

He is a keen sportsman who has completed 10 full marathons over the past 17 years.

#### **MS. SAW CHIN CHOO, 57**

*Executive Director*

Ms. Saw was appointed to the Board of Directors on 10 September 2004 and was last re-elected as a Director of the Company on 13 November 2017.

Ms. Saw was re-designated to Managing Director, Green Field and Special Projects on 1 July 2019. She is responsible for projects relating to the building & construction of greenfield projects. She also concurrently oversees the Group's Malaysia and Brunei's engineering operations. She is also the Company Director of various subsidiaries.

She has over 30 years of engineering project experience, starting her career with Neo Corporation Pte. Ltd. as Quantity Surveyor. She has held various positions in companies such as Specon Builders Pte. Ltd. as Project Coordinator and Vantage Construction Pte Ltd as Manager and Company Director.

Ms. Saw holds a Technician Diploma Certificate in Building from Singapore Polytechnic and Advance Diploma in Building Surveying and Inspection from Ngee Ann Polytechnic.

#### **Mr. Lai Hock Meng, 63**

*Independent Director*

Mr. Lai was appointed as an Independent Director of the Company on 6 November 2019.

Mr. Lai has more than 36 years of experience in the financial industry including investment banking, private banking, stockbroking and asset management. He currently sits on board of Champ Buyout III, which is part of the Australian CHAMP Private Equity. He also holds the position of Executive Director of Riverside Asia Partners in Singapore, a US based private equity asset management company. Mr. Lai is active in both professional and community activities. He has sat on boards of listed companies in Singapore, Malaysia, Hong Kong and the UK over the past 20 years. His current professional engagement includes being editorial board member of the CFA Digest and inquiry panel member of the Singapore Law Society.

Mr. Lai has a Bachelor of Arts (Honours) and a Master of Arts from the University of Cambridge in England, majoring in Economics. He is also a Chartered Financial Analyst with the CFA Institute in the SA.

#### **Mr. Wu Geng, 48**

*Independent Director*

Mr. Wu was appointed as an Independent Director of the Company on 6 November 2019.

Mr. Wu has more than 18 years of experience in legal practice. He is currently a director of Drew & Napier LLC. Mr. Wu is also an Independent Director of Shengli Oil & Gas Pipe Holdings Limited (listed on the Hong Kong Stock Exchange) and Sasseur Asset Management Pte. Ltd. as manager of Sasseur Real Estate Investment Trust (listed on the Singapore Exchange).

Mr. Wu graduated with an LLB from Peking University with a Master Degree from the Law Faculty of National University of Singapore and a Second Postgraduate Degree from University of Delaware, USA.

## KEY EXECUTIVES

### MR. SIM GEOK SOON

*Managing Director of Special Projects, Engineering*

Mr. Sim joined TEE in 1996. He oversees the management and operations of the Engineering and Special Projects team in Singapore, handling a variety of projects in the airport, metro, commercial, gaming, water and waste sectors. He is also involved in various aspects of business development of M&E Engineering and Special Projects in Singapore.

Mr. Sim is a Company Director of the Company's subsidiary Trans Equatorial Engineering Pte. Ltd..

### MR. CHEUNG KAY KWONG

*Managing Director, Hong Kong, Macao and China Operations*

Mr. Cheung joined TEE in 2012 and he oversees and directs TEE Group's Hong Kong, Macao and China operations. Mr. Cheung is a professional M&E Engineer with over 30 years of working experience in business development and project management of large-scale M&E installation in the construction industry. He had previously been in the senior management position with several reputable and international electrical and mechanical contractors in Hong Kong.

### MR. NEO WENG MENG, EDWIN

*Special Assistant to Group Chief Executive & Head of Infrastructure*

Mr. Neo joined TEE in 2014. In his role as the special assistant to the Group Chief Executive and Founder, he is responsible for leading and driving special projects as well as new corporate initiatives at the Group level.

In his role as the Head of Infrastructure, he is responsible for driving TEE Infrastructure to expand into new regions and markets as well as scaling up the existing infrastructure investments. Under his leadership, TEE Infrastructure has secured new strategic investors and diversified to be one of the leading waste management players in Singapore. In addition, Mr. Neo sits on the Board of TEE Land Limited as a Non-Executive Director, and is a Company Director of various subsidiaries.

### MR. PHUA CHER CHEW

*Executive Director & Chief Executive Officer, TEE Land Limited*

Mr. Phua was appointed to the Board of TEE Land on 18 December 2012 as Executive Director and Chief Executive Officer. He joined TEE International's real estate division in July 2007 and has held the positions of general manager, executive director and managing director for real estate. Throughout his tenure, he has been instrumental in TEE Group's rapid growth, leading to the expansion of its business and operations. Prior to his appointment in TEE, he has worked in Trans Equatorial Engineering Pte Ltd (a wholly-owned subsidiary of TEE Group) holding the positions of general manager of business development and business development manager. He has also served as an Executive Director of Chewathai Public Company Limited, an associated company of TEE Land listed on the Market for Alternative Investments of the Stock Exchange of Thailand, which was fully disposed in July 2018.

Mr. Phua holds a Bachelor of Business Degree from Central Queensland University and a Diploma in Accounting from Singapore Polytechnic.

**Ms. YEO AI MEI***Group Chief Financial Officer and Company Secretary*

Ms. Yeo joined TEE in 1996 and has held various appointments in TEE Group. She is instrumental in setting up the various functions throughout the years and oversees TEE Group's accounting, finance, tax, legal & corporate secretarial and other related activities. She is the Company Secretary of the Company and TEE Land Limited and serves as Company Secretary for the various subsidiaries in Singapore. She is also a Company Director of various subsidiaries of TEE Land Group and TEE Group.

Ms. Yeo holds a Bachelor of Business in Accountancy Degree from RMIT University and is a Chartered Accountant with the Institute of Singapore Chartered Accountant (ISCA) and Certified Practising Accountant of CPA Australia.

**ER. JANNET ANG***Director, Group Business Development*

Er. Ang joined TEE in 2017 and heads the business development team, as well as executes TEE's local and overseas business development strategies. Er. Ang also leads the Productivity Technology team for MEP Design for Manufacturing & Assembly (DfMA) & Accreditation.

Er. Ang is a Professional Engineer and Licensed Electrical Engineer with over 20 years of experience in M&E consultancy, project management and supervision of transportation, commercial, industrial, residential, institutions and hospital development projects.

Prior to joining TEE, Er. Ang was a consultant in various international firms and was actively involved in BCA Electronic National Productivity and Quality Specifications (eNPQS) as a technical committee work group member and familiar with the specification, and Technical Committee Work Group Member of SS CP97: Part 2 – Code of Practice for Construction Electronic

Measurement Standards to improve productivity and quality in measurement of building works. Er. Ang was a Council and Executive Committee Member of Asian Institute of Intelligent Buildings (Singapore Chapter) who value adds on innovative design.

Er. Ang holds a Bachelor in Electronic & Electrical Engineering (2nd Upper Honours), University of Surrey, United Kingdom.

**Ms. LOH CHOOI LENG***Director, Human Resources*

Ms. Loh joined TEE in 2005 and she is overall responsible for the training and development program, recruitment, compensation, benefits and performance and career management of employees.

Ms. Loh holds Graduate Diplomas in Human Resource Management from Southern Cross University, and Training & Development from Aventis School of Management, Singapore. She also holds a Bachelor of Arts Degree in Psychology and Political Science.

**Ms. CELINE OOI***Senior Manager, Investor Relations and Communications*

Ms. Ooi joined TEE in 2014 and is responsible for maintaining timely and transparent communications with shareholders, investors, analysts and the media for TEE Group. Ms. Ooi has more than 10 years of experience in the financial and communications industry. Prior to joining TEE, she spent 8 years managing the investor relations and communications function for a portfolio of SGX-ST listed companies in various sectors and industries.

Ms. Ooi holds a Bachelor of Commerce in Marketing & Public Relations from Curtin University of Technology, Western Australia.

# SUSTAINABILITY REPORT

## 1. BOARD STATEMENT

This report marks TEE's second year of sustainability reporting and the Board believes that this report is a reasonable and clear presentation of the Company's plans and of its environmental, social and governance performance. Management will continue to be evaluated by show successfully the Company's strategic plan is executed to meet all stakeholders' expectations, including being agile in responding to changing circumstances while respecting the commitments in this report.

The responsibility for monitoring and overseeing the Company's sustainability efforts to the Sustainability Committee, which is chaired by the Interim Group Chief Executive and key executives across business functions and business segments in TEE. The Board has reviewed and discussed the final text of this report before adopting a formal resolution to approve the report.

TEE conducted our first materiality analysis and published our inaugural sustainability report in 2018. This year, we have continued to report on the material topics and have further aligned them to our three Sustainability Focus Areas, namely Our Business, Our Environment and Our People. These values and principles continue to guide us as an organisation, providing a balanced consideration of economy, environment, and people.

## 2. REPORTING PRACTICE AND BOUNDARY

TEE's second sustainability report covers TEE Group's sustainability performance for the financial year ended 31 May 2019. TEE's core business includes the engineering, real estate and infrastructure arms of the business. The real estate business, TEE Land Limited ("TEE Land") is a separate entity in the reporting process and publishes a separate sustainability report.



The scope of TEE's sustainability report includes the headquarters TEE, as well as the infrastructure entities – TEE Infrastructure Private Limited ("TEE Infrastructure"), TEE Environmental Pte. Ltd. ("TEE Environmental"), TEE Recycling Pte. Ltd. ("TEE Recycling") and Envotek Engineering Pte. Ltd. ("Envotek"); and the engineering and construction entities – Trans Equatorial Engineering Pte. Ltd. ("Trans") and PBT Engineering Pte. Ltd. ("PBT") With the exception of employee headcount which includes our operations in Hong Kong, Malaysia and Thailand, the boundary for all other data reported covers operations in Singapore only.


The report has been prepared with reference to the GRI Standards and will continue to be published on an annual basis.

Our Sustainability Report provides us with a valuable opportunity to engage our stakeholders and respond to issues that matter most to them and to our business. The report can also be found online at [www.teeintl.com](http://www.teeintl.com). We value your interest in our report and welcome questions, comments and suggestions at [IR@teeintl.com](mailto:IR@teeintl.com).

## 3. OUR STAKEHOLDERS

The sustainability committee continues to engage the different business segments as well as vendors, contractors, employees to further understand emerging issues and concerns.

Key Stakeholders	Significance to TEE Group	Topics of Interest	Engagement Channels
 <b>EMPLOYEES</b>	Our people are one of our most valuable assets. The well-being and capabilities of our employees ensure their continual contributions to the success of all aspects of our businesses.	<ul style="list-style-type: none"> <li>• Benefits and remuneration</li> <li>• Career progression</li> <li>• Training and development</li> <li>• Employee well-being and welfare</li> </ul>	<ul style="list-style-type: none"> <li>• Internal and external trainings</li> <li>• Staff appraisal</li> <li>• Onboarding and orientation</li> <li>• Ongoing sharing sessions and dialogues</li> <li>• Management feedback sessions</li> </ul>
 <b>CUSTOMERS (Engineering Business)</b>	The Engineering business delivers a full suite of high-value engineering solutions on a timely basis without compromising on quality. Fulfilling customers' requirements while adhering to various regulatory requirements is of utmost importance.	<ul style="list-style-type: none"> <li>• Project management</li> <li>• Ability to meet requirements</li> <li>• Timeline and execution</li> <li>• Work quality</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing dialogues and meetings</li> <li>• Feedback form for analysis of performance</li> </ul>

 <p><b>CUSTOMERS (Infrastructure Business)</b></p>	<p>TEE Infrastructure's environmental division offers a full suite of waste management solutions in accordance to customers' requirements. We do so while striving to be more environmentally-friendly.</p>	<ul style="list-style-type: none"> <li>• Service management</li> <li>• Ability to meet requirements</li> <li>• Execution and quality of service</li> </ul>	<ul style="list-style-type: none"> <li>• Customer service hotline</li> <li>• Ongoing engagement with clients</li> </ul>
 <p><b>SUPPLIERS &amp; VENDORS</b></p>	<p>In line with our goal of delivering quality products and services to our customers, we work with reliable contractors with good track records to ensure our projects are delivered in a timely manner without compromising on quality.</p>	<ul style="list-style-type: none"> <li>• Company financial strength</li> <li>• Payment terms</li> </ul>	<ul style="list-style-type: none"> <li>• Regular project progress updates</li> <li>• Project meetings</li> </ul>
 <p><b>GOVERNMENT &amp; REGULATORS</b></p>	<p>Being a Mainboard listed company on the SGX-ST, we are required to comply with the requirements of the listing rules of SGX-ST as well as the Securities and Futures Act.</p> <p>Relevant permits and licences are obtained from the relevant authorities such as the Building and Construction Authority ("BCA"), Ministry of Manpower ("MOM") and National Environment Agency ("NEA").</p>	<ul style="list-style-type: none"> <li>• Compliance with laws and regulations as mandated by the relevant authorities</li> <li>• Anti-corruption and bribery</li> </ul>	<ul style="list-style-type: none"> <li>• Announcements via SGXNet</li> <li>• Ongoing engagement with clients</li> <li>• Annual Report</li> <li>• Sustainability Report</li> <li>• Attending seminars and trainings conducted by regulatory bodies</li> <li>• Direct engagement with authorities</li> <li>• Newsletter updates</li> </ul>
 <p><b>SHAREHOLDERS &amp; INVESTORS</b></p>	<p>We view our shareholders as our utmost supporters as we continue to grow the Group. We fully understand the need to address their concerns, as well as share timely and accurate information about TEE Group with our shareholders to enable a transparent assessment of TEE Group's financial performance and state of affairs. This is in accordance to our Investor Relations policy.</p>	<ul style="list-style-type: none"> <li>• Group business strategy and developments</li> <li>• Financial performance</li> <li>• Dividend policy</li> <li>• Risk management</li> <li>• Operational efficiency</li> <li>• Regulatory compliance</li> <li>• Corporate Governance</li> </ul>	<ul style="list-style-type: none"> <li>• General Meetings</li> <li>• Announcements via SGXNet</li> <li>• Annual Report</li> <li>• Investor Relations team</li> <li>• Company website</li> <li>• Media releases</li> </ul>
 <p><b>SOCIETY</b></p>	<p>The Group strives to have a positive impact on the community. We are dedicated to being a model corporate citizen who positively contributes to the community and encourages the spirit of volunteerism.</p>	<ul style="list-style-type: none"> <li>• Charitable contribution</li> <li>• Volunteering activities</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Social Responsibility (CSR) programme</li> <li>• Community service events</li> </ul>
 <p><b>MEDIA &amp; ANALYST</b></p>	<p>In line with our proactive investor and media relations approach, TEE Group regularly engages the media and analysts to keep them updated on our various corporate activities while gaining different perspectives on our business performance.</p>	<ul style="list-style-type: none"> <li>• Company performance</li> <li>• Valuation and stock performance</li> <li>• Corporate Governance</li> </ul>	<ul style="list-style-type: none"> <li>• Interviews</li> <li>• Press releases</li> <li>• Face-to-face meetings</li> </ul>



# SUSTAINABILITY REPORT



## STRATEGIC PARTNERS

Our strategic partners help complement our capabilities to provide our customers with the best services and products.

- Financial performance
- Track records and reputation

- Ongoing meetings and dialogues
- Business reviews

## 4. APPROACH TO SUSTAINABILITY AND MATERIALITY ANALYSIS

At TEE, sustainability is incorporated in our business model. Integrating sustainability best practices in our business helps us in formulation of business strategy and understanding how it impacts on people, the environment and the communities we work in. We will continue to improve our performances in all sustainability aspects as we strengthen our long-term growth.

Our Sustainability Committee conducted a review and relevance of the material topics based on discussions with the various business unit heads of TEE Group. We have identified three key Sustainability Focus Areas – Our Business, Our Environment and Our People. To report on our performance, we have used the GRI standards to reference the relevant material topics.

Sustainability Focus Areas	Material Topics	Relevant GRI Standard reported
<b>Our Business</b>	Economic Performance	GRI 201-1
	Procurement Practices	GRI 204-1
	Anti-Corruption	GRI 205-1
<b>Our Environment</b>	Energy & Emissions	GRI 302-1, GRI 305-1, GRI 305-2
	Water	GRI 303-1
	Effluents & Waste	GRI 306-2
	Environment Compliance	GRI 307-1
<b>Our People</b>	Employment	GRI 401-1
	Diversity & Equal Opportunity	GRI 405-1
	Training & Education	GRI 404-1
	Occupational Health & Safety	GRI 403-2

## 5. OUR SUSTAINABILITY FOCUS AREAS

### OUR BUSINESS

As an established integrated engineering and infrastructure group, we strive to deliver quality and value-added services to our customers. With an expansive network of businesses under the Engineering and Infrastructure arms, as well as various scales of operations and exposure, we recognise the importance of maintaining ethical work practices. Due to the labour-intensive nature of our businesses, as well as exposure to environmental impacts, TEE is committed to conducting our business in a sustainable and ethical manner.

### Economic Performance

GRI 201-1

#### Our Approach

TEE Group believes in integrating sustainable practices as part of our business strategy in driving long-term growth. We are committed to provide a nurturing and safe working environment to boost our employees productivity and morale in delivering quality service to our customers. Our sustainability agenda also guides our business strategy in maintaining sustainable economic value for our stakeholders while investing in our people's development and giving back to our communities. TEE is committed to strengthening our economic value to our shareholders while investing in our people and communities.

### Our Performance

In FY2019, we have generated an economic value of S\$369,499,000 and distributed S\$385,139,000 in the form of operating costs, employee wages and benefits, payments to providers of capital, taxes and community investments.

#### Our Performance

	S\$'000
Direct Economic Value Generated <sup>1</sup>	369,499
Economic Value Distributed <sup>2</sup>	385,139
Economic Value Loss	(15,640)

<sup>1</sup> Revenue

<sup>2</sup> Comprises operating costs, employee wages and benefits, payments to providers of capital, payments to taxes and community investments

### Procurement

GRI 204-1

#### Our Approach

TEE partners with various vendors, contractors and suppliers on delivering quality and value-added services. Thus, maintaining a good working relationship with our partners is vital. We adopt a stringent selection process and only work with vendors with an excellent track record of health and safety standards, compliance to local regulations and certification bodies. High levels of service efficiency without jeopardising on health, safety and environmental standards are prerequisites in our selection process. Where possible, TEE works with local vendors for the projects.

#### Our Performance

TEE has predominantly local supply chain; more than 99 percent of our approximately 1,200 suppliers providing products and services are from the local market.

### Anti-corruption

GRI 205-3

#### Our Approach

TEE Group believes good governance is important as it helps to guide our businesses to be conducted in a fair and ethical manner, governed by the internal controls and risk management practices. By equipping our businesses with an Enterprise Risk Management framework ("ERM"), best practices standards are recommended for our business segments to adhere to. We take a strong stand towards issues like bribery and corruption and prohibit any form of bribery. In addition, our whistle-blowing policy allows suspected breaches of conduct or conflicts of interest to be reported seamlessly and anonymously. More information on our ERM, internal controls systems, and whistle blowing policy are respectively set out in Guidelines 11.1, 11.2 and 12.7 of the Corporate Governance Report. All new employees at TEE Group undergo a briefing to encourage them to be familiarised with the company's code of conduct.

#### Our Performance

There were no confirmed incidents of corruption across our Group in FY2019.

# SUSTAINABILITY REPORT

## 6. OUR ENVIRONMENT

Environmental protection is of predominant importance at TEE Group. We recognise that our business activities in the Engineering & Construction (E&C) and Infrastructure segments can have an adverse impact on the environmental ecosystem and we are committed to reduce our footprints. TEE integrates best environmental practices with adherence to environmental regulations and standards. Our environmental businesses are reliant on water, fuel and electricity for their operations, thus natural resource conservation is particularly important for these businesses.

### Energy & Emissions

#### Our Approach

We recognise the energy usage levels used at our sites, which is contributed largely from the environmental business, TEE Environmental, which is held under the Infrastructure business. Our subsidiaries, PBT, Trans and TEE Environmental are ISO 14001:2015 certified.

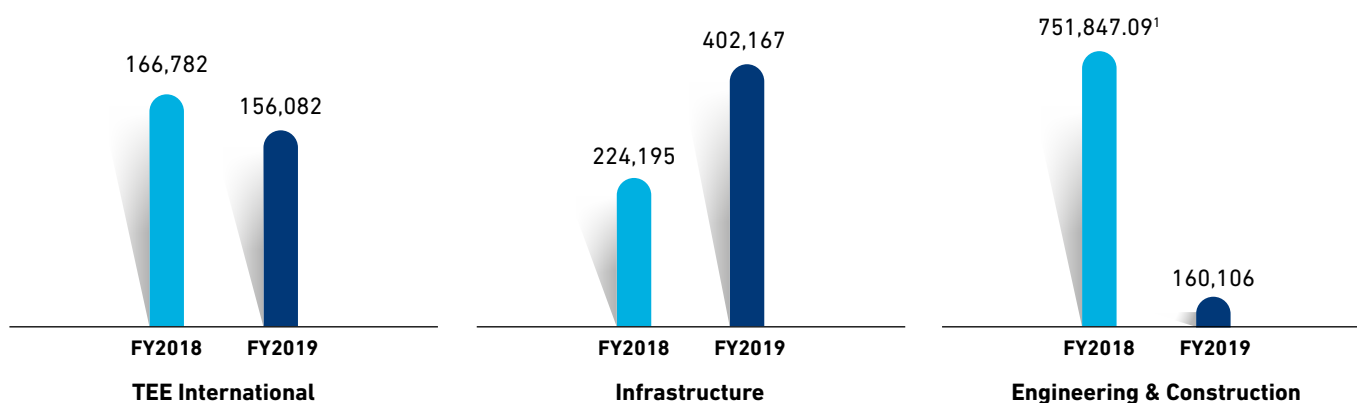
#### Our Performance

Our carbon footprint includes both Scope 1 and Scope 2 emission sources. In FY2019, our total carbon footprint was approximately 6,342 tCO<sub>2</sub>, of which 91% was attributed mostly to Scope 1 emissions from fuel for vehicles owned by TEE Environmental. Our Scope 2 emissions was approximately 572 tCO<sub>2</sub>, which was from electricity use at TEE Building, our headquarter office, as well as other site offices across the Group. Our overall carbon emissions have increased this FY2019 largely due to an addition of seven trucks in our fleet of vehicles for waste collection, as well as the inclusion of a new office of TEE Environmental located at Tuas South. We will continue to monitor our performance on energy use and carbon emissions, and find ways to optimise our business processes and improve energy efficiency.

### Fuel Consumption for TEE Group

Business Entity	FY2019			FY2018	
	Vol. of Diesel Used (L)	Vol. of Petrol Used (L)	Energy Consumption <sup>1</sup>	Vol. of Diesel Used (L)	Energy Consumption <sup>1</sup>
Infrastructure	2,096,743.69	-	75.73 TJ	1,083,186.00	39.13 TJ
Engineering & Construction	59,605.88	8,159.80	2.83 TJ	-	-
TOTAL	2,156,349.57	8,159.80	78.56 TJ	1,083,186.00	39.13 TJ

### Electricity Consumption for TEE Group (kWh)



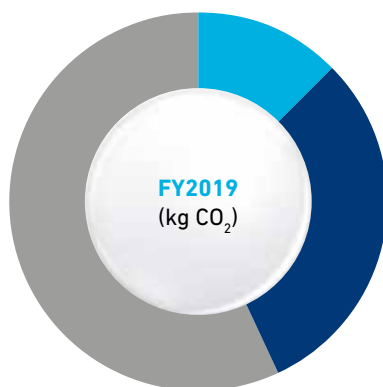
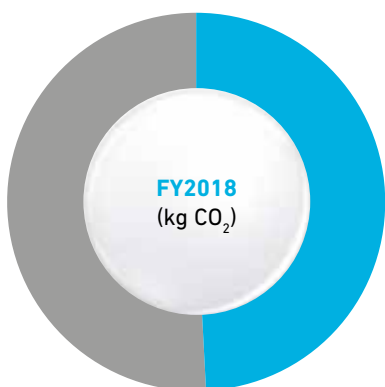
<sup>1</sup> Includes electricity used at site offices

Emissions for TEE Group



**SCOPE 1**

	FY2018	FY2019
■ TEE International	0	0
■ Infrastructure	2,898,961.37	5,611,515.14
■ Engineering & Construction	0	159,523.22
<b>Total</b>	<b>2,898,961.37</b>	<b>5,771,038.36</b>

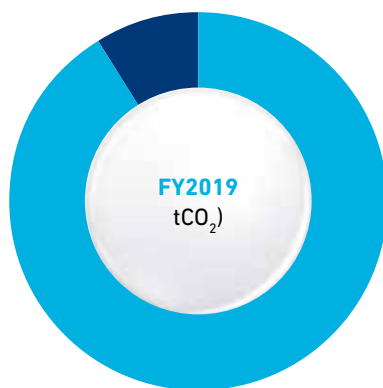
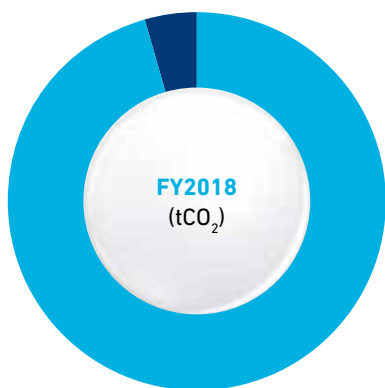


**SCOPE 2**

	FY2018	FY2019
■ TEE International	65,429.57	69,915.01
■ Infrastructure	0	168,588.41
■ Engineering & Construction	67,116.44	332,684.97
<b>Total</b>	<b>132,546.01</b>	<b>571,188.39</b>

■ TEE International ■ Infrastructure ■ Engineering & Construction

Overall emissions for TEE Group



	FY2018	FY2019
■ Scope 1 Emissions (tCO <sub>2</sub> ) <sup>1</sup>	2,898.96	5,771.04
■ Scope 2 Emissions (tCO <sub>2</sub> ) <sup>1</sup>	132.55	571.19
<b>Total</b>	<b>3,031.51</b>	<b>6,342.23</b>

■ Scope 1 Emissions (tCO<sub>2</sub>)<sup>1</sup> ■ Scope 2 Emissions (tCO<sub>2</sub>)<sup>1</sup>

<sup>1</sup> Based on conversion factors from GHG Protocol Emission Factors from Cross Sector Tools March 2017

# SUSTAINABILITY REPORT

## Water

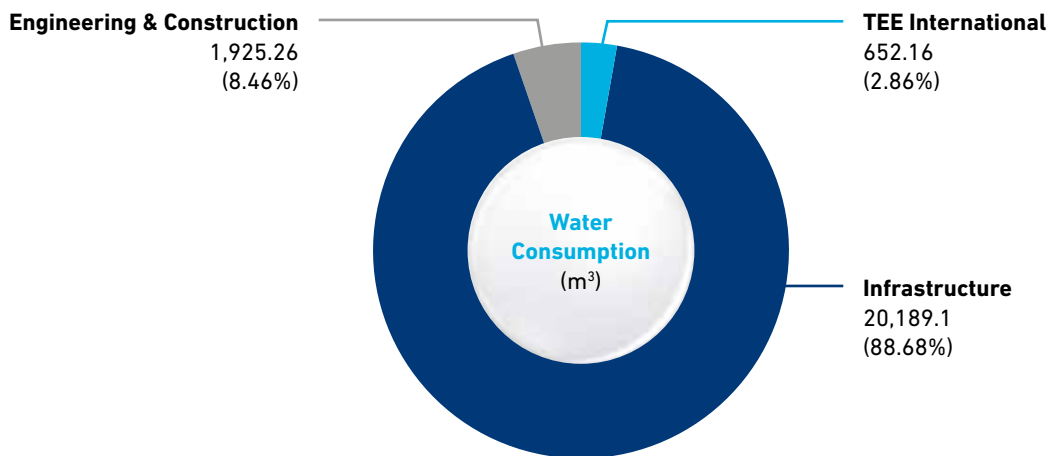
GRI 303-1

### Our Approach

Water is essential for TEE Group's day-to-day operations in the offices and other site locations. As some of our business operations use substantial amounts of water, management of water usage is a priority for the Company. In addition to the use of water efficient taps installed at the office premises, we are also looking at ways to optimise the use of water for the environmental business held under TEE Infrastructure, which consumes approximately 86% of the total water used across TEE Group.

### Our Performance

#### Total Water Consumed in FY2019



## Effluents & Waste

GRI 306-2

### Our Approach

Pollution prevention and resource conservation are essential towards sustainable development. TEE Group has implemented several "green" initiatives from paper recycling, circulating "Go Green" awareness emails to conserving energy and minimising electrical wastage by equipping our office with light sensors.

TEE Environmental is in the waste management and recycling business. As such, the reporting of this section focuses primarily on what TEE has recycled from our company's business activities.

As part of our environmental business operations in Singapore, we have recycled approximately 33,748 tonnes of plastic, metal, paper and wood waste, and incinerated approximately 17,466.24 tonnes of general waste.

Waste Type	Method of Disposal	Total
General Waste	Incineration	17,466.24 tonnes
Plastics	Recycled	871.42 tonnes
Metals	Recycled	749.56 tonnes
Paper	Recycled	30,839.97 tonnes
Wood	Recycled	1,287.56 tonnes

## Environment Compliance

GRI 307-1

### *Our Approach*

TEE Group conducts all aspects of our business in a manner that ensures compliance with environmental law. As TEE believes in environmental protection and stewardship, all employees go through environmentally-friendly measures, briefings, courses and trainings, and are encouraged to put it to good use in their respective departments to foster awareness and responsibility. At TEE, we recognise that a material breach of any environmental laws or regulations could have significant impact and result in irreversible reputational damage or lead to other costly liabilities. We adhere to the highest standards of environmental governance practices, which ensure compliance to all applicable laws and regulations.

### *Our Performance*

A robust monitoring structure is in place for our construction projects to ensure that the noise levels are within the permissible levels. Creating walled enclosures around the construction projects and alternative construction methods such as avoidance of impact piling, or specially quieted equipment and installation of mufflers are used to reduce the noise levels during construction. We have received two significant fines<sup>1</sup> in FY2019 due to construction during prohibited times, which amounted to a total of S\$34,000. Moving forward, the business unit heads will continue to monitor, and as and when there are substantial new areas of law or regulation, training will be conducted for employees to ensure zero incidence of material non-compliance with laws and regulations.

<sup>1</sup> Significant fine is any fine above S\$5,000

## 7. OUR PEOPLE

Our employees are our biggest asset. They are crucial in the long-term success of TEE Group. Our employee morale is highly reflected in our retention rates. Boosting a nurturing all-inclusive and safe working environment with opportunities for development all play a part in keeping our employees engaged. As the nature of the work at TEE's different business segments involve manual work in high risk areas, upholding a stringent health and safety working culture is priority.

## Employment

GRI 401-1

### *Our Approach*

People are central to TEE Group's business model. We hold high regard on the expertise, experiences and capabilities of our people, as they are crucial in our long-term growth. TEE Group continues to keep our employees engaged to boost employee morale and in turn reduces our turnover rate. TEE Group is committed to fair employment practices and only hire based on merit without unfair biasness. We are guided by our Code of Business conduct, which promotes equal opportunity.

### *Our Performance*

The Human Resource function at TEE manages the overall HR matters across TEE Group. At the end of FY2019, the total number of employees at TEE Group was 834, comprising 99% of permanent full-time employees and 1% of term contact employees. During the reporting year, there was a turnover of 32% and a hiring rate of 35%.

Every employee in TEE Group receives regular performance and career development reviews, which illustrates our resolve in managing and developing the skills of our human capital. After the review process, employees undergo training courses pertaining to their job requirements to ensure greater efficiency and effectiveness in their performance. As part of TEE Group's leadership renewal process, TEE identifies and appraise high-potential candidates by assessing each candidate's readiness for new leadership roles to take on.

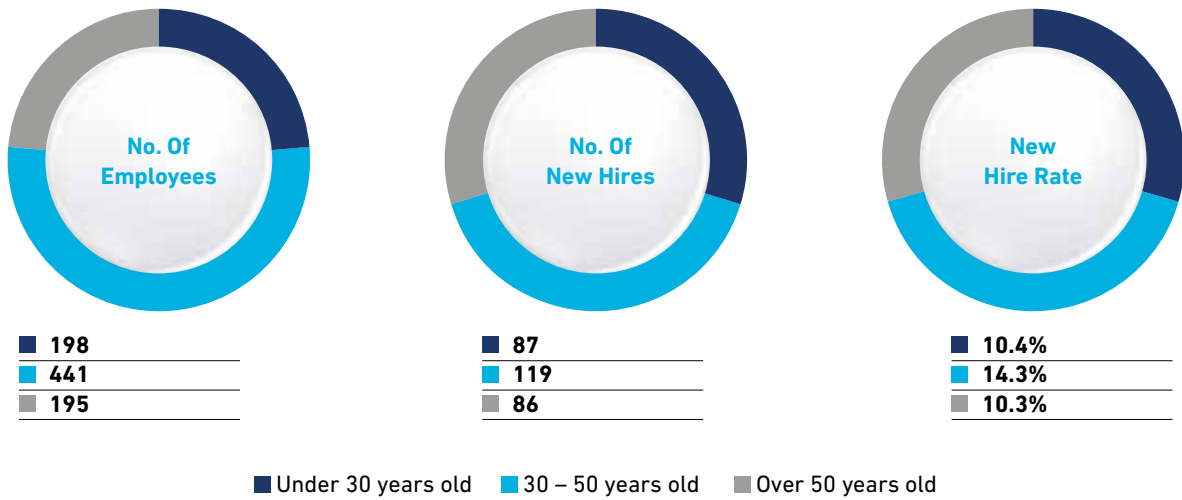
# SUSTAINABILITY REPORT

## New Employee Hire And Turnover Rate, By Age Group

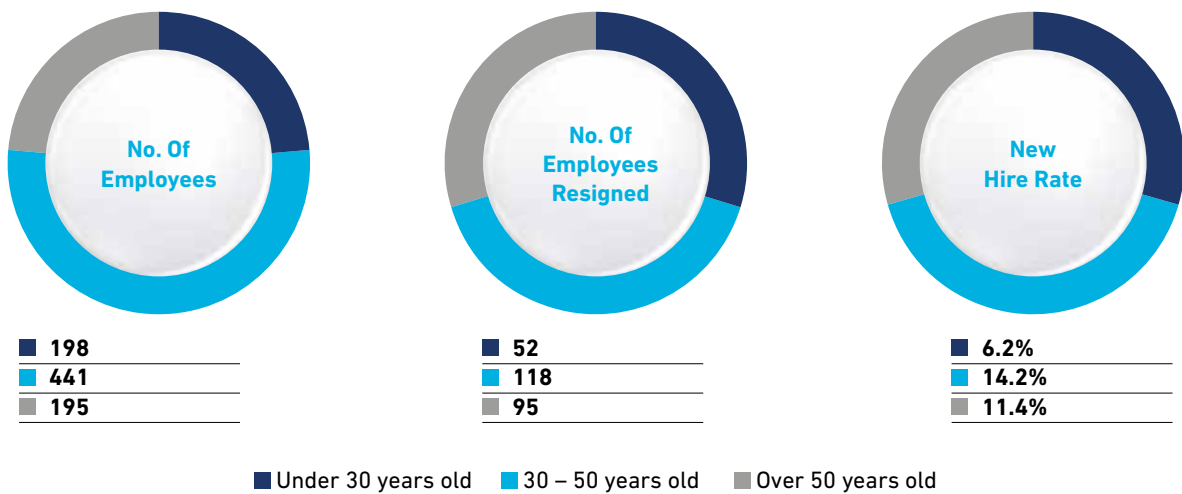
GRI 401-1

For the period 1 Jun 2018 - 31 May 2019

### New Employee Hires By Age Group



### Employee Turnover By Age Group





**New Employee Hire And Turnover Rate, By Gender**

GRI 401-1

For the period 1 Jun 2018 - 31 May 2019

**New Employee Hires by Gender**



■ 703  
■ 131



■ 241  
■ 51



■ 28.9%  
■ 6.1%

■ Male ■ Female

**Employee Turnover by Gender**



■ 703  
■ 131



■ 204  
■ 61

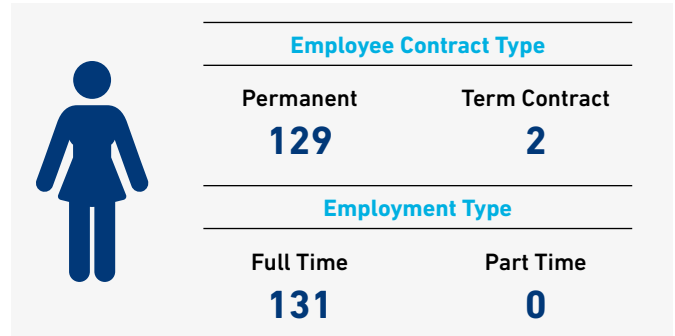
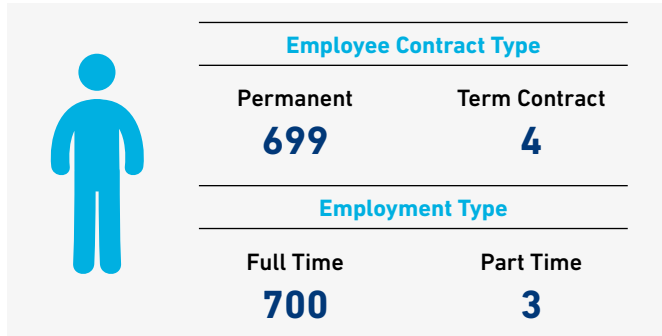


■ 24.5%  
■ 7.3%

■ Male ■ Female

# SUSTAINABILITY

## Information On Employees And Other Workers



Worker Labour Day celebration on 1 May 2019



TEE Company Retreat in June 2018

## Diversity & Equal Opportunity

GRI 405-1

### Our Approach

TEE Group encourages an inclusive working environment that supports diversity in all aspects. We hire based on merit and do not tolerate any form of discrimination or biasness. We believe employees will flourish in a nurturing, open and diverse environment where their perspectives and ideas can be inter-exchanged. We ensure fair opportunities providing long-term career development, embracing diversity and valuing all cultures.

### Our Performance

Our 834 employees comprise 9 different nationalities. We recognise the need to:

- a) respect cultural diversity as part of our inclusive approach to promoting employees' involvement;
- b) provide training opportunities in soft and technical skills, especially for female employees; and
- c) ensuring health-related support in order to help employees increase their productivity, thus reducing absenteeism rates, as well as promoting women's empowerment.

Due to the nature of work in the Infrastructure and Engineering & Construction business segments, the proportion of males in the Company is significantly larger than the females and is currently in the ratio of 5:1 respectively.

**Diversity Of Governance Bodies And Employees**

GRI 405-1

**Employees**

Age Group	No. of individuals	Age Group	No. of individuals	Age Group	No. of individuals
Under 30 years old	198	30-50 years old	441	Over 50 years old	195

**Training & Education**

GRI 404-1, GRI 404-3

*Our Approach*

In line with our people-centred approach, our training programmes are an essential element of our investment strategy. This will promote the alignment between business goals and people-related objectives by focusing on key areas such as people development, learning programmes and internal mobility.

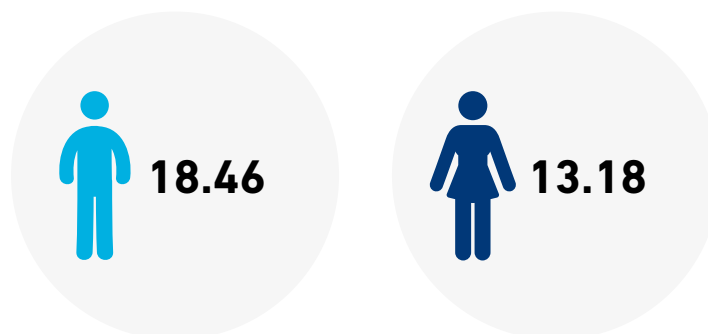
*Our Performance*

Our employees have achieved a total of 6,046.04 training hours in FY2019, which works out to an average of 7.24 hours per person. Examples of training that our employees have attended include technical training relevant to their roles, finance related training, project management and environmental management training. As health and safety is important for all our employees, various types of health and safety related training was also provided to different categories of employees.

**Average Hours Of Training Per Year Per Employee, By Category**

Senior Management	21.07	Managerial	16.65	Executive	16.82
Non-Executive	11.08	Site Operation	14.53	Non-traditional/ Skilled Workers	21.76

**Average Hours Of Training Per Year Per Employee, By Gender**



# SUSTAINABILITY

## Occupational Health & Safety

GRI 403-2

### Our Approach

Occupational safety within TEE Group and along the value chain is a top priority at TEE Group. As our operations grow in different markets, the safety of our employees is also becoming increasingly important for us to manage. We remain focused on our long-term objective of “zero accidents.” To achieve this, we are continuously working on improving our workplace safety by providing awareness raising training and investing in enhancing technical safety.

TEE Group operates within a Quality, Environmental, Health and Safety Management framework. Under this framework, our subsidiaries, Trans and PBT, have been awarded the OHSAS 18001:2007 certification while TEE Environmental and TEE Recycling have been awarded ISO45001, for our compliance with the high standards of workplace safety and health. TEE also achieved the bizSAFE Star award as a recognition for our efforts in improving workplace safety and health through implementing workplace safety practices and conducting health programmes. We also adopt a comprehensive approach in the education and inculcation of the right mindset in safety culture, starting from the top management and extending it down to all levels of our workforce. This way, we seek to motivate more employees involvement and commitment in ensuring a safe and healthy working environment for all.

### Our Performance

Across TEE Group, there were a total of 5 reportable accidents while our contractors had 2 reportable accidents. Most of the injuries were hand injuries. A thorough review has been carried out, following which additional safeguards have been implemented to minimise risks. We will strive to ensure that employees and contractors maintain safe work practices and also encourage other companies within our sphere of influence to do the same. We closely monitor our safety statistics to ascertain the effectiveness of our initiatives. Our interim target is to reduce our occupational accident rate.

## 8. OUR COMMUNITY

TEE Group is committed to manage our impact on the community responsibly and better mitigate the environmental and social impacts of our businesses, key community investments and programmes are designed in consultation with local communities.

We care deeply about serving and giving back to the community and seeks to be a model corporate citizen. Corporate Social Responsibility (CSR) is an integral part of the Company’s core values. It strongly advocates employee volunteerism and supports employees in their charitable endeavour. As part of its social outreach programme, the CSR Committee plans and organises events and activities as part of the community services for charity bodies. Through the various programs organised in FY2019, we have contributed a total of \$15,000 to 6 different beneficiaries including Villa Francis, Bukit Batok CCC Community Development & Welfare Fund, Catholic Welfare Services and Singapore Children’s Society. In addition to the contribution of financial aid to selected beneficiaries, the Management and staffs of TEE Group also contributed a total of 284 hours of volunteer hours to organise outings and raise funds for various charitable organisations.



# CORPORATE GOVERNANCE REPORT

The Board of Directors ("**Board**") of TEE International Limited (the "Company" or together with its subsidiaries, the "**Group**") continues to be committed to uphold the highest standards of corporate governance, and believes those sound corporate governance principles and practices will sustain and improve corporate performance, accountability, transparency, building trust and confidence in the Group, safeguarding the interests of all shareholders and promoting investors' confidence in the Group.

The Company has complied with the Code of Corporate Governance 2012 ("**Code**") except where otherwise explained. In areas where the Group has not complied with the Code, the Group will continue to assess its needs and implement appropriate measures accordingly.

On 6 August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("**2018 Code**"), which will take effect for annual reports covering financial years commencing from 1 January 2019. The Group will review and implement measures to comply with the 2018 Code, where appropriate, for the Company's annual report for FY2020.

This report describes the Company's corporate governance processes and structures that were in place throughout the financial year, with specific reference made to the principles and guidelines of the Code.

## BOARD MATTERS

### The Board's Conduct of 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 1.1 and 1.2: Principal Role, Duties and Responsibilities of the Board

The Board assumes responsibilities for setting strategic direction, establishing pertinent policies, improving the existing corporate governance and overseeing proper management of the Group. Their responsibilities apart from statutory responsibility also extend to the following functions:

- Providing entrepreneurial leadership;
- Approving the Group's policies, strategies and financial plans;
- Reviewing the Group's financial and management performance;
- Overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- Overseeing the business of the Group and monitoring the performance of the Company's management;
- Approving annual budget, acquisitions and disposal of assets, investments and divestment proposals;
- Approving nominations for the Board by the Nominating Committee and endorsing the appointments of the key executives and senior management ("**key management**");
- Reviewing recommendations made by the Audit Committee on the appointment, re-appointment or removal of external auditors;
- Reviewing recommendations made by the Remuneration Committee and approving the remuneration packages for the Board and key management;
- Consider sustainability issues such as environmental and social factors as part of its strategic formulation; and
- Identifying key stakeholder groups and recognise that their perceptions affect the Company's reputation.

The Board members are expected to use reasonable diligence in discharging their duties and act in good faith in the best interests of the Group at all times.



# CORPORATE GOVERNANCE REPORT

## Guideline 1.3: Delegation of Authority by the Board

In order to provide an independent oversight and to discharge its responsibilities more efficiently, the Board has delegated certain of its functions to various board committees (“**Board Committees**”) established by the Company. The Board Committees are the Audit Committee (“**AC**”), Nominating Committee (“**NC**”), Remuneration Committee (“**RC**”) and Executive Committee (“**EXCO**”). Every Board Committee has its own Terms of Reference which sets out, inter alia, each Board Committee’s terms, composition and responsibilities, which based on the guidelines provided in the Code. The Chairman of the respective Board Committees will report to the Board on the outcome of the Board Committee meetings and their recommendations on the specific agendas mandated to the Board Committee by the Board.

## Guideline 1.4: Meetings of the Board

The dates of meetings of the Board and the Board Committees as well as the annual general meeting (“**AGM**”) are scheduled one year in advance. To ensure maximum participation, the Company Secretary will consult every director before fixing the dates of these meetings. The Board meets regularly at least four times, once every quarter, within each financial year and at other times as appropriate, to approve the release of the Group’s financial results as well as to consider and resolve major financial and business matters of the Group. The Board and Board Committees may also make decisions by way of circular resolutions in writing. To facilitate effective management, the day-to-day management of the Group’s businesses and affairs are entrusted to the executive directors and key management.

The Company’s Constitution provides for the Board to convene meetings via conference telephone, video conferencing or other audio or audio-visual communications equipment.

The details of the frequency of Board and Board Committee meetings held during the financial year ended 31 May 2019 (“**FY2019**”) and the attendance of every Board member at the meetings are set out below:

Name of Director	Board of Directors’ Meeting		Board Committee Meetings					
			AC Meeting		NC Meeting		RC Meeting	
	No. of meetings held*	No. of meetings attended	No. of meetings held*	No. of meetings attended	No. of meetings held*	No. of meetings attended	No. of meetings held*	No. of meetings attended
Mr. Bertie Cheng Shao Shiong <sup>1</sup>	4	4	–	–	–	–	–	–
Mr. Lee Ah Fong <sup>2</sup>	4	1	4	1	2	1	1	1
Mr. Gn Hiang Meng <sup>3</sup>	4	4	4	4	2	2	1	1
Mr. Aric Loh Siang Khee	4	4	4	4	2	1 <sup>#</sup>	1	1
Mr. Phua Chian Kin <sup>4</sup>	4	4	–	–	2	2	1	1 <sup>#</sup>
Mr. Phua Boon Kin <sup>5</sup>	4	4	4	3 <sup>#</sup> +1	2	1 <sup>#</sup>	–	–
Ms. Saw Chin Choo	4	4	–	–	–	–	–	–

### Notes:

\* Number of meetings held during the FY2019.

# By Invitation

<sup>1</sup> Mr. Bertie Cheng Shao Shiong was re-designated as a member of the RC on 11 January 2019 and as a member of the AC on 27 August 2019.

<sup>2</sup> Mr. Lee Ah Fong resigned as a Director of the Company on 27 August 2019. Pursuant to his cessation, Mr. Lee Ah Fong also ceased to be an Independent Director of the Company, a member of the AC, NC, RC and EXCO. The announcement relating to Mr. Lee Ah Fong’s cessation as a Director of the Company was released via SGXNET on 27 August 2019.

<sup>3</sup> Mr. Gn Hiang Meng was re-designated as Chairman of the RC in place of Mr. Lee Ah Fong with effect from 11 January 2019.

<sup>4</sup> Mr. Phua Chian Kin stepped down as a member of the NC and EXCO on 6 September 2019.

<sup>5</sup> Mr. Phua Boon Kin was re-designated as member of the AC on 11 January 2019 and as a member of the NC and EXCO on 6 September 2019. He subsequently stepped down from the AC and in his place, Mr. Bertie Cheng Shao Shiong was re-designated as member of the AC on 27 August 2019.

# CORPORATE GOVERNANCE REPORT

In addition, after FY2019, there have been frequent Board and Board Committee meetings in light of the unauthorised remittances announced by the Company on 4 September 2019 in order for the Board and Board Committees to be kept apprised of further checks and reviews that were being conducted to improve the Company's internal controls and to ensure that there were no other unauthorised remittances or transactions.

## **Guideline 1.5: Internal Guidelines for Matters Requiring Board Approval**

The Group has adopted a set of internal guidelines setting forth matters that require the approval of the Board. Under these guidelines, all investments, material acquisitions and disposals of assets, corporate restructuring and all commitments to term loans and lines of credit from banks and financial institutions and unbudgeted capital expenditures require the Board's approval. The Board also delegates authority for transactions below certain prescribed threshold limits to the Board Committees and specific members of the key management to optimise operational efficiency.

## **Guidelines 1.6 and 1.7: Directors' Orientation and Training**

Upon appointment as a director, each director receives a formal letter of appointment from the Company and will also be provided with the relevant information on his/her duties and responsibilities as a director, the Company's annual reports, corporate governance processes as well as relevant statutory and regulatory compliance issues. Orientation briefings will be organised for each new director to ensure that the incoming director is familiar with the Group's key business and governance practices. First-time Directors who have no prior experience as a director of a company listed on the SGX-ST will also undergo training in the roles and responsibilities of a director of a listed company as prescribed by the SGX-ST pursuant to Rule 210(5)(a) of the Listing Manual of the SGX-ST. There was no new director appointed during FY2019.

Directors may request for further explanations, briefings and formal discussions on any aspects of the Company's operations or business and any other issues.

As part of the Company's continuing education for all directors, the Company Secretary circulates to the Board announcements, articles, reports and press releases, such as those issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), Accounting and Corporate Regulatory Authority of Singapore ("**ACRA**") and Monetary Authority of Singapore which are relevant to the Group's businesses and compliance to the applicable laws, rules and regulations and accounting standards which are currently in force. The Group's investor relations team ("**IR**") also circulates to the Board articles, reports and statistics such as those issued in the local newspapers contributed by Singapore Institute of Directors ("**SID**") and research centre of the local universities and professional bodies related to the Group's core businesses, board matters and compliance information to keep all directors updated on the current industry trends.

Directors are informed by the Company Secretary and encouraged to attend relevant upcoming conferences, courses and seminars conducted by, inter alia, Singapore Exchange Limited ("**SGX**"), ACRA, SID, local professional firms and consultants. All the courses and programmes arranged will be funded by the Company.

During FY2019, the directors attended external programmes, seminars, briefings and update sessions, such as the core professional development programmes on Director's Financial Reporting Fundamentals, Understanding Employees' Profession Obligation and Mitigating Office Politics, Innovation in the Marketplace: Emerging Trends and Insights; and Ethical Standards and Culture: The Role of the Board to name a few. Attendances to such training session help enhance the performance of the directors in their duties.

## **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 2.1 and 2.2: Board Independence**

The Board currently comprises eight directors, of whom five are independent directors. A majority of the Board is made up of independent directors and this composition is in compliance with the Code's requirement that at least one-third of the Board should be made up of independent directors. Currently, there is no alternate director appointed.



# CORPORATE GOVERNANCE REPORT

The composition of the Board is as follows:

## Directors

Mr. Phua Boon Kin<sup>1</sup> (Interim Group Chief Executive (“GCE”) & Managing Director (“MD”))  
Mr. Phua Chian Kin<sup>2</sup>  
Ms. Saw Chin Choo

## Independent Directors

Mr. Bertie Cheng Shao Shiong (Chairman)<sup>3</sup>  
Mr. Gn Hiang Meng  
Mr. Aric Loh Siang Khee  
Mr. Lee Ah Fong<sup>4</sup>  
Mr. Lai Hock Meng  
Mr. Wu Geng

<sup>1</sup> Mr. Phua Boon Kin was re-designated as Interim GCE & MD on 6 September 2019.

<sup>2</sup> Mr. Phua Chian Kin was relieved of his duties as GCE & MD on 6 September 2019.

<sup>3</sup> Mr. Bertie Cheng Shao Shiong will retire by rotation at the conclusion of the forthcoming AGM and will not be seeking re-election.

<sup>4</sup> Mr. Lee Ah Fong resigned as an Independent Director on 27 August 2019.

Following the retirement of Mr. Bertie Cheng by rotation at the conclusion of the forthcoming AGM, the NC and the Board will search for and review the suitability of candidates to be appointed as Chairman of the Board and a member of the AC and RC in place of Mr. Bertie Cheng. The relevant announcement(s) will be released via SGXNET as and when there are any updates relating to this.

## Guidelines 2.5 and 2.6: Board Competency and Diversity

The NC is responsible for examining the Board size and composition to ensure efficiency and will make its recommendation to the Board in relation to these matters. The NC takes into account factors such as knowledge and experience of directors, scope and nature of the Group’s operation, balance of skills, perspectives and the balance of executive directors and independent directors.

The Board is made up of a team of high calibre leaders whose extensive experience, knowledge and expertise combine will contribute to the effective decision-making and direction for the Group. Collectively, there is an appropriate balance and diversity of skills, experience, gender (1 female director on the Board) and knowledge of the Board. The Board possesses the core competencies in areas such as vast experience in the Group’s core businesses and industry, finance, audit, tax, legal knowledge, management and strategic capability. The profiles of the directors are set out in the “Board of Directors” section on pages 16 to 17 in this Annual Report. The composition of the Board enables the Company’s management to benefit from the objective perspective on issues brought before the Board. The NC is of the view that the Board is of the appropriate size and with the right mix of skills and experience given the nature and scope of the Group’s operations.

Directors are free to hold open discussions on important matters such as the Group’s financial performance and the Group’s strategy and make decisions collectively during the Board meetings.

## Guidelines 2.7 and 2.8: Role of Non-Executive Directors

The independent directors provide, amongst other things, strategic guidance to the Company based on their professional knowledge, in particular, assisting to constructively challenge and develop proposals on strategy. The independent directors also help to review the performance of the Company’s management in meeting agreed goals and objectives and monitor the reporting of performance. To this end and where appropriate, they are encouraged to arrange for meetings without the Company’s management being present, on a regular basis and at times deemed necessary. The Company would arrange to avail the Company’s premises for use by the independent directors at any time to meet regularly without the presence of Company’s management.

# CORPORATE GOVERNANCE REPORT

## **Guidelines 2.3 and 2.4: Review of Directors' Independence and Independence of Directors Who have Served on the Board Beyond Nine Years**

The NC reviews the independence of each independent director on an annual basis by taking into consideration the Code's guidelines and definition of an independent director as well as the relationships which would deem an independent director not to be independent. As a result of the NC's review of the independence of each independent director for FY2019, the NC is of the view that the independent directors of the Company are independent and that no individual or small group of individuals dominate the Board's decision-making process. The Board has determined after taking into account the views of the NC that each independent director, namely Mr. Bertie Cheng Shao Shiong, Mr. Lee Ah Fong, Mr. Gn Hiang Meng, Mr. Aric Loh Siang Khee, Mr. Lai Hock Meng and Mr. Wu Geng are independent in character and judgement and there are no relationships or circumstances which are likely to affect, or could appear to affect the directors' judgement.

Mr. Lee Ah Fong, who was an independent director of the Company during FY2019, had declared to the Board that he is a partner of a legal firm, Ng, Lee & Partners, which may from time to time render professional legal services to the Group. Mr. Lee did not carry out any professional legal services to the Group on behalf of Ng, Lee & Partners. Nevertheless, the NC had considered Mr. Lee to be independent as the billing for the services rendered was not significant and Mr. Lee was capable of maintaining his objectivity and independence at all times in discharging his duties and responsibilities. Mr. Lee had abstained in the deliberation of his own independence and voting on any resolution where it related to the appointment of Ng, Lee & Partners. Mr. Lee resigned as a Director of the Company on 27 August 2019.

Taking into consideration that Mr. Bertie Cheng Shao Shiong had served on the Board for more than nine years, during FY2019, the NC had conducted a rigorous review of his independence and had determined that he had maintained his independence in accordance with the Code and has contributed significantly to the discussion on matters brought before the Board, which includes issues relating to the strategic direction and corporate governance of the Company. Mr. Cheng's independence and objective leadership of the Board, his depth of experiences and skills, had made him an invaluable member of the Board. The Board had concurred with the views of the NC and is satisfied with the performance and independence of judgement of Mr. Cheng during FY2019. Mr. Bertie Cheng Shao Shiong will retire by rotation at the conclusion of the forthcoming AGM and will not be seeking re-election.

## **Role of Chairman and Group Chief Executive & Managing Director**

**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 3.1 and 3.2: Separation of Roles of Chairman and Chief Executive Officer**

The Chairman is not related to the Interim GCE & MD or the Former GCE & MD, Mr. Phua Chian Kin. There is a clear division of responsibilities of the Chairman and Interim GCE & MD and Former GCE & MD to ensure an appropriate balance of power and authority to increase accountability and greater capacity of the Board for independent decision-making.

Mr. Bertie Cheng Shao Shiong, the Chairman, is responsible for, amongst others, ensuring that the Board engages in open discussions on strategic, business and planning issues and approving the agenda for the Board. He is also responsible for exercising control over the quantity, quality and timeliness of the flow of information between the Company's management and the Board and ensuring compliance with the Group's guidelines on corporate governance. The Chairman also provides close oversight, advice and guidance to the Interim GCE & MD and Former GCE & MD and the key management. The Chairman also sets the agenda and ensures that adequate time is available for discussion of all agenda items, in particular, strategic issues, promoting a culture of openness and debate at the Board and facilitating the effective contributions of non-executive directors. At shareholders' meetings, the Chairman also ensures constructive dialogue between shareholders, directors and management.

Mr. Phua Boon Kin, who assumes the role of Interim GCE & MD, plays an instrumental role in the expansion and growth of the business of the Group and leads the Group with strong vision. He reports to the Board on all aspects of the Group's operations and performance, including overall financial performance, internal controls and risk management. He also leads the key management and executes plans in the implementation of the Board's decisions.

In order to assist the Interim GCE & MD, an EXCO has been established. More details on the EXCO can be found on page 53.

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES NOMINATING COMMITTEE

### Board Membership

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

#### Guideline 4.1: Composition of the NC

The NC currently comprises two independent directors and an executive director as follows:

#### Independent Directors

Mr. Gn Hiang Meng (Chairman)  
Mr. Aric Loh Siang Khee

#### Executive Director

Mr. Phua Boon Kin

The majority of the NC members are independent from business and management relationships. All the independent directors, including Mr. Gn Hiang Meng, the Chairman of the NC, are independent from a 10% shareholder of the Company.

#### Guidelines 4.2 and 4.6: The Role of the NC and Process for Selection, Appointment and Re-appointment of Directors

One of the NC's primary functions is to provide assistance to the Board in selecting suitable directors and making recommendations on all appointment of directors to the Board.

In addition, the NC also performs the following functions:

- Annual evaluation of the effectiveness of the Board as a whole, taking into account the scope and nature of the operations of the Group, to assess and determine the appropriate size and structure for the Board;
- Annual evaluation of the effectiveness of the Board Committees;
- Recommends to the Board nomination of directors to fill up any vacancies in the Board or the various Board Committees;
- Review and recommend to the Board the directors who are retiring by rotation to be put forward for re-election at the AGM, having regard to the director's contribution and performance including, if applicable, as an independent director;
- Review annually, through formal assessment, whether a director is independent;
- Ensure that, where the director has multiple directorships, he is able to devote sufficient time and attention to the affairs of the Group so as to carry out his duties;
- Review board succession plans for directors and key management; and
- Review training and professional development program for the Board.

#### Process for Selection and Appointment of New Directors:

The NC reviews the needs of the Board by taking into account the scope and nature of the operations of the Group:

- Based on the results of the Board performance evaluation ("**Performance Evaluation**") which are completed by the Board annually, the NC is able to evaluate whether the composition (includes the directors' skills, expertise, gender and experiences) and size of the Board are adequate. It also assesses whether additional competencies are required in the area where the appointment of new directors is concerned;
- In sourcing new directors, recommendations from directors, business associates and professional bodies are considered;
- After assessing their suitability, potential candidates are then short-listed by the NC and thereafter, interviews are set up with the short-listed candidates to further assess before a decision is made; and
- The most suitable candidate is subsequently appointed to the Board.

## CORPORATE GOVERNANCE REPORT

Having assessed the qualification, work experience, and suitability of and conducted interviews with each of Mr. Lai Hock Meng and Mr. Wu Geng, the NC had recommended and the Board had approved the appointments of Mr. Lai Hock Meng and Mr. Wu Geng as Directors of the Company on 6 November 2019.

### Retirement and Re-election of Directors

With effect from 1 January 2019, all directors must submit themselves for re-nomination and re-appointment at least once every three years pursuant to Rule 720(5) of the Listing Manual of the SGX-ST. Pursuant to Article 89 of the Company's Constitution, one-third of the Board of Directors are subject to retirement from office by rotation and eligible for re-election at the Company's AGM. In addition, Article 88 of the Company's Constitution provides that newly-appointed Directors are required to retire and may submit themselves for re-election at the next AGM of the Company.

Each member of the Board and NC shall abstain from any discussion and decision in respect of his/her own re-nomination as director.

Mr. Bertie Cheng will retire by rotation under Article 89 of the Company's Constitution at the conclusion of the forthcoming AGM and will not be seeking re-election.

After assessing each of their contributions and performance, the NC has recommended the nomination of directors retiring by rotation under Article 89 of the Company's Constitution, namely Ms. Saw Chin Choo and Mr. Phua Chian Kin, for re-election at the forthcoming AGM of the Company which has been scheduled to be held on 29 November 2019 ("2019 AGM"). Each of Ms. Saw and Mr. Phua, being eligible for re-election, have offered themselves for re-election. Each of Ms. Saw and Mr. Phua Chian Kin will, upon re-election as a director of the Company, remain as a member of the Board. Ms. Saw and Mr. Phua have abstained from any discussion and decision in respect of their respective re-nominations as director.

The NC has recommended the nomination of directors retiring under Article 88 of the Company's Constitution, namely Mr. Lai Hock Meng, and Mr. Wu Geng for re-election at the 2019 AGM of the Company. Each of Mr. Lai and Mr. Wu, being eligible for re-election, have offered themselves for re-election. Mr. Lai and Mr. Wu will, upon re-election as directors of the Company, remain as members of the Board. Both Mr. Lai and Mr. Wu have abstain from any discussion and decision in respect of their respective re-nomination as directors.

Detailed information on directors nominated for re-election required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST can be found on page 60-76.

The dates of initial appointment and last re-election of each director are set out below:

Name of Director	Age	Position	Date of Initial Appointment	Date of last Re-appointment / Re-election
Mr. Bertie Cheng Shao Shiong	82	Independent Director	5 March 2001	27 September 2016
Mr. Gn Hiang Meng	71	Independent Director	1 June 2013	13 November 2017
Mr. Aric Loh Siang Khee	55	Independent Director	1 August 2014	26 September 2018
Mr. Lai Hock Meng	63	Independent Director	6 November 2019	–
Mr. Wu Geng	48	Independent Director	6 November 2019	–
Mr. Phua Boon Kin	57	Executive Director	1 September 2008	26 September 2018
Mr. Phua Chian Kin	60	Director	15 August 2000	Not Applicable <sup>1</sup>
Ms. Saw Chin Choo	57	Executive Director	10 September 2004	13 November 2017

#### Notes:

<sup>1</sup> Prior to 1 January 2019, in accordance with the Company's Constitution, the Former GCE & MD, Mr Phua Chian Kin, was not subject to retirement by rotation while he holds office as the MD of the Company, and he was not to be taken into account in determining the rotation of retirement of Directors. From 1 January 2019, pursuant to Rule 720(5) of the Listing Manual of the SGX-ST, the GCE & MD shall be subject to retirement by rotation. Mr. Phua Chian Kin was relieved of his role and duties as GCE & MD on 6 September 2019 but remains a Director of the Company. Therefore, Mr. Phua Chian Kin will be subject to re-election at this forthcoming AGM.

# CORPORATE GOVERNANCE REPORT

## Succession Plan for the Board and Key Management

Succession planning is a crucial element of the Company's corporate governance process. The NC has adopted a succession plan to ensure the progressive and orderly renewal of Board membership. Succession planning and leadership development plans for key management, including the identification and management of talent among the younger staff, will remain a key focus of the NC.

### Guideline 4.4: Review of Directors with Multiple Board Representations

The NC is of the view that multiple listed company board appointments will not affect the director's ability to carry out their duties as directors of the Company and therefore, it would not be necessary to prescribe a maximum number of listed company board presentations a director may hold. With the attendance of the directors at Board and Board Committee meetings for FY2019, the NC is also satisfied that each director has contributed and devoted sufficient time and attention to the Company's affairs to adequately and competently carry out his or her duties as a director of the Company. The Board concurs with the view of the NC.

## Policy on External Appointments

The Group recognises that its executive directors may be invited to become non-executive directors of other companies and that exposure to such appointments can broaden the experience and knowledge of its executive directors which will benefit the Group. Executive directors are therefore allowed, with the Board's consent, to accept non-executive appointments, as long as these are non-competing companies and are not likely to lead to conflicts of interests.

## 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 5.1, 5.2 and 5.3: Process for Assessing Board performance

In the process of assessing the effectiveness of the Board, the contribution of individual directors plays an important role. In reviewing the re-election as well as re-appointment of any director, a formal process is established by performing an evaluation on the performance of the directors annually. Assessment on each director's contribution to the Board includes his attendance and participation, time and effort devoted to the Company's business and affairs. The NC has also conducted the Performance Evaluation exercise to assess the effectiveness of the Board and Board Committees for FY2019. The results of the annual assessment shown that the effectiveness of the Board as a whole and its Board Committees and the contribution by each director to the effectiveness of the Board are consistently good. Overall, the NC is satisfied with the Performance Evaluation results.

In addition, through the NC, the Board ensures that the appointed directors possess core competencies like business experience, knowledge of accounting, audit, tax, finance, legal and background understanding of the industry.

New directors will be appointed by way of circulating board resolutions or at board meetings upon NC assessments and recommendations. Such new directors must submit themselves for re-election at the next AGM as provided under Article 88 of the Company's Constitution.

## Access to Information

**Principle 6: In order to fulfil 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 6.1 and 6.2: Adequacy of Information Provided to the Board

Prior to each meeting, members of the Board are provided with timely management financial statements and other relevant information on material events and transactions with background and explanations to enable them to have a comprehensive understanding of the issues so as to make informed decisions. However, sensitive matters may be tabled or discussed at the Board meetings without any meeting papers distributed. In view of the Group's size and the nature of its operations, the Group released its results on a quarterly basis. In between Board meetings, other important matters concerning the Group are also submitted to the Board for approval by way of circulating resolutions in writing and electronic communications.

# CORPORATE GOVERNANCE REPORT

The Executive Directors also updated the Board at each meeting on business and strategic developments pertaining to the Group's business.

For good practice, each business unit head or the key management (or who have submitted proposal to the Board meeting for approval) will be invited to attend and brief the Board on business development and exposure for their respective business units including any material issue, at each Board Meeting held quarterly, at the relevant time during the Board meeting.

Minutes of Board Committee meetings will also be tabled at the Board meetings to keep all directors informed of all matters discussed at each Board Committee meeting.

## **Guidelines 6.3 and 6.4: Access to and Appointment and Removal of the Company Secretary**

Either one of the joint company secretaries or their representatives would attend all the Board meetings and provide assistance to the Chairman by ensuring that the board procedures are followed. They also assist to ensure that the relevant regulations, as well as the requirements of the Companies Act, Cap. 50 and the Listing Manual of the SGX-ST have been duly complied with. The appointment and removal of the company secretary is a matter that has to be decided by the Board as a whole.

## **Guideline 6.5: Ability to take Independent Professional Advice**

The directors have also been provided with the telephone numbers and electronic communication particulars of the Company's key management and company secretaries to facilitate access. The directors are free to seek independent professional advice, at the Company's expense, concerning all aspects of the Group's operations or undertakings in order to fulfill their duties and responsibilities as directors.

## **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.**

### **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.**

### **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 7.1 and 7.2: Establishment of the RC and its Role**

The RC currently comprises three independent directors as follows:

### **Independent Directors**

Mr. Gn Hiang Meng (Chairman)  
Mr. Aric Loh Siang Khee  
Mr. Bertie Cheng Shao Shiong

All the RC members are independent from business and management relationships. The independent directors, including Mr. Gn Hiang Meng, the Chairman of the RC, are independent from a 10% shareholder of the Company.

# CORPORATE GOVERNANCE REPORT

The responsibilities of the RC are as follows:

- Recommend a framework for remunerating the Board, both executive and non-executive directors and key management;
- Review all matters relating to remuneration of the Board and key management; employees related to directors, CEO or controlling shareholders of the Company; and
- Administers the TEE International Employee Share Option Scheme 2016 (“**TEE ESOS 2016**”) and the TEE International Performance Share Plan 2016 (“**TEE PSP 2016**”).

Following the retirement of Mr. Bertie Cheng by rotation at the conclusion of the forthcoming AGM, the NC and the Board will search for and review the suitability of candidates to be appointed as a member of the RC in place of Mr. Bertie Cheng. The relevant announcement(s) will be released via SGXNet as and when there are any updates relating to this.

## **Guideline 9.6: Disclosure on Link between Performance and Remuneration**

The remuneration policy adopted by the Group comprises a fixed component and a performance-related variable component. The fixed component is in the form of a base salary. The variable component payouts depend on both the staff's individual performance and each company's performance within the Group.

The variable component payouts of the executive directors and key management were assessed based on meeting the pre-determined key performance indicators (KPI) or service conditions and involvement of the personnel in the assignment or project as well as their roles and responsibilities over the performance period.

In setting remuneration packages, the Group also takes into account the remuneration and employment conditions within the same industry and in comparable companies.

## **Guidelines 8.2 and 9.5: Short-Term and Long-Term Incentive Schemes and Employee Share Schemes**

The long-term incentives comprising the TEE ESOS 2016 and TEE PSP 2016 (collectively, the “Schemes”), which were adopted at the extraordinary general meeting of the Company held on 27 September 2016.

The Group believes that with the implementation of the Schemes, the Group will be able to structure a more competitive remuneration package to attract, retain and incentivise employees and directors whose contributions are essential to the long term growth, well-being and prosperity of the Group, and at the same time, give such employees and directors an opportunity to have a direct interest in the Company and to foster an ownership culture within the Company and the Group which promotes greater commitment and aligns the interests of employees and directors with the interests of the shareholders.

While the TEE ESOS 2016 grants options to employees of the Group in general, TEE PSP 2016 is designed to reward key employees who are in the best position to drive the growth of the Company through superior performance, with fully-paid shares, at the sole discretion of the Company based on specific or medium-term performance targets or time-based service conditions, or a combination of both. Awards granted under the TEE PSP 2016 will vest only after the satisfaction of the prescribed service conditions as may be decided by the RC (together with the Interim GCE & MD) for the time being, or such other committee comprising directors duly authorised and appointed by the Board to administer the TEE PSP 2016 (Plan Committee) at the relevant point in time and/or according to the extent to which the key employees achieve their performance target(s) over set performance periods, as determined by the Plan Committee.

The aggregate number of shares to be issued under the Schemes and any other share-based schemes of the Company is capped at 15% of the Company's total number of issued shares (excluding treasury shares and subsidiary holdings) on the day preceding the relevant date of grant or award.

The aggregate number of shares over which options and awards may be granted and awarded under the TEE ESOS 2016 and TEE PSP 2016 to associates of controlling shareholders shall not exceed 25% of the total number of shares available under TEE ESOS 2016 and TEE PSP 2016, respectively. The options and awards may be granted under TEE ESOS 2016 and TEE PSP 2016 to each associate of a controlling shareholder shall not exceed 10% of the total number of shares available under the TEE ESOS 2016 and TEE PSP 2016.

No option has been granted under the TEE ESOS 2016 and no shares have been awarded under the TEE PSP 2016 since the commencement of the Schemes till the end of FY2019.

## **Guideline 8.3: Remuneration of Non-Executive Directors**

The RC has recommended a fixed fee for the effort, time spent and responsibilities of each independent director. The Chairman of the Board is remunerated with a higher director's fee as his level of responsibility is higher. The directors' fees are subject to shareholders' approval at the AGM. They do not have any service contracts with the Company.



# CORPORATE GOVERNANCE REPORT

## Guidelines 7.3, 7.4 and 8.4: Termination Clauses, Expert Advice on Remuneration and Contractual Provisions

The Interim GCE & MD has a 2-year renewal service contract with removal clauses or early termination clauses. The RC would review the Group's obligations arising in the event of termination of the executive directors' and key management's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The Company's Constitution governs the terms of the directors' appointment. There are safeguards in place to ensure that no one individual director represents a considerable concentration of power. The RC has full authority to engage any external professional adviser on matters relating to remuneration, if the need arises. No director is involved in the determination of his own remuneration.

The Company does not use any contractual provisions to allow the Company to reclaim incentive components of remuneration from executive directors in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group. However, the service contracts of all the executive directors of the Company have the provisions, which allow the Company to defer part of the performance incentive bonus of the executive directors for the relevant financial year and payable, subject to there being no losses incurred in the next two consecutive financial years.

The RC did not require the services of an external remuneration consultant during FY2019. Nevertheless, the RC will seek advice from external consultant should such need arise in the future.

## Guidelines 9.1 and 9.2: Report to Shareholders on Remuneration and Disclosure of Directors' Remuneration

Due to competitiveness and commercially sensitive reasons, the Company is not disclosing the remuneration of each individual director. However, the Company shall adopt the disclosure of the directors' remuneration in bands of S\$250,000, which in the Company's context would provide an informative and good overview of the remuneration of the directors.

The Board is of the opinion that the Company's compensation policies are commercially sensitive information and full disclosure is prejudicial to the Group's interests and may hamper its ability to retain the Group's talent pool.

The breakdown of the level and mix of remuneration paid or payable to each director of the Company (in percentage terms) for FY2019 is set out below:

### Directors' Remuneration

Remuneration bands & Name of Director of the Company	Directors' Fees % <sup>1</sup>	Attendance Fees % <sup>1</sup>	Salaries % <sup>2</sup>	Bonuses % <sup>2</sup>
<b>S\$500,000 to below S\$750,000</b>				
Mr. Phua Chian Kin	2.7	1.5	75.8	20.0
<b>S\$250,000 to below S\$500,000</b>				
Mr. Phua Boon Kin <sup>3</sup>	2.6	1.4	75.4	20.6
Ms. Saw Chin Choo	3.0	1.3	81.7	14.0
<b>Below S\$100,000</b>				
Mr. Bertie Cheng Shao Shiong	94.4	5.6	–	–
Mr. Lee Ah Fong	94.3	5.7	–	–
Mr. Gn Hiang Meng	91.0	9.0	–	–
Mr. Aric Loh Siang Khee	90.4	9.6	–	–

#### Notes:

<sup>1</sup> Mr. Bertie Cheng Shao Shiong, Mr. Lee Ah Fong, Mr. Gn Hiang Meng and Mr. Aric Loh Siang Khee were paid S\$67,000, S\$74,000, S\$81,000 and S\$61,000 respectively for FY2019. Mr. Phua Chian Kin was paid S\$17,000, Mr. Phua Boon Kin was paid S\$11,000 and Ms. Saw Chin Choo was paid S\$11,000 for FY2019. Mr. Lee Ah Fong has resigned from the Company on 27 August 2019.

<sup>2</sup> The salaries and bonuses shown are inclusive of Singapore Central Provident Fund Contributions.

<sup>3</sup> Mr. Phua Boon Kin, the Interim GCE & MD, is the younger brother of Mr. Phua Chian Kin, Former GCE & MD.

# CORPORATE GOVERNANCE REPORT

## Guideline 9.3: Disclosure of Key Executives' Remuneration

Due to competitiveness and commercially sensitive reasons, the Company is not disclosing the names and remuneration of each of the key management (who are not directors or CEO of the Company). The Company believes that the disclosure may be prejudicial to its business interests given that it is operating in highly competitive business environments. Hence, the Company is only disclosing the remuneration of its top six (6) key management, in bands of S\$250,000 as follows:

Remuneration Band	Salaries % <sup>1</sup>	Bonuses % <sup>1</sup>
<b>S\$250,000 to below S\$500,000</b>		
6 Key Management	83.3%	16.7%
<b>Total Remuneration</b>	<b>S\$1,759,667</b>	

### Note:

- <sup>1</sup> The salaries (include attendance fees at Board and/or Board Committees' meetings) and bonuses shown are inclusive of Singapore Central Provident Fund Contributions.

## Guideline 9.4: Remuneration of Employees Related to Directors or CEO

With the exception of Mr. Phua Chian Kin, Mr. Phua Boon Kin, Mr. Phua Cher Chuan and Mr. Phua Cher Chew, there were no employees of the Group who are family members of a director or the Interim GCE & MD and Former GCE & MD of the Company, and whose remuneration exceeded S\$50,000 during FY2019. Mr. Phua Boon Kin, the Interim GCE & MD, is the younger brother of Mr. Phua Chian Kin, the Former GCE & MD. Both Mr Phua Cher Chuan and Mr. Phua Cher Chew are the nephews of Mr. Phua Chian Kin and Mr. Phua Boon Kin. Mr. Phua Cher Chew is the Executive Director and Chief Executive Officer of TEE Land Limited and his remuneration is disclosed in TEE Land Limited's annual report for FY2019. The remuneration of Mr. Phua Cher Chuan is as follows:

Remuneration Band	Salaries % <sup>1</sup>	Bonuses % <sup>1</sup>
<b>S\$50,000 to below S\$250,000</b>		
Mr. Phua Cher Chuan	89.0%	11.0%

### Note:

- <sup>1</sup> The salary and bonus shown are inclusive of Singapore Central Provident Fund Contributions.

## ACCOUNTABILITY AND AUDIT

### Accountability

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

**Guidelines 10.1, 10.2 and 10.3: Provision of Balanced and Understandable Assessment of the Company's Performance, Compliance with Legislative and Regulatory Requirement and Management Accounts to the Board**

The Company seeks to deliver maximum shareholders' value by maintaining accountability of the Board to the shareholders and of the Company's management to the Board. The Board is accountable to shareholders for its performance.

Upon approval and authorisation given by the Board, quarterly, full-year financial statements and other price sensitive information are disseminated and presented to the shareholders promptly through announcements via SGX-ST's SGXNet broadcast network ("SGXNet"), press releases, the Company's corporate website, media and analyst briefings. The Company's latest Annual Report is also available at the Company's corporate website.

The Company also completes and submits the compliance checklists to SGX-ST (if applicable) to ensure that all financial results announcements, circulars and letters to our shareholders comply with the requirements set out in the Listing Manual of SGX-ST.

# CORPORATE GOVERNANCE REPORT

For accountability purpose, the negative assurance confirmation by the Board was incorporated into the results announcements of the first, second and third quarters. The assurance was confirmed by Mr. Phua Boon Kin, Deputy Group MD (as he then was), and Ms. Saw Chin Choo, Executive Director, for and on behalf of the Board, that to the best of the Board's knowledge, nothing has come to the attention of the Board which may render the unaudited financial statements to be false or misleading in any material aspect. The directors aim to present a balanced and transparent assessment of the Group's position and prospects. During the preparation of financial statements, the directors have ensured that all applicable financial reporting standards have been followed; judgments and estimates made are reasonable and prudent; and adopted appropriate accounting policies and applied them consistently. The Company's management currently provides the Board with a continual flow of relevant information on a timely basis so that it may effectively discharge its duties.

## Risk Management and Internal Control

**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 11.1 and 11.2: Risk Management and Internal Control Systems, Adequacy and Effectiveness of Risk Management and Internal Control Systems**

The Board has the overall responsibility for the governance of risks and ensures that the Group has the capabilities to manage and control the risks in new and existing businesses.

In view of the increasing scale and complexity of operations of the Group, the Group has adopted the Enterprise Risk Management ("ERM") Framework which is in line with the ISO31000 – Risk Management and Guidelines and the recommended best practices standard. The framework is reviewed regularly taking into the account changes in the business and operation environments as well as evolving corporate governance requirements. Identified risks that affect the achievement of the business objectives and financial performance of Group over a short-medium term are summarised in the Group Risks Register, and are being ranked according to their likelihood and consequential impact to the Group as a whole. The identified risks are then managed and mitigated by the counter measures.

The ERM Framework expands on internal controls, providing a more robust and extensive focus on the broader subject of enterprise risk management. While the ERM is not intended to and does not replace the internal control framework, but rather incorporates the internal control framework within it, the Group is able to leverage on the ERM Framework to satisfy internal control needs and to move towards a fuller risk management process.

The internal audit function of the ERM is an independent, objective assurance and consulting activity. Its core role is to provide objective assurance to the Board in relation to the effectiveness of the Company's risk management. The internal audit aims to ensure that major business risks are being managed appropriately as well as risk management and internal control framework is operating effectively.

The risk management system is an essential part of its business planning and monitoring process. On a half-yearly basis, Company's management reports to the Board on the Group's risk profile, evaluates results and counters measures to mitigate or transfer identified potential risks so as to assure that the process is operating effectively as planned.

### **Guideline 11.3: Board's Opinion on the Adequacy and Effectiveness of Risk Management and Internal Control Systems**

The Audit Committee ("AC") also reviewed reports submitted by the internal and external auditors relating to the effectiveness of the Group's internal controls including the adequacy and effectiveness of the Group's financial, human resources, operational, compliance and relevant communications as part of their audit for FY2019.

On 13 September 2019, the Company announced that, in light of the unauthorised remittances that had been announced by the Company on 4 September 2019, the Board had voluntarily decided to appoint PricewaterhouseCoopers Risk Services Pte Ltd as the External Investigator to investigate the facts and circumstances surrounding the unauthorised remittances and assess the impact, if any, on the financial statements of the Group, as well as to determine whether there had been any other similar remittances, for the period from 1 June 2017 to 31 August 2019 (the "External Review"). As at the date of this annual report, the report on the findings of PricewaterhouseCoopers Risk Services Pte Ltd has not been issued. Upon the issuance of the External Review report, the Company will ensure that the recommendations in the External Review report are implemented.

# CORPORATE GOVERNANCE REPORT

In addition, the Company had also instructed the external auditors (“**Additional EA Review**”) and internal auditors (“**Additional IA Review**”) to conduct further checks and reviews with the objective of verifying the nature of the remittances, identifying whether there are any other such unauthorised remittances and strengthening the Group’s internal controls system. In addition, prior to the completion of the Additional EA Review and Additional IA Review, the AC had also implemented interim enhanced internal control measures in relation to all payments or remittances by and to related parties of the Group (including Mr. Phua Chian Kin) and have removed Mr. Phua Chian Kin as an authorised signatory for all payments by the Group. Mr. Phua Chian Kin has also recused himself from his previous role as GCE & MD and from voting on the Board, and Mr. Phua Boon Kin had been re-designated as interim GCE & MD. As at the date of this annual report, the Additional IA Review has been completed and the internal auditor has given recommendations to the Company to strengthen the Group’s internal control systems. The Group Chief Financial Officer (“**Group CFO**”) has assured the Board that the Company taken steps to implement the recommendations of the internal auditor in the report of the Additional IA Review and that all recommendations will be progressively implemented by the Company by January 2020.

The Board has received assurance from the Interim GCE & MD and the Group CFO that, save for the unauthorised remittances that had been previously announced by the Company on SGXNET on 4 September 2019 and having implemented or being in the process of implementing the recommendations of the internal auditors, (i) the Group’s financial records have been properly maintained and the financial statements give a true and fair view of the Group’s operations and finances; and (ii) the Group’s risk management and internal control systems are in adequate and effective.

In view of the above steps and actions taken and based on the framework of risk management and internal controls established and maintained, the work performed by the Business Control and Risk department, internal and external auditors including the Additional EA Review and Additional IA Review, and the reviews performed by the Company’s management and the above assurance from the Interim GCE & MD and Group CFO, the Board, with the concurrence of the AC, is of the opinion that the Group’s risk management and internal control systems, addressing key financial, operational, compliance, information technology and risk management objectives, and which the Group considers relevant and material to its operations were adequate and effective to meet the needs of the Group in its business environment during FY2019. The Company has complied with Rule 1207(10) of the Listing Manual of SGX-ST.

The Board acknowledges that it is responsible for the overall internal control and risk management framework, but recognises that all internal control and risk management systems contain inherent limitations and that no internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives. The Board notes that all internal control systems can provide only reasonable and not absolute assurance against the occurrence of material misstatement or loss, poor judgment in decision making, human error, fraud or other irregularities. Notwithstanding this, the Board remains committed to improve the Group’s internal controls and will not hesitate to take whatever actions necessary to ensure the adequacy and effectiveness of the Group’s internal controls and risk management systems.

## **Guideline 11.4: Risk Committee**

Having considered the Group’s business operations as well as its existing internal control and risk management systems, the Board is of the view that a separate risk committee is not required for the time being. Currently, the AC and the Board assume responsibility for the risk management function.

## **Audit Committee**

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

## **Guidelines 12.1 and 12.2: Composition of the AC**

The AC currently consists of three independent directors as follows:

### **Independent Directors**

Mr. Gn Hiang Meng (Chairman)  
Mr. Aric Loh Siang Khee  
Mr. Bertie Cheng Shao Shiong

All the AC members are independent from business and management relationships, including a 10% shareholder of the Company.

At least 2 members including the Chairman of the AC have sufficient accounting and related financial management expertise. All the members of the AC are suitably qualified to discharge the AC’s responsibilities.

# CORPORATE GOVERNANCE REPORT

Following the retirement of Mr. Bertie Cheng Shao Shiong by rotation at the conclusion of the forthcoming AGM, the NC and the Board will search for and review the suitability of candidates to be appointed as a member of the AC in place of Mr. Bertie Cheng. The relevant announcement(s) will be released via SGXNET as and when there are any updates relating to this.

## **Guidelines 12.3, 12.4, 12.5 and 12.8: Authority and Role of the AC, Private Discussion with the External and Internal Auditors and Summary of the AC's Activities**

The AC has explicit authority to investigate any matter within its terms of reference and execution of its corporate governance responsibilities within the established Board references. It has full access to, and the co-operation of the Company's management and has full discretion to invite any director or key management to attend its meetings. Each member of the AC shall abstain from voting any resolution in respect of matters of which he is interested in.

The AC has adequate resources, including independent access to the external consultants, internal auditor and external auditor. During the year, the AC has held separate meetings with the internal auditor and external auditor without the presence of the Company's management to discuss and review the internal auditor's reports and recommendations and the external auditor's reports on reasonableness of the financial reporting process, review of key audit matters, review the adequacy of audit arrangements with particular emphasis on the observation and recommendations of the external auditor, the scope and quality of their audits and the independence and objectivity of the external auditor. Any changes to accounting standards and issues which have a direct impact on the financial statements would be raised by the external auditor and keep the AC members abreast of such changes.

The AC holds quarterly, half-yearly and full-year meetings to review the financial statements and related disclosures before submitting them for recommendation to the Board for approval. Before the release of the Company's quarterly and full-year results, the AC meets to review the results announcement together with the Company's management and if required, the external auditor, prior to its recommendations to the Board for approval.

The AC also conducts regular reviews of the nature, extent and costs of all non-audit services provided by the external auditors to determine if the provision of such services would affect the independence of the external auditors. This is to strike a balance of the maintenance of their objectivity and their ability to provide value-for-money services.

The duties of AC include the following:

- Review findings, audit plan, including nature and scope of audit before the commencement of each audit, evaluation of the Group's system of internal accounting controls, auditors' report and management letters with the internal and external auditors;
- Review quarterly and full-year financial statements and announcements before submission to the Board for approval;
- Review the assistance and co-operation given by the Company's management to the internal and external auditors;
- Review the adequacy of internal audit function;
- Review and discuss with external auditors any suspected fraud, irregularity or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position and the management's response;
- Make recommendations to the Board on the appointment or re-appointment of the internal and external auditors, audit fees and matters relating to the resignation and dismissal of the auditors;
- Review any interested person transactions and ensure that each transaction has been conducted on an arm's length basis;
- Review any potential conflicts of interest; and
- Consider other matters as defined by the Board.

The Company has complied with Rules 712 and 715 of the Listing Manual of SGX-ST in relation to its external auditors.

It is noted that different auditors have been appointed for some of the local and overseas subsidiaries and associates. The names of the auditing firms are disclosed in Notes 18 and 19 of the Notes to Financial Statements in the Annual Report. To comply with Rule 716 of the Listing Manual of the SGX-ST, this matter has been reviewed by the AC and the Board. The AC and the Board have satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Company.

# CORPORATE GOVERNANCE REPORT

## **Guideline 12.6: Review of Independence of External Auditor**

Having reviewed the amount of non-audit related work which comprised tax services rendered to the Group by the external auditor, Deloitte & Touche LLP (“D&T”), the amount of audit and non-audit fees payable to D&T, as disclosed in Note 46 of the Notes to Financial Statements in the Annual Report, the AC was satisfied that the nature and extent of such services provided will not prejudice the independence and objectivity of the external auditor. D&T will not be seeking re-appointment at the 2019 AGM.

## **Guideline 12.7: Whistle-Blowing Policy**

The Company has a whistle-blowing policy whereby accessible channels are provided for employees to raise concerns about possible improprieties in matters of financial reporting or other matters. The details of the whistle-blowing policy are made available to all employees at the Company’s corporate website at <http://www.teeintl.com>.

All whistle-blower complaints are to be reported to the AC, the Chairman of the Company and the Interim GCE & MD either in person, via phone calls, or in writing (letter or email). All whistle-blower complaints would be reviewed by the AC at its quarterly meetings to ensure thorough investigation and adequate follow-up. On an on-going basis to bring awareness of this policy, the whistle-blowing policy is covered during staff’s training or periodic communication to all staff. In addition, new staff who joined the Company will also be informed of the availability of such policy which can be downloaded from staff electronic-portal. The AC ensures that all whistle-blower complaints are reviewed thoroughly and satisfactorily dealt with.

## **Guideline 12.9: Former Partner or Director Involved in Company’s Audit Process**

Mr. Aric Loh Siang Khee was a former audit partner of the Company’s existing auditing firm, D&T. He has ceased as an audit partner of the aforesaid auditing firm since 2013 and has no financial interest in the firm. The appointment of Mr. Loh as a member of the AC is in compliance with the Code.

## **Internal Audit**

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

### **Guidelines 13.1, 13.2, 13.3 and 13.4: Independence and Adequacy of Internal Audit Function and Internal Audit Standards**

### **Guidelines 13.5: Annual Review of the Adequacy and Effectiveness of the Internal Audit Function**

The Company has appointed Protiviti Pte. Ltd. (the “IA”) to provide internal audit services within the Group for selected audits which are not audited internally by the Group’s Business Control and Risk department (“BCR”). The IA and BCR have unrestricted access to all the Company’s documents, including access to the AC. Their primary line of reporting is to the Chairman of the AC.

The IA has adopted the International Standards for the Professional Practice of Internal Auditing promulgated by The Institute of Internal Auditors. The AC, annually reviews the adequacy and effectiveness of the internal audit function. The AC is satisfied that the IA and BCR are staffed with persons with the relevant qualifications and experience and have sufficient and competent resources to carry out the internal audit function for the Group.

As mentioned in Guideline 11.3, the Company had instructed the external auditor and the IA to conduct the Additional EA Review and Additional IA Review respectively and implemented several interim measures. Please refer to Guideline 11.3 for further details on the interim measures that had been taken by the Company.

In consultation with the AC and independent of the Company’s management, the IA and BCR have reviewed key internal controls in selected areas and they have reported their findings to the AC and recommended areas of improvement to strengthen the Group’s internal control system. Based on the interim measures that had been implemented and the Group CFO’s assurance that the Company has taken steps to implement the recommendations of the internal auditor in the report of the Additional IA Review and that all recommendations will be implemented by the Company by January 2020, the AC is satisfied that the internal audit function is independent, effective and adequately resourced.

# CORPORATE GOVERNANCE REPORT

## COMMUNICATIONS WITH SHAREHOLDERS

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

**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 14.2 and 14.3: Rights at General Meetings and Appointment of Proxies**

All shareholders are entitled to attend the general meetings and are provided the opportunity to participate effectively and vote at the meetings. Shareholders are informed of the rules, including voting procedures that govern the general meetings of shareholders. The Company's Constitution allows a shareholder to appoint up to two (2) proxies to attend and vote on behalf of the shareholders. Relevant intermediaries, as defined in Section 181 of the Companies Act. Cap. 50, such as banks, capital market services license holders which provide custodial services for securities and the Central Provident Fund Board are allowed to appoint more than two (2) proxies to attend, speak and vote at the shareholders' meeting.

### **Guidelines 14.1 and 15.2: Information and Timely Disclosure of Information to Shareholders**

The Company acknowledges the importance of open and fair communication with stakeholders and has also taken efforts to maintain a high level of transparency by issuing announcements of important transactions and price sensitive transactions through SGXNet on a timely basis. The Group also continues to keep shareholders and stakeholders informed of the Group's corporate activities including any changes in the Group or its business that is likely to materially affect the price or value of its shares.

Disclosure of the information by the Company is made on a timely basis through communication channels such as corporate announcements through the SGXNet, the publication of the Annual Report and the holding of the general meetings. All material information is also updated on the Company's corporate website at <http://www.teeintl.com>, which serves as a one-stop source for shareholders and stakeholders alike. The retail and institutional investors may subscribe to TEE International's email alert service, which will allow the subscribers to automatically receive all the announcements or press releases that have been released by the Company via SGXNet. The release of timely information is in line with the Company's corporate governance practices, as it enables potential investors and shareholders alike to make informed investment decisions.

### **Guidelines 15.1, 15.3 and 15.4: IR Policy and Activities, Dialogue and Understanding Shareholders' View**

The Company has taken steps to solicit and understand the views of the shareholders by proactively engaging shareholders and investors through face-to-face meetings, email communication, webpage and conference calls. The Company meets its retail and institutional investors regularly at least (4) four times within each financial year, once every quarter after the release of its Group's financial results, and at other times as and when appropriate.

The Company does not practice selective disclosure of material information. All materials on the quarterly and full-year financial statements, corporate announcements and shareholder reports are issued promptly and within the prescribed periods. Shareholders are informed of shareholders' meetings through published notices and reports or circulars sent to all shareholders. The notice of general meetings is also published in a major local newspaper and announced via SGXNet to the shareholders. The Annual Report is also available to all shareholders on the Company's corporate website or upon request. The Group has an IR that manages communications with all stakeholders, as well as to attend to and ensure their queries and concerns are promptly addressed by the relevant key management.

### **Guideline 15.5: Dividend Policy**

The Group does not have a formal dividend policy. The form, frequency, and amount of any proposed dividend will take into consideration the Group's operating results, financial position, committed capital expenditure, working capital requirements and any other relevant considerations the Board deem appropriate.

As the Group incurred losses in FY2019, no dividend has been proposed by the Board for this financial year.



# CORPORATE 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 16.1 and 16.2: Greater Shareholder Participation and Separate Resolutions

With a view to encourage greater shareholders' participation at AGMs or other general meetings, the Company generally holds its AGMs and other general meetings at centrally located venues or sometimes at country clubs that are easily accessible via public transport.

The Group supports active shareholders' participation at AGMs and other general meetings and views such general meetings as important engagement sessions with shareholders. Shareholders who are unable to attend may appoint proxies to attend the general meetings on their behalf if they wish. Separate resolutions on each distinct issue are proposed at the general meetings of the Company for approval to avoid "bundling" of resolutions as recommended by the Code.

### Guideline 16.3: Attendance of Directors and other Keys Persons at General Meetings

The Chairman presides over the general meetings and is accompanied by fellow Board members, the Chairman of the AC, NC, RC and EXCO respectively, the company secretaries or their representatives as well as other key management. The Company's external auditor, D&T, is also present to address any relevant queries from the shareholders at the general meetings.

### Guideline 16.4: Minutes of General Meetings

The minutes of the general meetings are prepared by the company secretaries, which include substantial comments or queries from shareholders and responses from the Board members and the Company's management. These minutes are available for viewing at the Company's registered office to shareholders upon their written request.

### Guideline 16.5: Voting by Poll

Pursuant to the Company's Constitution, a poll may be demanded by the Chairman of the general meeting or by at least two (2) members or any member present in person or by proxy representing not less than one-tenth of the total voting rights of all members having the rights to vote at the meeting. For greater transparency in the voting process and better reflect shareholders' interests, the Company conducts electronic poll voting for all the resolutions proposed at the Company's general meetings. An independent scrutineer is also appointed to validate the vote tabulation procedures. The detailed voting results, including the total number of votes cast for or against each resolution tabled and the respective percentages, will be announced to SGX-ST via SGXNet on the same day after the conclusion of the meetings.

As the authentication of shareholder identity information and other related security issues still remain a concern, the Group has decided, for the time being, not to implement voting in absentia by mail, email or fax.

## DEALING IN SECURITIES

In line with Rule 1207(19) of the Listing Manual of SGX-ST, the Company has adopted its own internal securities trading policy (compliance code), with regards to dealing in the Company's securities. Directors, Company's management and officers of the Group who have access to price-sensitive, financial or confidential information are prohibited from dealing in the Company's securities during the period commencing two (2) weeks before the announcement of the Company's results for each of the first three quarters of its financial year and one (1) month before the announcement of the Company's full-year results and ending on the day of the announcement, or when they are in possession of unpublished price-sensitive information on the Group.

They are also advised to observe insider-trading laws at all times even when dealing in securities within the permitted trading period. In addition, they are discouraged from dealing in the Company's securities on short-term considerations.

When the Company is involved in any major corporate exercise such as investment or divestment that could be price-sensitive in relation to the Company's securities, directors, Company's management and officers of the Group involved are advised not to deal in the Company's securities.

## CORPORATE GOVERNANCE REPORT

The guidelines on share buy-back mandate to be renewed at the 2019 AGM also provides that the Company will not repurchase or acquire any share through on-market share purchases during the period commencing two (2) weeks and one (1) month immediately preceding the announcement of the Company's quarterly and full year results respectively.

The Company has adhered to its policy for securities transactions for FY2019.

### MATERIAL CONTRACTS

Other than as disclosed under Interested Person Transactions, pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST, no material contract involving the interests of the Interim GCE & MD, any director or controlling shareholder has been entered into by the Company or its subsidiaries since the end of the previous financial year and no such contract subsisted at the end of the financial period under review.

### INTERESTED PERSON TRANSACTIONS

Further to the recommendations of the IA in the report of the Additional IA Review as mentioned in section above in respect of Guideline 11.3, the Group has in consultation with the IA and AC, enhanced and strengthened its Related Party Transactions ("RPT") and Interested Person Transactions ("IPT") policy in respect of any transactions with related parties and interested persons. The enhanced RPT and IPT policy serves as a guide to ensure that (i) all RPTs / IPTs are conducted in a manner that will protect the Group from any conflict of interest which may arise between the Group and its Related Party / Interested Person as defined in the SGX Listing Manual and the Companies Act (Cap. 50) ("**Companies Act**"); and (ii) there is proper oversight, approvals and disclosure of transactions between the Company and any of its Related Parties as defined in the Listing Manual of the SGX-St and Singapore Financial Reporting Standards ("**FRS**"). The requirements and disclosures of RPT and IPT, which are governed by Chapter 9 of the Listing Manual of the SGX-ST, FRS 24 and Sections 162 and 163 of the Companies Act are clearly set out in the RPT and IPT policy.

The Group's RPT and IPT policy requires all such transactions related parties and interested persons to be at arm's length, that the transactions are not prejudicial to the interests of the shareholders and reviewed by the AC during the quarterly and full-year meetings. The Board of Directors provides oversight for the RPT and IPT policy and it is subjected to review by the AC, as appropriate, to ensure the effectiveness of the policy. The AC will discuss any revision that may be required, and recommend any such revision to the Board for consideration and approval.

The following disclosures have been made in compliance with Rule 907 of the Listing Manual of SGX-ST.

The aggregate values of all interested person transactions during the financial year (excluding transactions less than S\$100,000) in FY2019 are as follows:

Name of interested person	Nature of Transaction	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S\$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) S\$'000	Remarks
PBT Automobile & Credit Pte. Ltd.	Rental of vehicles	208	–	Company with common shareholder and director

The AC confirms that the said transactions were within the threshold limits set out under Chapter 9 of the Listing Manual of SGX-ST and no announcement or shareholders' approval was, therefore, required. The transactions have been conducted on an arm's length basis.

# CORPORATE GOVERNANCE REPORT

## USE OF PROCEEDS ARISING FROM EXERCISE OF RIGHTS ISSUE AND BONUS WARRANTS

### Shares

Pursuant to a renounceable non-underwritten rights issue announced on 29 November 2018 (the "**Rights Issue**"), the Company issued a total of 144,929,837 new ordinary shares which rank pari passu in all respects with all other existing shares in issue ("**Rights Shares**"). The Company raised net proceeds of approximately S\$14.3 million (after deducting estimated expenses of approximately S\$0.2 million) from the Rights Issue. Following the allotment and issuance of the Rights Shares, the number of issued Shares in the Company increased from 503,223,039 ordinary shares to 646,882,476 ordinary shares.

There is no further update to the announcement dated 20 February 2019 on the use of proceeds arising from the Rights Issue.

As announced, pending deployment of the net proceeds, such proceeds may be deposited with banks or financial institutions, invested in short-term money markets or marketable securities or used for any other purpose on a short-term basis as the Directors may deem fit. The Company intends to utilise the net proceeds of the Rights Issue as follows:

- (a) up to 80% to fund the expansion and growth of existing businesses, acquisitions and new investments; and
- (b) up to 20% for general working capital purposes.

The Company will make periodic announcements on the utilisation of the actual net proceeds as and when such net proceeds are available and materially disbursed, and whether the use of the net proceeds is in accordance with the stated use.

Pending deployment of the net proceeds, the net proceeds may be deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities, as the directors may deem appropriate in the interests of the Group from time to time.

### Warrants

Pursuant to the terms and conditions of the deed poll dated 16 April 2018 (the "**Deed Poll**"), the proposed Rights Issue constitutes an event giving rise to an adjustment to the exercise price and the number of the existing warrants ("**Adjustments**"). The Adjustments were effective from 15 February 2019, being the market day next following the closing date of the Rights Issue.

Accordingly, the exercise price of the existing bonus warrants has been adjusted from S\$0.215 to S\$0.189 per warrant on 15 February 2019 and 6,998,778 new warrants have been issued and allotted on 4 March 2019 ("**Adjusted Warrants**") pursuant to the Adjustments. Each new Adjusted Warrant carries the right to subscribe for one (1) new ordinary share in the capital of the Company at an adjusted exercise price of S\$0.189 for each new share. Following the allotment and issuance of the Adjusted Warrants, the total number of existing bonus warrants of the Company has increased from 50,195,020 bonus warrants to 57,193,798 bonus warrants.

As at to date, the number of outstanding bonus warrants are 57,193,798 and can be exercised at the adjusted exercise price of S\$0.189 per warrant payable in cash within the period from the date of issue of the bonus warrants, 30 April 2018 and expiring at 5.00 p.m. on 30 October 2020. As the bonus warrants were issued free to the shareholders, there were no immediate proceeds from the bonus warrants issue and the Adjustments and no warrants have been exercised as at to date.

The Company intends to utilise the net proceeds arising from the exercise of bonus warrants for financing working capital, reduction of existing loans and new investments and capital expenditure requirements of the Group as the Directors may deem fit. As the actual amount of net proceeds to be received by the Company from the exercise of the bonus warrants will depend on when and the extent to which the bonus warrants are exercised, the percentage allocation for the aforementioned intended uses cannot be determined as at to date. The Company will make periodic announcements on the utilisation of the actual net proceeds as and when such net proceeds are available and materially disbursed, and whether the use of the net proceeds is in accordance with the stated use.

# CORPORATE GOVERNANCE REPORT

## EXECUTIVE COMMITTEE

The EXCO currently comprises an executive director and two independent directors as follows:

### Executive Director

Mr. Phua Boon Kin

### Independent Directors

Mr. Gn Hiang Meng

Mr. Aric Loh Siang Khee<sup>1</sup>

<sup>1</sup> Mr. Aric Loh Siang Khee was appointed as member of the EXCO on 11 January 2019.

Within the limits of authority delegated by the Board, the EXCO reviews and approves, business opportunities, strategic investments, divestments, project budgetary report, major capital and operating expenditures. The EXCO also evaluates and recommends larger investments, capital and operating expenditures, as well as divestments to the Board for approval.

The details of the frequency of the EXCO meetings held during FY2019 and the attendance of the EXCO members and the invitees are set out below:

Name of Member	EXCO Meeting	
	No. of meetings held*	No. of meetings attended
Mr. Lee Ah Fong <sup>1</sup>	1	–
Mr. Gn Hiang Meng	1	1
Mr. Aric Loh Siang Khee	1	1
Mr. Phua Boon Kin	1	1 <sup>2</sup>
Mr. Phua Chian Kin	1	1

### Notes:

\* Number of meetings held during the FY2019 when the respective directors served on the EXCO.

<sup>1</sup> Mr. Lee Ah Fong resigned as a Director of the Company on 27 August 2019.

<sup>2</sup> By Invitation

## CORPORATE GOVERNANCE REPORT

Guideline	Questions	How has the Company complied?
General	<p>(a) Has the Company complied with all the principles and guidelines of the Code?</p> <p>If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.</p> <p>(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?</p>	<p>(a) Yes. Where there are deviations from the principles and guidelines of the Code, an explanation has been provided in this Report.</p> <p>(b) Not applicable.</p>
<b>Board Responsibility</b>		
Guideline 1.5	<p>(a) What are the types of material transactions which require approval from the Board?</p>	<p>The specific matters which are reserved for the Board's approval include the following:</p> <ol style="list-style-type: none"> <li>(1) all investments, material acquisitions and disposals of assets and corporate restructuring;</li> <li>(2) all commitments to term loans and lines of credit from banks and financial institutions; and</li> <li>(3) unbudgeted capital expenditures.</li> </ol>

## CORPORATE GOVERNANCE REPORT

<b>Members of the Board</b>	
Guideline 2.6	<p>(a) What is the Board's policy with regard to diversity in identifying director nominees?</p> <p>(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.</p> <p>(c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?</p>
	<p>(a) The Nominating Committee (“NC”) is responsible for examining the Board size and composition to ensure efficiency and will make its recommendation to the Board in relation to these matters. The NC takes into account factors such as knowledge and experience of directors, scope and nature of the Group's operation, balance of skills, perspectives and the balance of executive directors and independent directors.</p> <p>(b) Collectively, there is an appropriate balance and diversity of skills, experience, gender and knowledge of the Board. The Board possess the core competencies in areas such as vast experience in the Group's core businesses and industry, finance, audit, tax, legal knowledge, management and strategic capability.</p> <p>(c) The Board and NC have taken, inter alia, the following steps to enhance its balance and diversity to maximize its effectiveness:</p> <ol style="list-style-type: none"> <li>(1) The nomination process of directors takes into consideration the importance of as knowledge and experience of directors, scope and nature of the Group's operation, balance of skills, perspectives and the balance of executive directors and independent directors;</li> <li>(2) Annual review and recommend directors who are retiring by rotation to be put forward for re-election to the Board, having regard to the director's contribution and performance including, if applicable, as an independent director; and</li> <li>(3) Ensure that, where the director has multiple directorships, he is able to devote sufficient time and attention to the affairs of the Group so as to carry out his duties.</li> </ol>
Guideline 4.6	<p>Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.</p>
	<p>(i) For the financial year, there is no appointment of new directors, however, the Group does have the nomination procedures in place for assessing or selection and appointment of new directors as set out in page 38 of this Annual Report; and</p> <p>(ii) The nomination process for the Company in the last financial year for re-electing incumbent directors includes :</p> <ul style="list-style-type: none"> <li>• the director's contribution and performance including, if applicable, as an independent director;</li> <li>• ensure that, where the director has multiple directorships, he is able to devote sufficient time and attention to the affairs of the Group so as to carry out his duties;</li> <li>• assessment on each director's contribution to the Board includes his attendance and participation, time and effort devoted to the Company's business and affairs; and</li> <li>• being eligible for re-election, have offered themselves for re- election.</li> </ul>

## CORPORATE GOVERNANCE REPORT

Guideline 1.6	<p>(a) Are new directors given formal training? If not, please explain why.</p> <p>(b) What are the types of information and training provided to:-</p> <p>(i) new directors and</p> <p>(ii) existing directors to keep them up-to-date?</p>	<p>(a) Yes. Orientation briefings will be organised for each new Director to ensure that the incoming Director is familiar with the Group's key business and governance practices.</p> <p>(b) The types of information and training provided to</p> <p>(i) new directors, are as set out in page 35 of this Annual Report; and</p> <p>(ii) existing directors to keep them up-to-date, are as set out in page 35 of this Annual Report.</p>
Guideline 4.4	<p>(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?</p> <p>(b) If a maximum number has not been determined, what are the reasons?</p> <p>(c) What are the specific considerations in deciding on the capacity of directors?</p>	<p>(a) No maximum number has been determined.</p> <p>(b) The reasons are as set out in page 40 of this Annual Report.</p> <p>(c) Assessment on each director's contribution to the Board includes his attendance and participation, time and effort devoted to the Company's business and affairs. The Board also ensures that the appointed directors possess core competencies like business experience, knowledge of accounting, audit, tax, finance, legal and background understanding of the industry.</p>
<b>Board Evaluation</b>		
Guideline 5.1	<p>(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?</p> <p>(b) Has the Board met its performance objectives?</p>	<p>(a) The processes are as set out in page 40 of this Annual Report.</p> <p>(b) Yes.</p>
<b>Independence of Directors</b>		
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Yes. The Board currently comprises eight directors, of whom five are independent directors. A majority of the Board is made up of independent directors and this composition is in compliance with the Code's requirement that at least one-third of the Board should be made up of independent directors.
Guideline 2.3	<p>(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship.</p> <p>(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.</p>	<p>(a) No.</p> <p>(b) Not applicable.</p>
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	The name of the independent director who served on the Board for more than nine years and the Board's reasons for considering him independent are set out in pages 36 to 37 of this Annual Report.



## CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration		
Guideline 9.2	<p>Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/ bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</p>	<p>Due to competitiveness and commercially sensitive reasons, the Company is not disclosing the remuneration of each individual director. However, the Company shall adopt the disclosure of the directors' remuneration in bands of S\$250,000, which in the Company's context would provide an informative and good overview of the remuneration of the directors.</p> <p>The Board is of the opinion that the Company's compensation policies are commercially sensitive information and full disclosure is prejudicial to the Group's interests and may hamper its ability to retain the Group's talent pool.</p> <p>The long-term incentives comprising the TEE ESOS 2016 and TEE PSP 2016 (collectively, the "<b>Schemes</b>"), which were adopted at the extraordinary general meeting of the Company held on 27 September 2016. No options or awards were granted under the Schemes during the financial year.</p>
Guideline 9.3	<p>(a) Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/ fixed salary, variable or performance- related income/ bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</p> <p>(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).</p>	<p>(a) Due to competitiveness and commercially sensitive reasons, the Company is not disclosing the names and remuneration of each of the key management (who are not directors or CEO of the Company). The Company believes that the disclosure may be prejudicial to its business interests given that it is operating in highly competitive business environments. Hence, the Company is only disclosing the remuneration of its top five (5) key management, in bands of S\$250,000, as well as a breakdown (in percentage terms) into base/fixed salary, variable or performance-related income/bonuses.</p> <p>(b) No options or awards were granted under the Schemes during the financial year.</p> <p>(c) For FY2019, the aggregate remuneration paid to the top six key management is S\$1,759,667.</p>
Guideline 9.4	<p>Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.</p>	<p>Details on employees who are immediate family member of a director or the CEO of the Company and whose remunerations exceeds S\$50,000 during the year are as set out in page 44 of this Annual Report.</p>
Guideline 9.6	<p>(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.</p> <p>(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?</p> <p>(c) Were all of these performance conditions met? If not, what were the reasons?</p>	<p>(a) The remuneration policy adopted by the Group comprises a fixed component and a performance-related variable component. The fixed component is in the form of a base salary. The variable component payouts depend on both the staff's individual performance and each company's performance within the Group.</p> <p>(b) The variable component payouts of the executive directors and key management were assessed based on meeting the pre-determined Key Performance Indicators (KPI) or service conditions and involvement of the personnel in the assignment or project as well as their roles and responsibilities over the performance period.</p> <p>(c) Yes.</p>

## CORPORATE GOVERNANCE REPORT

Risk Management and Internal Controls		
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	The details on adequacy of information provided to the Board are as set out in page 40 of this Annual Report.
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	Yes, the Company has appointed Protiviti Pte. Ltd. (the "IA") to provide internal audit services within the Group for selected audits which are not audited internally by the Group's Business Control and Risk department ("BCR").
Guideline 11.3	<p>(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.</p> <p>(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that:</p> <p>(i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and</p> <p>(ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?</p>	<p>(a) The Group has adopted the Enterprise Risk Management ("ERM") Framework which is in line with the ISO31000 – Risk Management and Guidelines and the recommended best practices standard. The framework is reviewed regularly taking into the account changes in the business and operation environments as well as evolving corporate governance requirements. Identified risks that affect the achievement of the business objectives and financial performance of Group over a short-medium term are summarised in the Group Risks Register, and are being ranked according to their likelihood and consequential impact to the Group as a whole.</p> <p>On a half-yearly basis, Management reports to the Board on the Group's risk profile, evaluates results and counters measures to mitigate or transfer identified potential risks so as to assure that the process is operating effectively as planned.</p> <p>The AC also reviewed reports submitted by the internal and external auditors relating to the effectiveness of the Group's internal controls including the adequacy and effectiveness of the Group's financial, human resources, operational, compliance and relevant communications as part of their audit for FY2019.</p> <p>The Board has also received assurance from the Interim GCE &amp; MD and Group CFO :</p> <p>(i) that the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and</p> <p>(ii) that the Group's risk management and internal control systems are in place and effective.</p> <p>(b) Yes.</p>

## CORPORATE GOVERNANCE REPORT

Guideline 12.6	<p>(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.</p> <p>(b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.</p>	<p>(a) The amount of audit and non-audit fees payable to external auditors, Deloitte &amp; Touche LLP ("<b>D&amp;T</b>") as disclosed in Note 44 of the Notes to Financial Statements in the Annual Report.</p> <p>(b) Having reviewed the amount of non-audit related work which comprised tax services rendered to the Group by the external auditor, D&amp;T, the AC was satisfied that the nature and extent of such services provided will not prejudice the independence and objectivity of the external auditor.</p>
<b>Communication with Shareholders</b>		
Guideline 15.4	<p>(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?</p> <p>(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?</p> <p>(c) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?</p>	<p>(a) Yes. The Company has taken steps to solicit and understand the views of the shareholders by proactively engaging shareholders and investors through face to face meetings, email communication, webpage and conference calls. The Company meets its retail and institutional investors regularly at least (4) four times within each financial year, once every quarter after the release of its Group's financial results, and at other times as appropriate.</p> <p>(b) Yes, a dedicated IR is available to facilitate investors' communication with the Company. An e-mail account maintained by IR is available at the Company's corporate website.</p> <p>(c) All material information is also updated on the Company's corporate website at <a href="http://www.teeintl.com">http://www.teeintl.com</a>, which serves as a one-stop source for shareholders and stakeholders. They may also subscribe to TEE International's email alert service, which will allow the subscribers to automatically receive all announcements or press releases that have been released by the Company via SGXNet.</p>
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	As the Group incurred losses in FY2019, no dividend has been proposed by the Board for the financial year.

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Mr. Phua Chian Kin	Ms. Saw Chin Choo	Mr. Lai Hock Meng	Mr. Wu Geng
Date of Appointment	15 August 2000	10 September 2004	6 November 2019	6 November 2019
Date of last re-appointment (if applicable)	–	13 November 2017	–	–
Age	60	57	63	48
Country of principal residence	Singapore	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr. Phua as the Director was recommended by the NC and the Board has accepted the recommendation, after taking into consideration of Mr. Phua's qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Ms. Saw as the Director was recommended by the NC and the Board has accepted the recommendation, after taking into consideration of Ms. Saw's qualifications, expertise, past experiences and overall contribution since she was appointed as a Director of the Company.	The Board of Directors of the Company having considered the recommendation of the NC, is satisfied that Mr. Lai has the requisite experiences and capabilities to assume the role as an Independent Director.	The Board of Directors of the Company having considered the recommendation of the NC, is satisfied that Mr. Wu has the requisite experiences and capabilities to assume the role of an Independent Director.
Whether appointment is executive, and if so, the area of responsibility	Executive Mr. Phua is currently responsible for completing certain outstanding projects of the Company.	Executive Ms. Saw is responsible for projects relating to the building & construction of greenfield projects.	Non-Executive	Non-Executive
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Director	Executive Director	Independent Director	Independent Director

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Mr. Phua Chian Kin	Ms. Saw Chin Choo	Mr. Lai Hock Meng	Mr. Wu Geng
Professional qualifications	Diploma in Electrical Engineering from Singapore Polytechnic	Technician Diploma Certificate in Building from Singapore Polytechnic and Advance Diploma in Building Surveying and Inspection from Ngee Ann Polytechnic	CFA charter holder – CFA Institute, United States of America	Member of the Law Society of Singapore  Member of the Singapore Academy of Law
Working experience and occupation(s) during the past 10 years	Mr. Phua has over 30 years of experience in the Engineering business. He joined Trans Equatorial Enterprises (SEA) Pte. Ltd. in 1991 and took over the company in 1993. Trans Equatorial together with its related companies was listed on SGX in 2001 as TEE International Limited.	Ms. Saw has over 30 years of engineering projects experience, starting her career with Neo Corporation Pte. Ltd. as Quantity Surveyor. She has held various positions in companies such as Specon Builders Pte. Ltd. as Project Co-ordinator and Vantage Construction Pte Ltd as Manager and Company Director.	<p>October 2007 – March 2009 Managing Director of Tembusu Partners Pte Ltd, Singapore</p> <p>Responsible for the management of the private equity management firm.</p> <p>October 2008 – June 2009 Chairman of BlueOcean Capital Partners Pte Ltd, Singapore</p> <p>Responsible for the management of the boutique corporate finance advisory firm.</p> <p>October 2007 – July 2016 Chairman of HML Consulting Group Pte Ltd, Singapore</p> <p>Responsible for the management of the corporate advisory business, including sitting on boards of listed companies as Independent Director, and sitting on board of non-profit organizations and chairing their investment committees.</p>	<p>May 2016 – Present Director of Drew &amp; Napier LLC, Singapore</p> <p>June 2014 – April 2016 Associate Director of Drew &amp; Napier LLC, Singapore</p> <p>April 2013 – June 2014 Senior Associate of Drew &amp; Napier LLC, Singapore</p> <p>April 2010 – April 2013 Senior Legal Manager of Drew &amp; Napier LLC, Singapore</p> <p>April 2008 to April 2010 International Lawyer of Drew &amp; Napier LLC, Singapore</p> <p>Responsible for the corporate finance and capital market as well as in business and corporate matters including joint venture, venture capital, sale of shares and assets.</p>

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Mr. Phua Chian Kin	Ms. Saw Chin Choo	Mr. Lai Hock Meng	Mr. Wu Geng
			<p>July 2007 – October 2015 CEO &amp; Executive Director of Success Dragon International Holdings Ltd (f.k.a. CY Foundation Group Ltd)</p> <p>Responsible for profitability and overall management of the HKEx listed investment holding company, invested in companies involved in manufacturing and trading of gift boxes and management of gaming machines.</p> <p>May 2015 – May 2017 CEO &amp; Executive Director of EC World Asset Management Pte Ltd (Manager of EC World REIT)</p> <p>Responsible for the management and profitability of the portfolio of real estate assets held by EC World REIT.</p> <p>June 2017 – Present Chairman of HML Consulting Group Ltd</p> <p>Responsible for the management of the corporate advisory business, including sitting on boards of listed companies as independent director, and sitting on board of non-profit organizations and chairing their investment committees.</p>	

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Mr. Phua Chian Kin	Ms. Saw Chin Choo	Mr. Lai Hock Meng	Mr. Wu Geng
			<p>May 2017 - Present Chairman &amp; Legal Representative of PureCircle (Jiangxi) Co., Ltd</p> <p>R&amp;D and cultivation of stevia, and manufacture of stevia extract, a natural sweetener, from stevia leaves for consumption in China and for export to the global markets.</p> <p>November 2017 – Present Executive Director of Riverside Asia Partners Pte Ltd</p> <p>Private equity asset management. Board member of the investment management firm.</p>	
Shareholding interest in the listed issuer and its subsidiaries	<p>Direct Interest of 253,822,746 shares and 33,113,965 warrants</p> <p>Deemed Interest of 41,237,501 shares and 1,985,261 warrants</p>	<p>Direct Interest of 1,925,100 shares and 158,953 warrants</p> <p>Deemed Interest of 3,312 shares and 397 warrants</p>	Direct Interest of 1,000,000 shares	None
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr. Phua is the elder brother of Mr. Phua Boon Kin, Interim GCE & MD and uncle of both Mr. Phua Cher Chuan, Chief Technology Officer, and Mr. Phua Cher Chew the Executive Director and Chief Executive Officer of TEE Land Limited.	None	None	None



## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Mr. Phua Chian Kin	Ms. Saw Chin Choo	Mr. Lai Hock Meng	Mr. Wu Geng
Conflict of interest (including any competing business)	None	None	None	None
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer (Yes/No)	Yes	Yes	Yes	Yes
Other Principal Commitments* Including Directorships#  * "Principal Commitments" has the same meaning as defined in the Code.  # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)	Past (for the last 5 years):  <ul style="list-style-type: none"> <li>• Subsidiaries and associates of TEE Group</li> </ul>	Past (for the last 5 years):  <ul style="list-style-type: none"> <li>• Subsidiaries and associates of TEE Group</li> </ul>	Past (for the last 5 years):  <ol style="list-style-type: none"> <li>1. Metax Engineering Corp Ltd</li> <li>2. China Energy Ltd</li> <li>3. China Essence Ltd</li> <li>4. Success Dragon International Holdings Ltd (f.k.a. CY Foundation Group Ltd)</li> <li>5. CFM Holdings Ltd</li> <li>6. ASTI Holdings Ltd</li> <li>7. China Oilfield Ltd</li> <li>8. PureCircle Ltd</li> <li>9. EC World Assets Management Pte Ltd</li> <li>10. HML Consulting Group Pte Ltd</li> <li>11. Dexin Steel Pte Ltd</li> </ol>	Past (for the last 5 years):  <ol style="list-style-type: none"> <li>1. Sinopipe Holdings Limited</li> <li>2. Foreland Fabrictech Holdings Limited</li> <li>3. Delong Holdings Limited</li> <li>4. CFLD (Singapore) Investment Pte. Ltd.</li> <li>5. CFLD Investment III Pte. Ltd.</li> </ol>

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Mr. Phua Chian Kin	Ms. Saw Chin Choo	Mr. Lai Hock Meng	Mr. Wu Geng
			12. Anomaly Interactive Pte Ltd 13. PureCircle China Agriculture Development Co., Ltd 14. PureCircle (Shanghai) Co., Ltd 15. FA Systems Automation (S) Pte Ltd 16. Star Castle Capital (Singapore) Pte Ltd 17. The China Society, Singapore 18. Expert Global Management Limited 19. Kingbox (Asia) Limited 20. Kingbox Manufacturing Limited 21. CY Management Limited 22. Ace Advantage Developments Limited 23. Ace Plus Limited 24. Ace Precise International Limited 25. Best Max Holdings Limited 26. Lucky Zone Holdings Limited 27. Perfect Ace Global Limited 28. Science Power Limited 29. Silkway Holdings Limited 30. Number One Ventures Limited 31. Villaway Limited	

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Mr. Phua Chian Kin	Ms. Saw Chin Choo	Mr. Lai Hock Meng	Mr. Wu Geng
			32. Expert Dragon Limited 33. Fullwealth Investment Pte Ltd 34. Magnasset Investment Pte Ltd 35. Prorich Investment Pte Ltd 36. Richport Investment Pte Ltd 37. Richwin Investment Pte Ltd 38. JY Logistic Investment Pte Ltd 39. Delong Holdings Ltd	
	Present:  • Subsidiaries and associates of TEE Group	Present:  • Subsidiaries and associates of TEE Group	Present:  1. Champ Buyout III Pte Ltd 2. Char Yong (Dapu) Foundation Limited 3. HML Consulting Group Ltd 4. PureCircle (Jiangxi) Co., Ltd 5. Playhood Pte Ltd 6. PT Dexin Steel Indonesia 7. Riverside Asia Partners Pte Ltd 8. Riverside Asia Pacific Fund II Pte Ltd 9. DCM Asia Pte Ltd 10. Cosmic Capital Limited 11. SB Global Ventures Pte Ltd 12. Quanshan Capital Management Pte Ltd 13. Quanshan Investment & Development (Singapore) Pte Ltd	Present:  1. Shengli Oil & Gas Pipe Holdings Limited 2. Drew & Napier LLC, Singapore 3. Sasseur Asset Management Pte. Ltd. (as Manager of Sasseur Real Estate Investment Trust) 4. Chalco Trading Singapore Pte. Ltd.

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Mr. Phua Chian Kin	Ms. Saw Chin Choo	Mr. Lai Hock Meng	Mr. Wu Geng
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him/her or against a partnership of which he/she was a partner at the time when he/she was a partner or at any time within 2 years from the date he/she ceased to be a partner?	No	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he/she was a director or an equivalent person or a key executive, at the time when he/she was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he/she ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No	No
(c) Whether there is any unsatisfied judgment against him/her?	No	No	No	No

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Mr. Phua Chian Kin	Ms. Saw Chin Choo	Mr. Lai Hock Meng	Mr. Wu Geng
(d) Whether he/she has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he/she is aware) for such purpose?	No	No	No	No
(e) Whether he/she has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he/she is aware) for such breach?	No	No	No	No

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Mr. Phua Chian Kin	Ms. Saw Chin Choo	Mr. Lai Hock Meng	Mr. Wu Geng
(f) Whether at any time during the last 10 years, judgement has been entered against him/her in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his/her part, or he/she has been the subject of any civil proceedings (including any pending civil proceedings of which he/she is aware) involving an allegation of fraud, misrepresentation or dishonesty on his/her part?	No	No	No	No
(g) Whether he/she has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No	No

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Mr. Phua Chian Kin	Ms. Saw Chin Choo	Mr. Lai Hock Meng	Mr. Wu Geng
(h) Whether he/she has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No	No
(i) Whether he/she has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him/her from engaging in any type of business practice or activity?	No	No	No	No
(j) Whether he/she has ever, to his/her knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:—				
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	Yes	Yes



## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Mr. Phua Chian Kin	Ms. Saw Chin Choo	Mr. Lai Hock Meng	Mr. Wu Geng
	No	No	<p>(a) Mr. Lai was the Managing Director of Morgan Grenfell Asia &amp; Partners Securities Pte Ltd ("MGAPS") from 1993 to 1996. In January 1994, MGAPS was found to have breached the regulations of the Stock Exchange of Singapore pertaining to the net adjusted capital of MGAPS. The breach was due to the company trading in business volumes in excess of a certain multiple of its capital after adjusting for, amongst other items, the doubtful debts; book loses on customers' outstanding position and shares waiting for collection. This was due to a mixture of operational backlog resulted partly by the high trading volume and delays in generation of contract notes by the then Stock Exchange of Singapore as well as management oversight in not reducing trade orders in a timely fashion, which ultimately resulted in a haircut on the firm's net adjusted ratio. The company was fined \$75,000 by the Stock Exchange of Singapore for the breach. He was not personally involved with the said breach.</p>	<p>Mr. Wu was an Independent Director of Sinopipe Holdings Limited and Foreland Fabrictech Holdings Limited, that had been the subjects of investigations by SGX. The investigations by SGX concerned matters which had taken place prior to Mr. Wu's appointment as Independent Director of each of Sinopipe Holdings Limited and Foreland Fabrictech Holdings Limited. As Mr. Wu was an Independent Director, he was not involved in the day-to-day management and conduct of affairs in Sinopipe Holdings Limited and Foreland Fabrictech Holdings Limited.</p>

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Mr. Phua Chian Kin	Ms. Saw Chin Choo	Mr. Lai Hock Meng	Mr. Wu Geng
			<p>(b) Mr. Lai was a Non-Executive Director of the then NTUC Club Investment Pte. Ltd. ("NCI") from 2004 to 2007. In 2006, he assisted investigations by the Commercial Affairs Department into certain executive officers of NCI in relation to their non-disclosure of interests as directors in an IT company that had dealings with NTUC related companies under the Companies Act, Chapter 50 of Singapore. Mr. Lai was not personally involved in the said breach.</p> <p>(c) Mr. Lai was an independent Non-Executive Director of PureCircle Limited ("PureCircle"), from 2008 to 2017. PureCircle is a company that is listed on the London Stock Exchange. PureCircle is an international producer and marketer of specialty natural ingredients based on high purity stevia. On 1 June 2016, the United States Customs and Border Protection ("CBP") issued an</p>	

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Mr. Phua Chian Kin	Ms. Saw Chin Choo	Mr. Lai Hock Meng	Mr. Wu Geng
			<p>announcement stating that imported stevia extracts and their derivatives produced by PureCircle in the PRC will be detained at all U.S. ports of entry as CBP had obtained information that these products were produced using convict labour. According to the CBP, under the relevant U.S. legislation, it is illegal to import into the United States goods made, in whole or in part, by forced labour, including convict labour, forced child labour and indentured labour. In response, PureCircle issued an announcement on 2 June 2016, clarifying that their products were not produced using forced labour and stating that they were working with CBP to correct the information in the CBP announcement and to expedite the release of their shipments which were detained by the CBP. CBP had reviewed the documents submitted to them for clarification, which includes independent third-party verification reports to establish</p>	

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Mr. Phua Chian Kin	Ms. Saw Chin Choo	Mr. Lai Hock Meng	Mr. Wu Geng
			that PureCircle's PRC-produced stevia products are not produced using forced labour, and the CBP had subsequently released the detained goods. Mr. Lai was an independent Non-Executive Director of PureCircle and was not involved in the day-to-day management of PureCircle.	
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No	No	No

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Mr. Phua Chian Kin	Ms. Saw Chin Choo	Mr. Lai Hock Meng	Mr. Wu Geng
in connection with any matter occurring or arising during that period when he/she was so concerned with the entity or business trust?				
(k) Whether he/she has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	Yes	No	Yes	No
	The Board noted the report from AC that both Mr. Phua have received a letter in July on the release of bail fee from the CAD and the CAD has verbally notified that further reporting is not required.		Mr. Lai received a warning letter from Monetary Authority of Singapore on 10 June 2015 regarding the contravention of Section 133 of the Securities and Futures Act, Chapter 289 of Singapore for failing to notify a listed corporation of a change in his interest in the securities of the corporation. This was due to an oversight. On 16 December 2009, Mr. Lai was granted a share option for 500,000 shares in China Essence Group Ltd where he is	

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Mr. Phua Chian Kin	Ms. Saw Chin Choo	Mr. Lai Hock Meng	Mr. Wu Geng
			an Independent Non-Executive Director. The option lapsed on 12 December 2014 and he only discovered the change in his interest in the company on 21 April 2015. He made immediate disclosure to the regulators on the same day when he discovered this oversight on his part.	
Any prior experience as a director of an issuer listed on the Exchange?	Not applicable. This relates to the re-appointment of Director.	Not applicable. This relates to the re-appointment of Director.	Yes	Yes
			<ol style="list-style-type: none"> <li>1. Delong Holdings Ltd</li> <li>2. Metax Engineering Corp Ltd</li> <li>3. China Energy Ltd</li> <li>4. China Essence Ltd</li> <li>5. Success Dragon International Holdings Ltd (f.k.a. CY Foundation Group Ltd)</li> <li>6. CFM Holdings Ltd</li> <li>7. ASTI Holdings Ltd</li> <li>8. China Oilfield Ltd</li> <li>9. PureCircle Ltd</li> </ol>	<ol style="list-style-type: none"> <li>1. Sinopipe Holdings Limited</li> <li>2. Foreland Fabrictech Holdings Limited</li> <li>3. Delong Holdings Limited</li> </ol>

## **DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS**

<b>78</b>	.....	Directors' Statement
<b>82</b>	.....	Independent Auditor's Report
<b>85</b>	.....	Statements of Financial Position
<b>87</b>	.....	Consolidated Statement of Profit or Loss and Other Comprehensive Income
<b>88</b>	.....	Statements of Changes in Equity
<b>91</b>	.....	Consolidated Statement of Cash Flows
<b>93</b>	.....	Notes to the Financial Statements



# DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended May 31, 2019.

In the opinion of the directors, subject to the outcome of the investigation of External Investigator that is still on-going as disclosed in Note 5(g)(iv), the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 85 to 191 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 May 31, 2019, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

## 1 DIRECTORS

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

Mr. Bertie Cheng Shao Shiong  
Mr. Gn Hiang Meng  
Mr. Aric Loh Siang Khee  
Mr. Lai Hock Meng (Appointed on November 6, 2019)  
Mr. Wu Geng (Appointed on November 6, 2019)  
Mr. Phua Chian Kin  
Mr. Phua Boon Kin  
Ms. Saw Chin Choo

## 2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the year nor at any time during the year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

## DIRECTORS' STATEMENT

Names of directors and company in which interests are held	Shareholdings registered in names of directors			Shareholdings in which directors are deemed to have interests		
	At beginning of year	At end of year	At June 21, 2019	At beginning of year	At end of year	At June 21, 2019
<b><u>The Company</u></b>	<b><u>Ordinary shares</u></b>					
Mr. Bertie Cheng Shao Shiong	7,500,000	–	–	3,900,000	16,000,000	16,000,000
Mr. Phua Chian Kin	286,156,752	336,030,666	336,030,666	17,423,004	41,237,501	41,237,501
Mr. Phua Boon Kin	105,172	145,132	145,132	–	–	–
Ms. Saw Chin Choo	1,395,000	1,925,100	1,925,100	3,312	3,312	3,312
<b><u>A subsidiary, TEE Land Limited</u></b>	<b><u>Ordinary shares</u></b>					
Mr. Bertie Cheng Shao Shiong	500,000	–	–	260,000	760,000	760,000
Mr. Lee Ah Fong #	37,000	37,000	37,000	–	–	–
Mr. Phua Chian Kin	23,491,793	24,593,590	24,593,590	283,939,210	282,837,460	282,837,460
Mr. Phua Boon Kin	7,011	7,011	7,011	93,000	97,100	97,100
Ms. Saw Chin Choo	436,900	307,900	307,900	220	220	220
<b><u>The Company</u></b>	<b><u>Warrants (W201030) to subscribe for ordinary shares at the exercise price of \$0.189 each*</u></b>					
Mr. Bertie Cheng Shao Shiong	750,000	854,587	854,587	390,000	444,385	444,385
Mr. Phua Chian Kin	29,053,273	33,113,965	33,113,965	1,742,300	1,985,261	1,985,261
Mr. Phua Boon Kin	10,517	11,983	11,983	–	–	–
Ms. Saw Chin Choo	139,500	158,953	158,953	331	377	377

By virtue of Section 7 of the Singapore Companies Act, Mr. Phua Chian Kin is deemed to have an interest in all the subsidiaries of the Company.

# Resigned on August 27, 2019.

\* During the year, following a rights issue and pursuant to the terms and conditions of the deed poll constituting the bonus warrants dated April 16, 2018, the exercise price and number of bonus warrant has been adjusted.

## DIRECTORS' STATEMENT

### 4 SHARE OPTIONS

(a) *Options to take up unissued shares*

During the year, no option to take up unissued shares of the Company or any corporation in the Group was granted, other than the warrants to subscribe for ordinary shares of the Company at the exercise price at \$0.189 each, as disclosed below:

<b>Date of issue</b>	<b>At beginning of year</b>	<b>Adjustment*</b>	<b>Exercised during the year</b>	<b>Expired during the year</b>	<b>At end of year</b>
<b>Warrants (W201030) over ordinary shares</b>					
April 30, 2018	50,195,020	6,998,778	–	–	57,193,798

\* During the year, following a rights issue and pursuant to the terms and conditions of the deed poll constituting the bonus warrants dated April 16, 2018, the exercise price and number of bonus warrant has been adjusted.

(b) *Options exercised*

During the year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of options to take up unissued shares.

(c) *Unissued shares under options*

At the end of the year, there were no unissued shares of the Company or any corporation in the Group under options.

### 5 AUDIT COMMITTEE

The Audit Committee comprised three members. The members of the committee at the date of this report are:

Mr. Gn Hiang Meng	(Chairman and independent director)
Mr. Aric Loh Siang Khee	(Independent director)
Mr. Bertie Cheng Shao Shiong	(Independent director)

The Audit Committee reviews the Group's internal controls on behalf of the Board of Directors and performs the functions specified in Section 201B of the Singapore Companies Act.

The Audit Committee has met four times since the last Annual General Meeting ("AGM") and performed, inter alia, the following functions:

- reviewed the overall scope of work of both the external and internal auditors and the assistance and co-operation accorded to them by management;
- reviewed the results of the external auditors' examination of the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company and evaluation of the Group's system of internal accounting controls;
- reviewed the announcements of results as well as related press releases of the Group;
- reviewed with the internal auditors the effectiveness and adequacy of the internal control policies and procedures in addressing the financial, operational and compliance risks of the Group including their recommendations on improving the internal controls of the Company and the Group;

## DIRECTORS' STATEMENT

### 5 AUDIT COMMITTEE (cont'd)

- (e) considered and recommended the appointment or re-appointment of the internal and external auditors;
- (f) reviewed the independence and objectivity of the external auditors where non-audit services are provided by them;
- (g) met with the external and internal auditors without the presence of management;
- (h) reviewed interested person transactions; and
- (i) reviewed any potential conflict of interest.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

### 6 AUDITORS

Messrs Deloitte & Touche LLP have expressed that they will not seek re-appointment as auditors of the Company at the forthcoming Annual General Meeting of the Company,

ON BEHALF OF THE DIRECTORS

.....  
Mr. Phua Boon Kin

.....  
Mr. Bertie Cheng Shao Shiong

Singapore  
November 8, 2019

# INDEPENDENT AUDITOR'S REPORT

to the Members of TEE International Limited

## Report on the Audit of the Financial Statements

### Disclaimer of Opinion

We were engaged to audit the financial statements of TEE International 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 May 31, 2019, and 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 and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 85 to 191.

We do not express an opinion on the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### Basis for Disclaimer of Opinion

During the course of our audit, we noted certain transactions totalling \$3,750,000 ("Remittances") paid to the former Group Chief Executive and Managing Director ("Former GCE") and Oscar Investment Private Limited ("Oscar"), a private company incorporated in British Virgin Islands, wholly-owned and controlled by the GCE (collectively "Former GCE and his company"), of which \$3,000,000 remained outstanding as at May 31, 2019 ("Advance"). The Former GCE was relieved of his role and duties as Group Chief Executive and Managing Director in September 2019 but remained as a director of the Company.

The Former GCE had previously informed us during the course of our audit that the Advance of \$3,000,000 was to pay for expenses to secure new projects for the engineering business of the Group. This is inconsistent from the statement made by the Former GCE as disclosed in Note 5(g)(ii) that \$2,500,000 of the Advance was utilised to repay a loan obtained by Oscar from a third party lender (see below), and the balance of \$500,000 was utilised by the Former GCE. No explanation has been provided for this subsequent change.

According to the Former GCE, as disclosed in Note 5(g)(i), all the shares in TEE Land Limited ("TEE Land")'s subsidiary, TEE Resources Sdn. Bhd. ("TEE Resources"), had been pledged in September 2017 as a security to the third party lender in relation to a credit facility of US\$15 million to Oscar ("Credit Facility"). The purpose of the Credit Facility as stated in the loan facility agreement was to enable Oscar to apply all amounts borrowed to make loans to TEE Resources to fund a project.

It is also disclosed that, out of the loan drawdown of US\$10 million by Oscar from the third party lender, Oscar had advanced certain amount of the loan proceeds to the Former GCE, who in turn advanced \$10 million to TEE Land to finance a certain development project undertaken by TEE Resources.

Although the above matter had been disclosed in Note 5(g) to the current year's financial statements, there were no disclosures relating to this pledge in the prior year's financial statements and we were not informed until recently of the pledging of shares. In addition, we have requested from the Former GCE but were unable to obtain additional information and documents of Oscar on the flow and usage of funds arising from the Credit Facility from the third party lender to Oscar or the Former GCE and eventually TEE Land or TEE Resources and vice versa.

It was also disclosed in the Company's announcements on September 4, 2019 and September 8, 2019, that the Advances were made under the instruction of the Former GCE and the Audit Committee had come to the view that the Advances were payments that were more properly classified as unauthorised remittances to Oscar.

# INDEPENDENT AUDITOR'S REPORT

to the Members of TEE International Limited

## Report on the Audit of the Financial Statements (cont'd)

Whilst management provided certain responses to our inquiries, the inconsistency in information and explanations provided (described above) were not explained. We communicated the absence of explanation and our matters of concern to the Board of Directors. Noting that the above matters involved the Former GCE who was a key member of senior management and in a position to influence a) key executive and financial decision-making, as well as b) the reporting of any such decisions, across the wider organisation, we are uncertain without further details, about whether there may be other issues and whether these issues could materially impact the financial statements of the Group. We were also not able to determine whether there were other instances of management override of controls by the Former GCE affecting the internal control over financial reporting designed to enable the Group to prevent and detect unauthorised transactions and ensure compliance with laws and regulations.

Further, on September 13, 2019, the Board of Directors announced the appointment of an External Investigator to investigate the facts and circumstances surrounding the Remittances and assess the impact, if any, on the financial statements of the Group as well as to determine whether there had been other similar remittances for the period from June 1, 2017 to August 31, 2019.

As at the date of this report, the External Investigator's work is still ongoing and has not been concluded. The outcome of the External Investigator's work could provide new information or findings that may have an impact on the financial statements. Accordingly, we are unable to determine whether any findings may be reported by the External Investigators or any adjustments arising thereon may be required, and whether there will then be an impact on the accompanying financial statements.

As a result, we are unable to obtain sufficient appropriate audit evidence or satisfy ourselves through alternative means to conclude on the matters of concern highlighted above and determine if there is any further impact on the financial statements. Consequently, we are unable to provide a basis for an audit opinion on these accompanying financial statements.

### 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 Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s"), 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.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *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.

# INDEPENDENT AUDITOR'S REPORT

to the Members of TEE International Limited

## Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the *Basis for Disclaimer of Opinion* section of our report, we do not express an opinion on whether 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 auditor's report is Mr. Kee Cheng Kong, Michael.

Deloitte & Touche LLP  
Public Accountants and  
Chartered Accountants  
Singapore

November 8, 2019



# STATEMENTS OF FINANCIAL POSITION

May 31, 2019

	Note	Group			Company		
		May 31, 2019 \$'000	May 31, 2018 \$'000 (Restated)	June 1, 2017 \$'000 (Restated)	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and cash equivalents	6	60,875	34,902	39,587	759	990	3,494
Bank balances pledged	7	3,290	52	2,402	–	–	1,390
Trade receivables	8	44,436	31,152	29,574	–	34	269
Other receivables	9	14,287	18,665	9,385	10,240	24,033	11,972
Loans receivables	10	10,839	14,376	26,793	–	–	933
Held-to-maturity financial asset	11	–	25	25	–	25	25
Financial assets at fair value through profit or loss	12	164	–	–	164	–	–
Held for trading investment	12	–	700	700	–	700	700
Inventories	13	203	168	27	–	–	–
Contract assets	14	176,333	134,166	130,721	–	–	–
Contract costs	15	1,240	3,515	3,854	–	–	–
Development properties	16	175,838	194,492	125,314	–	–	–
Completed properties and land held for sale	16	42,974	46,502	47,001	–	–	–
Non-current assets classified as held for sale	17	–	47,617	47,481	–	–	–
<b>Total current assets</b>		<b>530,479</b>	<b>526,332</b>	<b>462,864</b>	<b>11,163</b>	<b>25,782</b>	<b>18,783</b>
<b>Non-current assets</b>							
Bank balances pledged	7	–	471	435	–	–	–
Other receivables	9	1,360	1,211	6,144	941	1,104	40
Held-to-maturity financial asset	11	–	–	25	–	–	25
Investment in associates	18	13,655	19,563	48,296	–	–	300
Investment in joint venture	18	129	270	891	–	–	–
Investment in subsidiaries	19	–	–	–	116,854	109,930	108,930
Club membership	20	5	5	45	5	5	45
Intangible asset	21	1,054	1,799	–	–	–	–
Property, plant and equipment	22	71,067	31,253	22,794	93	138	333
Investment properties	23	31,442	32,405	33,812	22,000	22,000	22,000
Deferred tax assets	24	3,997	5,590	4,466	–	–	–
<b>Total non-current assets</b>		<b>122,709</b>	<b>92,567</b>	<b>116,908</b>	<b>139,893</b>	<b>133,177</b>	<b>131,673</b>
<b>Total assets</b>		<b>653,188</b>	<b>618,899</b>	<b>579,772</b>	<b>151,056</b>	<b>158,959</b>	<b>150,456</b>

# STATEMENTS OF FINANCIAL POSITION

May 31, 2019

	Note	Group			Company		
		May 31, 2019 \$'000	May 31, 2018 \$'000 (Restated)	June 1, 2017 \$'000 (Restated)	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000
<b>LIABILITIES AND EQUITY</b>							
<b>Current liabilities</b>							
Bank loans and overdrafts	25	48,532	51,250	50,115	4,300	4,481	7,100
Trade payables	26	161,571	100,142	102,918	13	54	222
Other payables	27	30,251	39,078	24,923	52,541	65,608	59,777
Contract liabilities	28	6,661	9,263	8,028	–	–	–
Provision for maintenance costs	29	992	1,034	910	–	–	–
Current portion of finance leases	30	346	607	83	–	–	–
Current portion of long-term borrowings	31	93,670	91,857	51,151	1,268	1,920	4,277
Term notes	32	–	–	29,939	–	–	–
Current portion of financial guarantee liabilities	33	185	67	199	75	76	86
Income tax payable		2,445	2,537	5,596	–	–	–
Total current liabilities		344,653	295,835	273,862	58,197	72,139	71,462
<b>Non-current liabilities</b>							
Finance leases	30	1,143	330	285	–	–	–
Long-term borrowings	31	144,026	142,830	136,332	13,701	12,762	23,239
Financial guarantee liabilities	33	180	385	752	74	150	226
Notes payable	34	21,000	21,089	–	21,128	21,267	–
Long-term deposit	35	306	306	–	306	306	–
Other payables	27	9,767	8,074	3,704	–	–	–
Deferred tax liabilities	24	775	1,951	429	–	–	–
Total non-current liabilities		177,197	174,965	141,502	35,209	34,485	23,465
<b>Capital, reserves and non-controlling interests</b>							
Share capital	36	73,194	58,701	58,701	73,194	58,701	58,701
Treasury shares	37	(269)	(269)	(269)	(269)	(269)	(269)
Currency translation reserve	38	(245)	321	–	–	–	–
Capital reserve	39	18,561	18,741	18,793	(274)	(94)	(42)
Accumulated (losses) profits		(10,370)	7,803	17,809	(15,001)	(6,003)	(2,861)
Equity attributable to owners of the Company		80,871	85,297	95,034	57,650	52,335	55,529
Non-controlling interests	40	50,467	62,802	69,374	–	–	–
Net equity		131,338	148,099	164,408	57,650	52,335	55,529
<b>Total liabilities and equity</b>		<b>653,188</b>	<b>618,899</b>	<b>579,772</b>	<b>151,056</b>	<b>158,959</b>	<b>150,456</b>

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended May 31, 2019

	Note	Group	
		2019 \$'000	2018 \$'000 (Restated)
<b>Revenue</b>	41	<b>363,301</b>	268,495
Cost of sales		<b>(332,485)</b>	(231,692)
<b>Gross profit</b>		<b>30,816</b>	36,803
Other operating income	42	<b>2,564</b>	7,569
Selling and distribution expenses		<b>(7,584)</b>	(11,675)
Administrative expenses		<b>(29,812)</b>	(23,410)
Other operating expenses	43	<b>(9,844)</b>	(12,309)
Share of results of associates and joint venture	18	<b>(226)</b>	3,038
Finance costs	44	<b>(13,272)</b>	(12,836)
<b>Loss before tax</b>		<b>(27,358)</b>	(12,820)
Income tax expense	45	<b>(2,252)</b>	(127)
<b>Loss for the year</b>	46	<b>(29,610)</b>	(12,947)
<b>Other comprehensive (loss) income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation differences, representing other comprehensive (loss) income for the year		<b>(1,218)</b>	2,144
<b>Total comprehensive loss for the year</b>		<b>(30,828)</b>	(10,803)
<b>Loss attributable to:</b>			
Owners of the Company		<b>(18,173)</b>	(10,006)
Non-controlling interests		<b>(11,437)</b>	(2,941)
		<b>(29,610)</b>	(12,947)
<b>Total comprehensive loss attributable to:</b>			
Owners of the Company		<b>(18,739)</b>	(9,685)
Non-controlling interests		<b>(12,089)</b>	(1,118)
		<b>(30,828)</b>	(10,803)
<b>Loss per share</b>			
Basic (cents)	47	<b>(3.28)</b>	(1.94)
Diluted (cents)	47	<b>(3.28)</b>	(1.94)

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

Year ended May 31, 2019

<b>Group</b>	<b>Share capital \$'000</b>	<b>Treasury shares \$'000</b>	<b>Currency translation reserve \$'000</b>	<b>Capital reserve \$'000</b>	<b>Accumulated profits \$'000</b>	<b>Equity attributable to owners of the Company \$'000</b>	<b>Non-controlling interests \$'000</b>	<b>Total \$'000</b>
Balance at June 1, 2017 (previously reported)	58,701	(269)	(1,011)	18,793	19,396	95,610	70,016	165,626
Effects of adopting SFRS(I) 1 and SFRS(I) 15	-	-	1,011	-	(1,587)	(576)	(642)	(1,218)
Balance at June 1, 2017 (restated)	58,701	(269)	-	18,793	17,809	95,034	69,374	164,408
<u>Total comprehensive income (loss) for the year:</u>								
Loss for the year	-	-	-	-	(10,006)	(10,006)	(2,941)	(12,947)
Other comprehensive income for the year	-	-	321	-	-	321	1,823	2,144
Total comprehensive income (loss) for the year	-	-	321	-	(10,006)	(9,685)	(1,118)	(10,803)
<u>Transaction with owners, recognised directly in equity:</u>								
Capital injection by non-controlling interests	-	-	-	-	-	-	1,142	1,142
Repayment of deemed capital to non-controlling interests	-	-	-	-	-	-	(4,345)	(4,345)
Expenses incurred on issue of bonus warrants	-	-	-	(52)	-	(52)	-	(52)
Dividends paid/payable to non-controlling interests	-	-	-	-	-	-	(2,251)	(2,251)
Balance at May 31, 2018 (restated)	58,701	(269)	321	18,741	7,803	85,297	62,802	148,099

# STATEMENTS OF CHANGES IN EQUITY

Year ended May 31, 2019

Group	Share capital	Treasury	Currency	Capital	Accumulated	Equity	Non-	Total
	\$'000	shares	translation	reserve	profits (losses)	attributable to	controlling	\$'000
	\$'000	\$'000	reserve	\$'000	\$'000	owners of the	interests	\$'000
			\$'000			Company		
						\$'000		
Balance at June 1, 2018 (restated)	58,701	(269)	321	18,741	7,803	85,297	62,802	148,099
<u>Total comprehensive loss for the year:</u>								
Loss for the year	-	-	-	-	(18,173)	(18,173)	(11,437)	(29,610)
Other comprehensive loss for the year	-	-	(566)	-	-	(566)	(652)	(1,218)
Total comprehensive loss for the year	-	-	(566)	-	(18,173)	(18,739)	(12,089)	(30,828)
<u>Transaction with owners, recognised directly in equity:</u>								
Issuance of shares (Note 36)	14,493	-	-	-	-	14,493	-	14,493
Share issue expenses	-	-	-	(180)	-	(180)	-	(180)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(246)	(246)
Balance at May 31, 2019	73,194	(269)	(245)	18,561	(10,370)	80,871	50,467	131,338

## STATEMENTS OF CHANGES IN EQUITY

Year ended May 31, 2019

	Share capital \$'000	Treasury shares \$'000	Capital reserve \$'000	Accumulated losses \$'000	Total \$'000
<b>Company</b>					
Balance at June 1, 2017	58,701	(269)	(42)	(2,861)	55,529
Loss for the year, representing total comprehensive loss for the year	–	–	–	(3,142)	(3,142)
<u>Transaction with owners, recognised directly in equity:</u>					
Expenses incurred on issue of bonus warrants	–	–	(52)	–	(52)
Balance at May 31, 2018	58,701	(269)	(94)	(6,003)	52,335
Loss for the year, representing total comprehensive loss for the year	–	–	–	(8,998)	(8,998)
<u>Transaction with owners, recognised directly in equity:</u>					
Issuance of shares (Note 36)	14,493	–	–	–	14,493
Share issue expenses	–	–	(180)	–	(180)
Balance at May 31, 2019	73,194	(269)	(274)	(15,001)	57,650

See accompanying notes to financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**

Year ended May 31, 2019

	Group	
	2019	2018
	\$'000	\$'000
		(Restated)
<b>Operating activities</b>		
Loss before tax	(27,358)	(12,820)
Adjustments for:		
Share of results of associates and joint venture	226	(3,038)
Depreciation of property, plant and equipment	7,890	2,685
Allowance for diminution in value of completed properties and land held for sale	542	1,277
Allowance for doubtful other receivables	166	639
Allowance for doubtful loan receivables	665	–
Allowance for doubtful trade receivables	178	646
Write back of loss allowance for contract assets	(658)	–
Amortisation of deferred commission expenses	4,554	5,393
Amortisation of deferred show flat costs	433	514
Amortisation of financial guarantee liabilities	(263)	(333)
Amortisation of intangible asset	745	434
Amortisation of issuance costs on term notes	–	60
Amortisation of issuance costs on notes payable	210	131
Changes in fair value of financial assets at FVTPL	536	–
Changes in fair value of investment properties	691	995
Gain from a bargain purchase	–	(2,488)
Gain on disposal of an associate	(139)	–
Loss (Gain) on disposal of property, plant and equipment	24	(33)
Gain on disposal of stock dividend	–	(160)
Impairment loss on investment in associates	3,600	7,788
Non-current assets held for sale written off	–	83
Other receivables written off	154	–
Property, plant and equipment written off	261	10
Provision for maintenance costs	1,620	876
Trade receivables written off	117	437
Unrealised currency translation loss (gain)	1,376	(1,124)
Dividend income	–	(544)
Interest income	(398)	(861)
Interest expense	13,272	12,836
Operating cash flows before movements in working capital	<b>8,444</b>	13,403
Trade receivables	(13,850)	6,195
Other receivables	2,531	5,440
Inventories	(35)	(31)
Contract assets	(41,697)	(3,034)
Contract costs	(2,206)	(5,005)
Development properties	(5,591)	(49,691)
Completed properties and land held for sale	25,868	(15,373)
Trade payables	62,132	(5,670)
Other payables (Note A)	2,306	(6,132)
Long-term deposit	–	306
Contract liabilities	(2,602)	1,235
Utilisation of provision for maintenance costs	(1,662)	(752)
Cash generated from (used in) operations	<b>33,638</b>	(59,109)
Interest paid	(12,714)	(12,221)
Income tax paid	(1,966)	(3,837)
Net cash from (used in) operating activities	<b>18,958</b>	(75,167)

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended May 31, 2019

	Group	
	2019	2018
	\$'000	\$'000
		(Restated)
<b>Investing activities</b>		
Proceeds on disposal of financial assets at amortised cost	25	25
Proceeds on disposal of an associate	5,000	4,856
Proceeds on disposal of club membership	–	45
Proceeds on disposal of property, plant and equipment	801	48
Purchase of club membership	–	(5)
Purchase of investment property	(45)	–
Purchase of non-current asset held for sale	–	(1,067)
Purchase of property, plant and equipment (Note B)	(2,683)	(531)
Investment in associates	(4,658)	(1,574)
Acquisition of subsidiaries (Note 50)	–	(12,792)
Loans receivables	(347)	(919)
Repayment of loans receivables	3,219	13,421
Dividend received from associates and joint venture	2,366	10,991
Interest received	1,421	2,510
Net cash from investing activities	<b>5,099</b>	<b>15,008</b>
<b>Financing activities</b>		
Drawdown of bank loans	115,515	130,736
Repayment of bank loans	(116,943)	(129,846)
Drawdown of long-term borrowings	55,335	90,408
Repayment of long-term borrowings	(50,627)	(43,738)
Repayment of term notes	–	(30,000)
Issuance of notes payable	–	20,175
Repayment of notes payable	(1,766)	–
(Increase) Decrease in bank balances pledged	(2,749)	2,368
Repayment of obligations under finance leases	(600)	(709)
Loan from a director	–	10,600
Repayment of loan to a director	(10,000)	(600)
Payment of warrant issue expenses	–	(52)
Loan from non-controlling interests	1,480	12,859
Deemed capital injection by non-controlling interest	–	1,142
Repayment of deemed capital to non-controlling interests	–	(4,345)
Payment of rights issue expenses	(180)	–
Proceeds from rights issue	14,493	–
Dividends paid to non-controlling interests (Note A)	(656)	(1,841)
Net cash from financing activities	<b>3,302</b>	<b>57,157</b>
Net increase (decrease) in cash and cash equivalents	<b>27,359</b>	<b>(3,002)</b>
Cash and cash equivalents at beginning of year	<b>30,291</b>	<b>33,439</b>
Effect of foreign exchange rate changes	<b>(96)</b>	<b>(146)</b>
<b>Cash and cash equivalents at end of year (Note 6)</b>	<b>57,554</b>	<b>30,291</b>

## Note A

In 2018, the Group declared dividends amounting to \$2,251,000 to its non-controlling interest which \$410,000 remained outstanding as of year end 2018 and included in other payables (Note 27). The dividends has been paid during the financial year.

## Note B

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of \$3,835,000 (2018 : \$531,000) of which \$1,152,000 (2018 : \$Nil) was acquired under finance lease arrangement.

See accompanying notes to financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 1 GENERAL

The Company (Registration No. 200007107D) is incorporated in Singapore with its principal place of business and registered office at 25 Bukit Batok Street 22, TEE Building, Singapore 659591. The Company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activities of the Company are investment holding and property investment and development.

The principal activities of its associates, joint venture and subsidiaries are disclosed in Notes 18 and 19 respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended May 31, 2019 were authorised for issue by the Board of Directors on November 8, 2019.

For all periods up to and including the year ended May 31, 2018, the financial statements were prepared in accordance with the previous framework, Financial Reporting Standards in Singapore ("FRSs"). These financial statements for the year ended May 31, 2019 are the first set that the Group and the Company have prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"). Details of first-time adoption of SFRS(I) are included in Note 53.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING** - The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (International) ("SFRS(I)s").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 1-17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

**BASIS OF CONSOLIDATION** - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decision need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to any non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and any non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

### Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)s). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's financial statements, investments in subsidiaries, associates and joint ventures are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

**BUSINESS COMBINATIONS** - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Changes in the Group's ownership interests in existing subsidiaries (cont'd)

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the SFRS(I) are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-Current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another SFRS(I).

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of the acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

**FINANCIAL INSTRUMENTS** - Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Financial assets (before June 1, 2018)

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity investments" and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

#### Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- On initial recognition, it is part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and FRS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in 'other gains and losses' line in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 4.

#### Held-to-maturity financial assets

Bonds with fixed or determinable payments and fixed maturity dates where the group has a positive intent and ability to hold to maturity are classified as held-to-maturity financial assets. Subsequent to initial measurement, held-to maturity investments are measured at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

#### Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables (including trade and other receivables and cash and cash equivalents) are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Financial assets (before June 1, 2018) (cont'd)

#### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Financial assets (from June 1, 2018)

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

#### Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Financial assets (from June 1, 2018) (cont'd)

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss under "other operating income" (Note 42).

### Financial assets at fair value through profit or loss (FVTPL)

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other operating income" or "other operating expenses" line item. Fair value is determined in the manner described in Note 4.

### Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically, for financial assets measured at amortised cost or measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other operating income" or "other operating expenses" line item.

### Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost, contract assets, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, loan receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Financial assets (from June 1, 2018) (cont'd)

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

#### Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor; and
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

#### Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- When there is a breach of financial covenants by the counterparty; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.



# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Financial assets (from June 1, 2018) (cont'd)

#### Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

#### Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

#### Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For undrawn loan commitments, the expected credit loss is the present value of the difference between the contractual cash flows that are due to the group if the holder of the loan commitment draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Financial assets (from June 1, 2018) (cont'd)

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

### Financial liabilities and equity instruments

#### Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sales, issue or cancellation of the Company's own equity instruments.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Financial liabilities and equity instruments (cont'd)

#### Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group, and commitments issued by the Group to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

#### Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which SFRS(I) 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and SFRS(I) 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the "other operating income" or "other operating expenses" line item.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts and loan commitments issued by the Group that are designated by the Group as at fair value through profit or loss are recognised in profit or loss. Fair value is determined in the manner described in Note 4.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Financial liabilities and equity instruments (cont'd)

#### Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

#### Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a Group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with SFRS(I) 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

#### Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "other operating income" or "other operating expense" line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

#### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**LEASES** - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### The Group as lessor

Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

### The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**NON-CURRENT ASSETS HELD FOR SALE** - Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

**INVENTORIES** - Inventories are stated at the lower of cost and net realisable value. Cost comprises purchase cost and other incidental cost in bringing the inventories to their present location and condition. Cost is calculated using the first-in-first-out method. Net realisable value represents the estimated selling price less costs to be incurred in marketing, selling and distribution.

**DEVELOPMENT PROPERTIES** - Development properties comprise properties in the course of development and completed properties held for sale in the ordinary course of business.

Completed properties held for sale are stated at the lower of cost and estimated net realisable value. Cost is determined by apportionment of the total land cost and development costs capitalised attributable to properties. Net realisable value takes into account the estimated selling price, less cost to be incurred in marketing and selling, and the expected costs to completion, where appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### DEVELOPMENT PROPERTIES (cont'd)

Cost of development properties comprises costs that relate directly to the development, such as cost of land and construction and related costs that are attributable to development activities and can be allocated to the development project.

When losses are expected, full allowance are recognised as expenses immediately based on best estimates of net realisable value and estimated costs to completion.

Lands held for development and costs attributable to the development activities which are held for future development where no significant development has been undertaken is stated at cost less impairment loss (if any).

The Group's policy for revenue recognition in relation to development properties is described under "Revenue recognition" below.

Show flat expenses are incurred to build a show flat before the launch of a new development property. The show flat provides potential buyers how the development property would look like when it is completed. During the construction stage, costs incurred are deferred and recognised as prepayment in the statements of financial position until the show flats are ready for use and are amortised over the marketing period.

Deferred commission expenses are payable to estate agents only when buyers are secured. These direct and incremental costs recoverable as a result of securing a specifically identifiable contract with a buyer are deferred and recognised as "contract costs" in the statements of financial position. Such assets are expensed as and when the related revenue is recognised.

CLUB MEMBERSHIP - Investment in club membership held for long-term is stated at cost less any impairment to net realisable value.

INTANGIBLE ASSETS - Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and any accumulated impairment losses.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Property in the course of construction for production, supply or administrative purposes, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets (excluding freehold land) over their estimated useful lives, using the straight-line method, on the following bases:

Buildings on freehold land	–	2.5% to 4%
Leasehold building	–	2.7%
Leasehold improvements	–	20%
Computers	–	25% to 100%
Renovation	–	20%
Motor vehicles	–	10% to 100%
Machinery and tools	–	15% to 100%
Office equipment	–	15% to 20%

Freehold land is not depreciated.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### PROPERTY, PLANT AND EQUIPMENT (cont'd)

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Fully depreciated assets still in use are retained in the financial statements.

**INVESTMENT PROPERTIES** - Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

**IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS** - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

**ASSOCIATES AND JOINT VENTURE** - An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### ASSOCIATES AND JOINT VENTURE (cont'd)

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with SFRS(I) 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of SFRS(I) 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with SFRS(I) 1-36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with SFRS(I) 1-36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with SFRS(I) 9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Where a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.



# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**PROVISIONS** - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**GOVERNMENT GRANTS** - Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

**REVENUE RECOGNITION** – The Group recognises revenue from the following major sources:

- Construction engineering contracts
- Sale of goods
- Sale of development properties
- Revenue from services rendered
- Interest income
- Dividend income
- Rental income
- Revenue from hotel operations

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

### Construction engineering contracts

The Group undertakes large-scale and complex engineering projects as well as infrastructure-related projects. The Group provides engineering services including, electrical, air conditioning and mechanical ventilation, fire protection, sub structure, civil and architecture and interior decoration. These projects can range from short term of a few months to long term of a few years.

Such contracts are entered into before provision of the engineering services begins. Under the terms of the contracts, the Group is contractually restricted from redirecting the services to another customer and has an enforceable right to payment for work done.

Revenue from construction engineering contracts is therefore recognised over time on a cost-to-cost method. i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Management considers that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under SFRS(I) 15.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### REVENUE RECOGNITION (cont'd)

#### Construction engineering contracts (cont'd)

Short-term construction engineering services, as represented by the contract value of the services to be rendered, are recognised at a point in time when performance obligations have been satisfied.

A contract asset is recognised for the cumulative revenue recognised but not yet invoiced whilst a contract liability is recognised for advance payments from customers which the Group needs to perform work to satisfy the performance obligations.

#### Sale of goods

Revenue is recognised when control of the goods has been transferred, being when the goods have been shipped to the customer's specific location (delivery). A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

#### Sale of development properties

The Group constructs and sells residential and commercial properties under long-term contracts with customers.

Under the terms of the contracts for sale of residential and commercial properties, the Group is contractually restricted from redirecting the properties to another customer and has an enforceable right to payment for work done. Revenue is recognised based on the percentage of completion of construction. The percentage of completion is measured by reference to the construction and other related costs incurred to date as compared to the estimated total construction and other related costs of the development projects as approved by management. Management considers that this method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under SFRS(I) 15. Profits are recognised only in respect of finalised sales contracts to the extent that such profits relate to the progress of the construction work.

For development properties whereby the Group has no enforceable right to payment until legal title has passed to the customer, revenue is recognised when the legal title has been transferred to the customer. The revenue is measured at the transaction price agreed under the contract.

For development properties under construction, the Group becomes entitled to invoice customers for construction of residential and commercial properties based on achieving a series of performance-related milestones. When a particular milestone is reached, the customer is sent a relevant statement of work signed by a third party surveyor and an invoice for the related milestone payment. For completed development properties, the Group is entitled to invoice customers in accordance with the payment schedule in the sales contract.

The Group would recognise a contract asset for any work performed (for development properties under construction) or for any revenue recognised (for completed development properties). Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date, the Group recognises a contract liability for the difference. When the period between the recognition of revenue and payment by the customer exceeds one year, an adjustment is made to the transaction price for the time value of money.

The Group has elected to recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods that have not been recognised as expenses.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### REVENUE RECOGNITION (cont'd)

#### Sale of development properties (cont'd)

The Group receive payments from customers for the sales of development properties. Under the payment schemes, the time when payments are made by the customer and the transfer of control of the property to the customer does not coincide and where the difference between the timing of receipts of the payments and the transfer of control of the property is 12 months or more, there exists a significant financing component arising from payments from customers. For such payment arrangements, the Group adjusts the promised amount of consideration for the effect of a financing component, if significant.

The sales and purchase agreements provide for payment of liquidated damages to buyers on delays in contractual handover of units. In addition, under certain sales and purchase agreements, the Group provides the customers guaranteed rental over a period of 3 years. Such payments for liquidated damages and rental guarantee give rise to variable considerations under SFRS(I) 15. The variable considerations are estimated and are constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty is subsequently resolved.

#### Rendering of services

The Group provides waste and recycling management services. Such services are recognised as a performance obligation satisfied over time, when control of services are transferred to customers. This generally occurs when the wastes are collected and processed.

#### Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

#### Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

#### Rental and related services income

The Group's policy for recognition of rental income arises from operating leases as described above.

Rental related service income is recognised as a performance obligation satisfied over time, when the relevant services are provided over the lease period.

#### Hotel operations

Revenue from hotel operations, comprising primarily the rental of rooms, food and beverage sales and other services, is recognised over the period in which the accommodation and related services provided, except for revenue from the sale of food and beverages, which is recognised at a point in time when the food and beverage are delivered.

**BORROWING COSTS** - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**RETIREMENT BENEFIT OBLIGATIONS** - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**EMPLOYEE LEAVE ENTITLEMENT** - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

**INCOME TAX** - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and interest in associates and joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary difference associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences as they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Except for investment properties measured using the fair value model, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from 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.

For the purposes of measuring deferred tax liabilities for the investment properties that are measured using the fair value model, the carrying amount of such properties is presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment properties are depreciable and are held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. The Group has not rebutted the presumption that the carrying amount of the investment properties will be recovered entirely through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION** - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and equity of the Company are presented in Singapore dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of each reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component in equity under the header of currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities) and of borrowings are recognised in other comprehensive income and accumulated in a separate component of equity under the header of currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

**CASH AND CASH EQUIVALENTS IN THE CONSOLIDATED STATEMENT OF CASH FLOWS** - Cash and cash equivalents in the consolidated statement of cash flows comprise cash on hand, cash at banks, fixed deposits, project accounts less pledged fixed deposits and bank overdrafts and are subject to an insignificant risk of changes in value.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### (a) *Critical judgements in applying the entity's accounting policies*

The following are the critical judgement, apart from those involving estimation (see below), that management has made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### (i) Non-current asset held for sale

As disclosed in Note 17, freehold land and building on freehold land of Larmont Hotel Sydney ("Larmont Assets") was presented as non-current asset held for sale following the approval of the subsidiary's (TEE Land Limited) directors on July 26, 2016 to sell the hotel in Australia and the subsidiary's active marketing for sale since that date. Despite ongoing negotiations with potential buyers, the subsidiary has not been able to conclude on the sale of the Larmont Assets.

Since the Larmont Assets no longer meets the classification as non-current asset held for sale, and in compliance with SFRS(I) 5 *Non-current assets held for sale and discontinued operations*, the Group has reclassified Larmont Assets from non-current assets held for sale to property, plant and equipment (Note 22).

#### (ii) Investment in TEE Land Limited accounted for as a Subsidiary

On 6 May 2019, the shareholders of the Company have given the mandate to the Company to dispose of its investment in TEE Land Limited at a minimum price of \$0.179 per share. Since the date of the shareholders' mandate till to-date, the Company has entered into negotiations with various parties and the Management is of the view that there is no certainty that any sale can be transacted/completed at the minimum approved price. Accordingly, the Company continues to account for its investment in TEE Land Limited as a subsidiary in the financial statements of the Company and the consolidated financial statements of the Group, instead of being accounted for separately as "disposal group held for sale" because its sale is not highly probable in the judgement of management and the Company. Had the investment in TEE Land Limited been accounted as "disposal group held for sale", approximately \$32 million difference between (i) the carrying book value of the net assets of TEE Land included in the Group's consolidated financial statements and (ii) the value of the Company's TEE Land shares at the approved mandate price of \$0.179 per share, would have to be recorded as a charge to the profit and loss for the year.

### (b) *Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year, are discussed below:

#### (i) Revenue recognition

As described in Note 2, the Group recognises revenue either at a point in time or over time, depending on the contractual terms. Revenue from construction engineering contracts and sales of residential and mixed-use properties in Singapore and residential development projects in Malaysia are recognised over time, based on the construction and other costs incurred to date as a proportion of the estimated total construction and other costs to be incurred. Management considers that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

### (b) Key sources of estimation uncertainty (cont'd)

#### (i) Revenue recognition (cont'd)

Significant management judgements are required to estimate the total budgeted contract costs which include estimation for variation works and any other claims from contractors or sub-contractors. Any changes to the total budgeted contract costs will impact the percentage of completion, resulting in an impact to the revenue recognised.

Revenue arising from additional claims and variation orders, whether billed or unbilled, is recognised when negotiations have reached an advanced stage such that it is probable that the customer will accept the claims or approve the variation orders, and the amount that it is probable will be accepted by the customer can be measured reliably.

For projects that are liable to additional charges payable to the relevant authorities if the projects are not completed within the stipulated time, management takes into consideration the reasons for and the length of the time exceeded, the past experience of applying for extension of time and the likely outcome of such application for extension of time. Such charges are accrued only if it is probable that it will result in a liability. The maximum amount of such exposure to the Group is disclosed in Note 51 below.

#### (ii) Calculation of loss allowances

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising from default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes reference to historical data, assumptions and expectations of future conditions.

The carrying amounts of the Group's and the Company's trade, other and loans receivables are disclosed in Notes 8, 9 and 10 respectively.

#### (iii) Contract assets arising from construction engineering contracts

The Group recognises contract revenue to the extent of contract costs incurred where it is probable those costs will be recoverable and recognised over time on a cost-to-cost method i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs.

Significant assumptions are required in determining the over-time revenue recognition on cost-to-cost method. The estimated total contract revenue and estimated total construction costs include estimation for variation works and any other claims from contractors. In making these estimates, the Group relies on past experience and the work of external specialists.

Management has performed the cost studies, taking into account the costs to date and costs to complete on each contract. Management has also reviewed the status of such contracts and is satisfied that the cost estimates to complete, the total contract costs and the expected profitability are realistic.

Additional claims and variation orders, whether billed or unbilled, is recognised when negotiations have reached an advanced stage such that it is probable that the customer will accept the claims or approve the variation orders, and the amount that it is probable will be accepted by the customer can be measured reliably.

The carrying amount of the Group's contract assets are disclosed in Note 14.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

### (b) Key sources of estimation uncertainty (cont'd)

#### (vi) Development properties, completed properties and land held for sale

Development properties, completed properties and land held for sale are stated at lower of cost and estimated net realisable value, assessed on an individual property basis. When it is probable that the total development costs will exceed the total projected revenue, the amount in excess of net realisable value is recognised as an expense immediately.

The process of evaluating the net realisable value of each property is subject to management judgement and the effect of assumptions in respect of development plans, timing of sale and the prevailing market conditions. Management performs cost studies for each property, taking into account the costs incurred to date, the development status and estimated costs to complete each development property. Any future variation in plans, assumptions and estimates can potentially impact the carrying amounts of the respective properties.

The Group estimated selling prices by comparing these with recently transacted prices for the same project and with comparable properties in the vicinity or against valuation performed by independent professional appraisers.

The carrying amount of the Group's development properties and completed properties and land held for sale are disclosed in Note 16.

#### (v) Impairment of investment in associates, joint venture and subsidiaries

Management exercises their judgement in estimating recoverable amounts of its investment in associates and joint venture of the Group and Company and subsidiaries of the Company.

The recoverable amounts of the investments are reviewed at the end of each reporting period to determine whether there is any indication that those investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, management needs to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows.

The carrying amounts of the Group's and Company's investment in associates and joint venture and the Company's investment in subsidiaries are disclosed in Notes 18 and 19 respectively.

#### (vi) Valuation of investment properties

Investment properties are stated at fair value based on independent professional external appraisers. In determining the fair value, the appraisers have used valuation techniques which involve certain estimates and significant unobservable inputs which are disclosed in Note 23. The key assumptions used to determine the fair value include market-corroborated capitalisation yield and discount rate.

The appraisers have considered valuation techniques (including income capitalisation method, discounted cash flow method and direct comparison method) in arriving at the open market value as at the end of the reporting period. The direct comparison method involves the analysis of comparable sales of similar properties and adjusting prices to those reflective of the investment properties. Income capitalisation method involves assessment of the income earning capacity and capitalised it at the adopted capitalisation rate to derive a core value. Discounted cash flow method recognises the time value of money by estimating the net present value of future cash flows.

In relying on valuation reports, the management has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions. The carrying amounts of investment properties at the end of the reporting period are disclosed in Note 23.



# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

### (a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group			Company		
	May 31, 2019 \$'000	May 31, 2018 \$'000 (Restated)	June 1, 2017 \$'000 (Restated)	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000
<u>Financial assets</u>						
Amortised cost	129,980	96,709	113,392	10,798	24,847	18,055
Financial assets at fair value through profit or loss	164	–	–	164	–	–
Held-for-maturity financial Asset	–	25	50	–	25	50
Held for trading investment	–	700	700	–	700	700
<u>Financial liabilities</u>						
Amortised cost	510,612	455,563	399,450	93,257	106,398	94,615
Financial guarantee liabilities	365	452	951	149	226	312

Financial assets at amortised cost consist of cash and bank balances, trade receivables, loan receivables and other receivables excluding prepayments, deferred commission expenses, deferred show flat costs and accrued rental income.

Financial liabilities at amortised cost consist of bank loans and overdrafts, trade payables, other payables, finance leases, term notes, long-term borrowings, long-term deposit, notes payable and financial guarantee liabilities.

### (b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

There are no financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements at May 31, 2019, May 31, 2018 and June 1, 2017.

### (c) Financial risk management policies and objectives

The Group's activities expose it to a variety of financial risks, such as market risk (including foreign exchange risk and interest rate risk), credit risk, liquidity risk, cash flow interest rate risk and fair value risk.

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

### (c) Financial risk management policies and objectives (cont'd)

#### Foreign exchange risk management

The Group transacts business in various foreign currencies including Thai Baht and United States Dollar and therefore is exposed to foreign exchange risk.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group					
	Liabilities			Assets		
	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000
Thai Baht	22	900	1,784	44	9,382	3,232
United States Dollar	<b>25,437</b>	20,079	9	<b>8,620</b>	410	5

The Group has a number of investments in foreign subsidiaries and associates, whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

#### Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of each group entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans where they gave rise to an impact on the Group's profit or loss.

If the relevant foreign currency weakens by 10% against the functional currency of each group entity, loss will (increase) decrease by:

	Thai Baht impact		United States Dollar impact	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
	Profit or loss	<b>(2)</b>	(848)	<b>1,682</b>

If the relevant foreign currency strengthens by 10% against the functional currency of each group entity, the effect on profit or loss will be vice-versa.

#### Interest rate risk management

The Group has exposure to interest rate risk through the impact of floating interest rate on cash and bank balances and borrowings. The Group obtained financing through bank loans and overdrafts, finance leases, long-term borrowings, term notes and notes payable and the details of the Group's interest rate exposure is disclosed in Notes 25, 30, 31, 32, and 34.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

### (c) Financial risk management policies and objectives (cont'd)

#### Interest rate risk management (cont'd)

##### *Interest rate sensitivity*

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's loss for the year ended May 31, 2019 would increase/decrease by \$1,532,000 (2018 : \$1,521,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate payables and borrowings.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Company's loss for the year ended May 31, 2019 would increase/decrease by \$202,000 (2018 : \$200,000). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

#### Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at May 31, 2019, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the maximum amount the Group would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised as disclosed below. The related loss allowance is disclosed in the respective notes to the financial statements.

In order to minimise credit risk, the Group has tasked its credit management committee to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the credit management committee uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

### (c) Financial risk management policies and objectives (cont'd)

#### Credit risk management (cont'd)

The tables below detail the credit quality of the Group's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
<b>Group</b>						
<b>May 31, 2019</b>						
Trade receivables	8	(i)	Lifetime ECL (simplified approach)	44,704	(268)	44,436
Other receivables	9	Performing	12-month ECL	10,540	–	10,540
Other receivables	9	In default	Lifetime ECL	4,772	(4,772)	–
Loans receivables	10	Performing	12-month ECL	11,504	(665)	10,839
Contract assets	14	(i)	Lifetime ECL (simplified approach)	176,419	(86)	176,333

#### Company

#### **May 31, 2019**

Other receivables	9	Performing	12-month ECL	28,714	(18,675)	10,039
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<sup>(i)</sup> For trade receivables and contract assets, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Notes 8, 9, 10 and 14 include further details on the loss allowance for these assets respectively.

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above and investments in these instruments, where the counterparties have minimum BBB- credit rating, are considered to have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Before accepting any new customer, a dedicated team responsible for the determination of credit limits uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. The review of customer credit limit is conducted annually.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

### (c) *Financial risk management policies and objectives (cont'd)*

#### Credit risk management (cont'd)

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group reviews the recoverable amount of each trade debt and debt investment on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group's credit risk is primarily attributable to its cash and bank balances, trade and other receivables and contract assets. The maximum exposure to credit risk for each class of financial asset is the carrying amount of that class of financial asset as show on the consolidated statement of financial position.

In addition, the Group is exposed to credit risk in relation to financial guarantees given to banks. The Group's maximum exposure in this respect is the maximum amount the Group could have to pay if the guarantee is called on.

The maximum amount that the Group and the Company could be forced to settle under the financial guarantee contract, if the full guaranteed amount is claimed by the counterparty to the guarantee are \$32,305,000 and \$111,434,000 (May 31, 2018 : \$46,602,000 and \$98,557,000, June 1, 2017 : \$57,568,000 and \$85,901,000) respectively. Based on the expectations at the end of the reporting period, the Group and Company consider that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffered credit losses.

#### Liquidity risk management

The Group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance their activities. The Group minimises liquidity risk by keeping committed credit lines available.

As at May 31, 2019, the Company's current liabilities exceeded its current assets by \$47,034,000 (May 31, 2018 : \$46,357,000, June 1, 2017 : \$52,679,000), which arose primarily from short-term payables to subsidiaries and the Company is in a position to control the timing of repayment. Management is of the view that its subsidiaries will be able to provide financial support, by way of issue of dividends, to enable the Company to meet its financial obligations as and when they fall due.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

### (c) Financial risk management policies and objectives (cont'd)

#### Liquidity and interest risk analysis

##### Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statements of financial position.

	Weighted average effective interest rate % p.a.	On demand or within 1 year \$'000	Within 2 to 5 years \$'000	After 5 years \$'000	Adjustment \$'000	Total \$'000
<b>Group</b>						
<b>May 31, 2019</b>						
Non-interest bearing	–	191,853	–	306	–	192,159
Finance lease liability (fixed rate)	3.60	378	1,248	–	(137)	1,489
Variable interest rate instruments	4.13	154,014	164,886	25,410	(37,966)	306,344
Fixed interest rate instruments	4.99	803	10,402	–	(585)	10,620
Financial guarantee liabilities	–	32,125	180	–	(31,940)	365
<b>Total</b>		<b>379,173</b>	<b>176,716</b>	<b>25,716</b>	<b>(70,628)</b>	<b>510,977</b>
<b>May 31, 2018</b>						
Non-interest bearing	–	129,238	–	306	–	129,544
Finance lease liability (fixed rate)	3.60	636	347	–	(46)	937
Variable interest rate instruments	4.63	154,117	168,858	25,761	(44,629)	304,107
Fixed interest rate instruments	8.13	13,232	9,831	–	(2,088)	20,975
Financial guarantee liabilities	–	46,217	385	–	(46,150)	452
<b>Total</b>		<b>343,440</b>	<b>179,421</b>	<b>26,067</b>	<b>(92,913)</b>	<b>456,015</b>

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

### (c) Financial risk management policies and objectives (cont'd)

#### Liquidity and interest risk analysis (cont'd)

#### Non-derivative financial liabilities (cont'd)

	Weighted average effective interest rate % p.a.	On demand or within 1 year \$'000	Within 2 to 5 years \$'000	After 5 years \$'000	Adjustment \$'000	Total \$'000
<b>Group</b>						
<b>June 1, 2017</b>						
Non-interest bearing	–	127,865	–	–	–	127,865
Finance lease liability (fixed rate)	5.12	102	305	13	(52)	368
Variable interest rate instruments	3.69	106,567	133,476	27,696	(34,250)	233,489
Fixed interest rate instruments	6.12	38,964	426	–	(1,662)	37,728
Financial guarantee liabilities	–	56,816	752	–	(56,617)	951
<b>Total</b>		<b>330,314</b>	<b>134,959</b>	<b>27,709</b>	<b>(92,581)</b>	<b>400,401</b>
<b>Company</b>						
<b>May 31, 2019</b>						
Non-interest bearing	–	52,554	–	306	–	52,860
Variable interest rate instruments	9.76	8,298	36,250	10,687	(14,838)	40,397
Financial guarantee liabilities	–	111,360	74	–	(111,285)	149
		<b>172,212</b>	<b>36,324</b>	<b>10,993</b>	<b>(126,123)</b>	<b>93,406</b>
<b>May 31, 2018</b>						
Non-interest bearing	–	65,662	–	306	–	65,968
Variable interest rate instruments	13.36	8,966	37,990	8,481	(15,423)	40,014
Fixed interest rate instruments	3.00	429	–	–	(13)	416
Financial guarantee liabilities	–	98,407	150	–	(98,331)	226
		<b>173,464</b>	<b>38,140</b>	<b>8,787</b>	<b>(113,767)</b>	<b>106,624</b>

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

### (c) Financial risk management policies and objectives (cont'd)

#### Liquidity and interest risk analysis (cont'd)

#### Non-derivative financial liabilities (cont'd)

	Weighted average effective interest rate % p.a.	On demand or within 1 year \$'000	Within 2 to 5 years \$'000	After 5 years \$'000	Adjustment \$'000	Total \$'000
<b>Company</b>						
<b>June 1, 2017</b>						
Non-interest bearing	–	59,999	–	–	–	59,999
Variable interest rate instruments	5.08	7,513	20,447	8,147	(7,116)	28,991
Fixed interest rate instruments	4.32	5,378	416	–	(169)	5,625
Financial guarantee liabilities	–	85,675	226	–	(85,589)	312
		158,565	21,089	8,147	(92,874)	94,927

The earliest period that the guarantee could be called is within 1 year (2018 : 1 year ; 2017 : 1 year) from the end of the reporting period. The Group and Company consider that it is more likely than not that no amount will be payable under the arrangement.

#### Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and Company anticipate that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statements of financial position.



# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

### (c) Financial risk management policies and objectives (cont'd)

#### Liquidity and interest risk analysis (cont'd)

#### Non-derivative financial assets (cont'd)

	Weighted average effective interest rate % p.a.	On demand or within 1 year \$'000	Within 2 to 5 years \$'000	After 5 years \$'000	Adjustment \$'000	Total \$'000
<b>Group</b>						
<b>May 31, 2019</b>						
Non-interest bearing	-	122,627	-	-	-	122,627
Fixed interest rate instruments	3.92	7,583	-	-	(66)	7,517
		<b>130,210</b>	<b>-</b>	<b>-</b>	<b>(66)</b>	<b>130,144</b>
<b>May 31, 2018</b>						
Non-interest bearing	-	80,079	-	-	-	80,079
Fixed interest rate instruments	4.22	17,416	-	-	(61)	17,355
		<b>97,495</b>	<b>-</b>	<b>-</b>	<b>(61)</b>	<b>97,434</b>
<b>June 1, 2017</b>						
Non-interest bearing	-	79,509	-	-	-	79,509
Variable interest rate instruments	4.15	249	6,158	-	(407)	6,000
Fixed interest rate instruments	3.91	28,885	26	-	(278)	28,633
		<b>108,643</b>	<b>6,184</b>	<b>-</b>	<b>(685)</b>	<b>114,142</b>

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

### (c) Financial risk management policies and objectives (cont'd)

#### Liquidity and interest risk analysis (cont'd)

#### Non-derivative financial assets (cont'd)

	Weighted average effective interest rate % p.a.	On demand or within 1 year \$'000	Within 2 to 5 years \$'000	After 5 years \$'000	Adjustment \$'000	Total \$'000
<b>Company</b>						
<b>May 31, 2019</b>						
Non-interest bearing	-	10,962	-	-	-	10,962
<b>May 31, 2018</b>						
Non-interest bearing	-	25,547	-	-	-	25,547
Fixed interest rate instruments	8.00	27	-	-	(2)	25
		25,574	-	-	(2)	25,572
<b>June 1, 2017</b>						
Non-interest bearing	-	16,432	-	-	-	16,432
Fixed interest rate instruments	2.81	2,459	26	-	(112)	2,373
		18,891	26	-	(112)	18,805

#### Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, provisions and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of the other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

### (d) Capital management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Notes 25, 30, 31, 32 and 34 and equity attributable to owners of the Company, comprising of share capital, reserves and accumulated profits. The Group is required to maintain the required gearing in order to comply with covenants in loan agreements with banks and financial institutions.

Management also ensures that the Group maintains certain security ratios of outstanding term loans over the value of the properties in order to comply with the loan covenants imposed by banks and financial institutions.

The Group monitors capital using debt ratio as follows:

	<b>May 31,</b>	<b>Group</b>	
	<b>2019</b>	May 31,	June 1,
	<b>\$'000</b>	2018	2017
		\$'000	\$'000
		(Restated)	(Restated)
Total debt	<b>308,717</b>	307,963	267,905
Total assets	<b>653,188</b>	618,899	579,772
Total equity	<b>131,338</b>	148,099	164,408
Debt-to-total assets ratio (times)	<b>0.47</b>	0.50	0.46
Debt-to-total equity ratio (times)	<b>2.35</b>	2.08	1.63

The Group's overall strategy with regards to capital management remains unchanged from prior year.

In the current year, a financial covenant relating to secured borrowings amounting to \$2,456,000 of a subsidiary was not met. Subsequent to the end of the reporting period, the Group obtained a waiver of the breach of the loan covenants from the relevant lender which is after the date on which the loan covenants were tested. Consequently, the secured borrowings of \$2,456,000 was reclassified from non-current liabilities to current liabilities.

## 5 RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 5 RELATED PARTY TRANSACTIONS (cont'd)

Significant related party transactions as follows:

	Group	
	2019	2018
	\$'000	\$'000
(a) <u>Associates and joint venture</u>		
Dividend income	2,366	10,991
Interest income	115	636
Financial guarantee income	263	333
Management fee income	335	823
Consultancy and service income	90	109

	Group	
	2019	2018
	\$'000	\$'000
(b) <u>Company in which a director has significant financial interest</u>		
Rental expenses	208	235

### (c) Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	Group	
	2019	2018
	\$'000	\$'000
Short-term benefits	4,000	3,610
Post-employment benefits	193	166

The remuneration of directors and other members of key management are determined by the Remuneration Committee having regard to the performance of individuals and market trends.

### (d) Guarantees given to related parties

No guarantees have been given except that the financial guarantee liabilities (Note 33) pertaining to the effects of fair value of corporate guarantee on initial recognition provided by the Group on behalf of associates to obtain banking facilities.

### (e) Professional fees paid to an independent non-executive director

An independent non-executive director of the Company is a partner of a firm which provided professional services amounting to \$2,100 (2018 : \$23,000).

### (f) Professional fees paid to an independent non-executive director of a subsidiary

An independent non-executive director of a subsidiary is a partner of a firm which provided professional services amounting to \$26,000 (2018 : \$119,000).

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 5 RELATED PARTY TRANSACTIONS (cont'd)

### (g) Advance payable to/ receivable from related parties

	Group	
	2019 \$'000	2018 \$'000
Advance payable to Former GCE (Note 27)	–	(10,000)
Advance receivable from Oscar (Note 9)	<b>3,000</b>	–

- (i) A sum of \$10 million representing the advance payable to the former Group Chief Executive ("Former GCE") of the Company was granted by the Former GCE to a subsidiary, TEE Land Limited in September 2017 pursuant to a loan agreement entered between the Former GCE and TEE Land Limited on 31 August 2017, and was fully repaid by TEE Land Limited to the Former GCE on February 28, 2019. The advance bore interest rate of 11.5% per annum and was unsecured. Interest expense and commitment fee expense recognised in the profit and loss amounted to \$616,000 (2018: \$969,000).

According to the Former GCE, based on the relevant supporting documents that the Former GCE has provided to the external auditors, the internal auditors and the External Investigator, (a) the shares in a subsidiary, TEE Resources Sdn. Bhd ("TEE Resources") (Note 19), were pledged by TEE Land Limited in September 2017 as a security to a third-party lender (the "Lender") which had agreed to provide a credit facility of US\$15 million to a related party, Oscar Investment Private Limited, ("Oscar") that is wholly-owned and controlled by the Former GCE; (b) this credit facility also bore interest at 11.5% per annum and was also supported by a personal guarantee given by the Former GCE. The purpose of the loan as stated in the loan facility agreement was to enable Oscar to apply all amounts borrowed to make intercompany loans to TEE Resources, as a back to back lending arrangement, to fund a certain development project; (c) out of the loan drawdown of US\$10 million by Oscar from the Lender, Oscar had advanced certain amount of the loan proceeds to the Former GCE, who in turn advanced \$10 million to TEE Land Limited to fund a certain development project undertaken by TEE Resources; and (d) subsequent to the financial year end, the pledge of the shares in TEE Resources was fully discharged by the lender in September 2019.

- (ii) The advance receivable from Oscar of \$3 million (2018: \$NIL) was unsecured, interest-free and had no fixed terms of repayment. During the financial year, the advance was granted by two subsidiaries of the Company to Oscar. According to the Former GCE, based on the relevant supporting documents that the Former GCE has provided to the external auditors, the internal auditors and the External Investigator, \$2.5 million of this advance was utilised by Oscar to repay its loan payable to the Lender as described in the preceding paragraph, while the balance of \$0.5 million was utilised by the Former GCE. Subsequent to the financial year end, the advance was fully repaid by the Former GCE and Oscar to the Group in August 2019.

- (iii) In addition, the following interest-free advances that were made during the financial year have been fully repaid during the financial year:

	Group	
	2019 \$'000	2018 \$'000
Advance received from Oscar	<b>(2,800)</b>	–
Advance paid to Former GCE	<b>500</b>	–
Advance paid to Oscar	<b>250</b>	–

According to the Former GCE, (a) the \$2.8 million advance received by a subsidiary from Oscar were used to deposit into a fixed deposit account to activate a banking credit line granted to the subsidiary, and (b) the advances totalling \$750,000 paid by a subsidiary to the Former GCE/Oscar were utilised by him/Oscar. These advances were fully repaid during the financial year.

- (iv) As disclosed in the Company's SGX announcement dated 13 September 2019, the Company has appointed an External Investigator to review, among other things, certain remittances paid to Oscar/the former GCE amounting to \$3.75 million and remittances received from Oscar amounting to \$2.8 million that were referred to above. As of the date of the issue of the financial statements, the investigation of the External Investigator is still on-going.

## NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

### 6 CASH AND CASH EQUIVALENTS

	Group			Company		
	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000
Cash at banks	39,443	9,596	26,972	758	989	3,493
Cash on hand	69	107	49	1	1	1
Project accounts:						
Cash at banks	18,366	20,035	6,380	–	–	–
Fixed deposits	–	2,005	4,019	–	–	–
Fixed deposits	2,997	3,159	2,167	–	–	–
	<b>60,875</b>	34,902	39,587	<b>759</b>	990	3,494
Less: Bank overdrafts (Note 25)	(3,321)	(4,611)	(6,148)	–	–	–
Cash and cash equivalents in the consolidated statement of cash flows	<b>57,554</b>	30,291	33,439	<b>759</b>	990	3,494

Fixed deposits bear average effective interest rate of 4.46% (May 31, 2018 : 2.95%, June 1, 2017 : 1.55%) per annum and for a tenure of approximately 255 days (May 31, 2018 : 167 days, June 1, 2017 : 183 days).

Project accounts are subject to restrictions under the Singapore Housing Developers (Project Account) Rules (1997 Ed) or the Malaysia Housing Development (Control and Licensing) Act, 1966. Withdrawals from these project accounts are restricted to payments for project expenditure incurred until the completion of the project.

### 7 BANK BALANCES PLEDGED

	Group			Company		
	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000
Bank balances pledged	3,290	523	2,837	–	–	1,390
Less: Amounts receivable within 12 months (shown under current assets)	(3,290)	(52)	(2,402)	–	–	(1,390)
Amounts receivable after 12 months	–	471	435	–	–	–

These bank balances were pledged as security for certain bank facilities and bear average effective interest rate of 1.93% (May 31, 2018 : 1.93%, June 1, 2017 : 1.47%) per annum and for a tenure of approximately 200 days (May 31, 2018 : 491 days, June 1, 2017 : 387 days).

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 8 TRADE RECEIVABLES

	Group			Company		
	May 31, 2019 \$'000	May 31, 2018 \$'000 (Restated)	June 1, 2017 \$'000 (Restated)	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000
	Contract trade receivables	36,409	29,693	29,114	–	34
Third parties	7,412	874	111	–	–	–
Others	615	585	349	–	–	47
<b>Total</b>	<b>44,436</b>	<b>31,152</b>	<b>29,574</b>	<b>–</b>	<b>34</b>	<b>269</b>

The credit period granted to customers is generally 14 to 45 days (May 31, 2018 : 14 to 45 days, June 1, 2017 : 14 to 45 days). No interest is charged on the outstanding trade receivables. Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off is subject to enforcement activities.

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with SFRS(I) 9:

	Group May 31, 2019 Lifetime ECL - credit-impaired \$'000
<b>Group</b>	
As at June 1, 2018, as previously reported	854
Reclassified to contract assets (Note 14)	(744)
As at June 1, 2018, as restated	110
Change in allowance due to net trade receivable originated, net of those derecognised due to settlement	178
Foreign currency exchange alignment	(20)
Balance as at May 31, 2019	268

In determining the recoverability of a trade receivable, the Group and Company consider any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The Group has ten (May 31, 2018 : fifteen; June 1, 2017 : ten) customers making up \$12,889,000 (May 31, 2018 : \$13,411,000, June 1, 2017 : \$22,237,000) which accounted for 29.0% (May 31, 2018 : 44.0%, June 1, 2017 : 75.2%) of the Group's trade receivables.

## NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

### 8 TRADE RECEIVABLES (cont'd)

Previous accounting policy for allowance for trade receivables

In 2018, an allowance has been made for estimated irrecoverable amounts from the sale of goods and rendering of services by the Group to third parties of \$854,000. This allowance has been determined by reference to past default experience.

Movements in the allowance for doubtful debts:

	Group May 31, 2018 \$'000
At beginning of the year	189
Foreign currency exchange adjustment	17
Acquisition of subsidiaries	2
Increase in allowance recognised in profit or loss	646
At end of the year	<u>854</u>

The Group and the Company closely monitor the credit quality of its trade receivables and consider trade receivables that are neither past due nor impaired to be of a good credit quality. In 2018, included in the Group's and Company's trade receivable balance are debtors with a carrying amount of \$2,289,000 (June 1, 2017 : \$424,000) and \$Nil (June 1, 2017 : \$Nil) respectively which are past due at the end of the reporting period for which the Group has not made allowance as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 101 days (June 1, 2017 : 174 days). Management believes that there is no further credit allowance required in excess of the allowance for doubtful debts.



# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 9 OTHER RECEIVABLES

	Group			Company		
	May 31, 2019 \$'000	May 31, 2018 \$'000 (Restated)	June 1, 2017 \$'000 (Restated)	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000
Associates and joint venture (a) (Notes 5 and 18)	33	103	111	-	-	-
Subsidiaries (b) (Note 19)	-	-	-	9,837	21,638	11,237
Non-controlling interest (c)	1,113	1,114	1,122	-	-	7
A related party (d)	3,000	-	-	-	-	-
Interest receivables due from associates/former associate (Notes 5 and 18)	1,828	1,959	3,597	-	-	-
Interest receivables	34	-	13	-	815	38
Dividend receivable	-	-	-	-	707	-
Deferred commission expenses (e)	491	282	-	491	282	-
Deferred show flat costs (e)	2,109	129	131	-	-	-
Prepayments	1,894	3,005	797	38	328	43
Deposits (f)	2,183	1,523	959	202	224	216
Former joint developer (g)	-	-	21	-	-	-
Loan to former joint developer (g)	-	-	6,000	-	-	-
Advances to directors of subsidiaries (h) (Note 5)	658	451	622	-	-	-
Accrued rental income	613	704	-	613	704	-
Outside parties (i)	1,691	10,606	2,156	-	439	471
	<b>15,647</b>	<b>19,876</b>	<b>15,529</b>	<b>11,181</b>	<b>25,137</b>	<b>12,012</b>
Less: Amounts receivable within 12 months (shown under current assets)	<b>(14,287)</b>	<b>(18,665)</b>	<b>(9,385)</b>	<b>(10,240)</b>	<b>(24,033)</b>	<b>(11,972)</b>
Amounts receivable after 12 months	<b>1,360</b>	<b>1,211</b>	<b>6,144</b>	<b>941</b>	<b>1,104</b>	<b>40</b>

For purpose of impairment assessment, other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

- (a) The amount due from associates and joint venture of \$33,000 (May 31, 2018 : 103,000, June 1, 2017 : \$111,000) is unsecured, interest-free and repayable within 12 months from the reporting date. An allowance has been made for estimated irrecoverable amounts of \$Nil (May 31, 2018 : \$2,000, June 1, 2017 : \$Nil).
- (b) The amounts due from subsidiaries are unsecured, interest-free and repayable on demand. Allowance has been made for estimated irrecoverable amounts by the Company of \$18,675,000 (May 31, 2018 : \$19,506,000, June 1, 2017 : \$19,542,000).

## NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

### 9 OTHER RECEIVABLES (cont'd)

- (c) Other receivables due from non-controlling interest shareholders of \$1,113,000 (May 31, 2018 : \$1,114,000, June 1, 2017 : \$1,122,000) are unsecured, interest-free and repayable within 12 months (May 31, 2018 : repayable within 12 months, June 1, 2017 : repayable within 12 months). The fair value approximates its carrying amount.
- (d) Other receivables due from a related party of \$3,000,000 (May 31, 2018 : \$Nil, June 1, 2017 : \$Nil) are unsecured, interest-free and had no fixed terms of repayment as disclosed in Note 5 (g)(ii). Subsequent to the financial year, the remittance of \$3,000,000 was fully repaid in August 2019.
- (e) Deferred commission expenses are recognised in profit or loss as and when revenue is recognised.
- Deferred show flat costs are capitalised and amortised to profit or loss over marketing period.
- (f) Included in deposits are:
- (i) An amount of \$3,374,000 for an option to acquire 26 plots of land located in Mukim Klang, Daerah Klang, Negeri Selangor, Malaysia from a third party (the "Seller"). The Group has terminated the acquisition as a result of non-compliance of conditions precedent by the Seller and assessed and determined that the option money may not be collectable. Accordingly, full allowance for doubtful receivable has been provided for this option money amount in 2016. In 2019, management reassessed that the option money may still be uncollectable and hence remain as doubtful receivables at the end of the reporting period;
- (ii) An amount of \$361,000 for an option to acquire land located in Batam Island, Indonesia from a third party (the "Seller"). The Group has terminated the acquisition as a result of non-compliance of conditions precedent by the Seller and assessed and determined half of the deposit paid may not be collectable. Accordingly, full allowance for doubtful receivable has been provided in 2019 (May 31, 2018 : \$181,000, June 1, 2017 : \$Nil); and
- (iii) In 2017, \$2,595,000 deposit had been transferred to development properties as the acquisition of the land was completed and a refundable deposit for potential investment amounting to \$3,410,000 which was unsecured, bore interest bearing at 4.00% per annum, was refunded.
- (g) In 2017, the loan to former joint developer of \$6,000,000 was unsecured and repayable after 12 months from the end of the reporting period. The loan bore floating interest of 1.1% per annum below Hong Leong Finance Enterprise Base Rate, which approximated an average of 4.15% per annum. The loan has been received during the year of 2018.
- In 2017, the amount of \$21,000 due from former joint developer was unsecured, interest-free and repayable within 12 months from the end of the reporting period. The amount due has been received during the year of 2018.
- (h) The advances to directors of subsidiaries are provided under an approved employees loan scheme and are unsecured, interest-free and not repayable within the next twelve months.
- (i) Included in amount due from outside parties were:
- (i) The amount due from outside parties relating to disposal of property, plant and equipment in prior year are unsecured, interest-free and repayable on demand. An allowance has been made for estimated irrecoverable amounts by the Group of \$988,000 (May 31, 2018 : \$1,002,000, June 1, 2017 : \$546,000);
- (ii) In 2018, an amount of \$8,421,000 being the amount receivable from the exercise of the call option by the Purchaser on the Option Shares in Chewathai Public Company Limited ("Chewathai"). The Purchaser, Chartchewa Company Limited, is the buyer of the Group's entire shareholding interest of 239,119,300 ordinary shares in the capital of Chewathai ("Chewathai Shares"), the Group's associate in Thailand. The Option Shares were 151,119,300 Chewathai Shares for which the Purchaser had exercised call option on May 28, 2018 (Note 18). The amount has been received in August 2018; and
- (iii) In 2018, an amount of \$646,000 being the amount receivable for the Distribution Shares, payable by the Purchaser. The Distribution Shares were the stock dividend declared by Chewathai before the exercise of the call option by the Purchaser, for which the Purchaser was obligated to purchase at the same price as the Chewathai Shares. The amount has been received in August 2018.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 9 OTHER RECEIVABLES (cont'd)

The table below shows the movement in 12-month ECL that has been recognised for other receivables in accordance with SFRS(I) 9:

	Group	Company
	May 31, 2019	
	12-month ECL - credit-impaired	
	\$'000	\$'000
At beginning of the year	4,559	19,508
Change in allowance due to net other receivable originated, net of those derecognised due to settlement	166	(833)
Foreign currency exchange alignment	47	-
At end of the year	<u>4,772</u>	<u>18,675</u>

### Previous accounting policy for allowance for other receivables

Movements in the allowance for doubtful debts:

	Group	Company
	May 31, 2018	
	\$'000	\$'000
At beginning of the year	3,920	19,542
Increase (Decrease) in allowance recognised in profit or loss (Note 43)	639	(34)
At end of the year	<u>4,559</u>	<u>19,508</u>

## 10 LOANS RECEIVABLES

	Group			Company		
	May 31,	May 31,	June 1,	May 31,	May 31,	June 1,
	2019	2018	2017	2019	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Loans receivables from former associate	-	-	933	-	-	933
Loans receivables from associates	<u>10,839</u>	<u>14,376</u>	<u>25,860</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>10,839</b>	<b>14,376</b>	<b>26,793</b>	<b>-</b>	<b>-</b>	<b>933</b>

Included in the Group's loans receivables is an amount of \$9,608,000 (May 31, 2018 : \$8,031,000, June 1, 2017 : \$8,166,000) which is unsecured, interest-free and expected to be repaid upon completion of the development project held by an associate. The remaining amount of \$1,231,000 (May 31, 2018 : \$6,345,000, June 1, 2017 : \$18,627,000) is unsecured, bears interest which is fixed at 5.00% (May 31, 2018 : 5.00%, June 1, 2017 : 4.00% to 5.00%) per annum.

For purpose of impairment assessment, the loans receivables are considered to have low credit risk as they are repayable on demand at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12 months expected credit losses (ECL).

## NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

### 10 LOANS RECEIVABLES (cont'd)

In determining the ECL, management has taken into account the historical default experience, the financial position of the counterparties, as well as the future prospects of the industries in which the issuers of these debt instruments obtained from economic expert reports, financial analyst reports and considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. Management is of the view that the ECL relating to these financial assets is not significant.

In 2017, the Company's loans receivable from former associate of \$933,000 was unsecured and bore interest which was fixed at 5.35% per annum. The amount has been received in 2018.

The fair value of the Group's loans receivables approximates their carrying amounts as their interest rates approximate current market interest rates on or near the end of the reporting period.

The table below shows the movement in 12-month ECL that has been recognised for loans receivables in accordance with SFRS(I) 9:

	<b>Group May 31, 2019 12-month ECL \$'000</b>
At beginning of the year	–
Change in allowance due to net loans receivable originated, net of those derecognised due to settlement	<b>665</b>
At end of the year	<b>665</b>

### 11 HELD-TO-MATURITY FINANCIAL ASSET

	<b>Group</b>			<b>Company</b>		
	<b>May 31, 2019 \$'000</b>	<b>May 31, 2018 \$'000</b>	<b>June 1, 2017 \$'000</b>	<b>May 31, 2019 \$'000</b>	<b>May 31, 2018 \$'000</b>	<b>June 1, 2017 \$'000</b>
Quoted debt securities, at amortised cost	–	25	50	–	25	50
<u>Presentation on statement of financial position:</u>						
Current assets	–	25	25	–	25	25
Non-current assets	–	–	25	–	–	25
Total	–	25	50	–	25	50

The quoted debt securities have nominal values amounting to \$Nil (May 31, 2018 : \$25,000, June 1, 2017 : \$50,000) with coupon rates of 8% per annum and maturity dates ranging from December 13, 2017 to December 13, 2018. The quoted debt securities of \$25,000 was fully redeemed during the year.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS / HELD FOR TRADING INVESTMENT

On June 1, 2018, the Group designated the investments shown below as at FVTPL because these represent investments that offer the Group the opportunity for return through dividend income and fair value gains. In 2018 and 2017, these investments were classified as held-for-trading.

	Group			Company		
	May 31,	May 31,	June 1,	May 31,	May 31,	June 1,
	2019	2018	2017	2019	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Listed equity securities, at fair value	<b>164</b>	700	700	<b>164</b>	700	700

The balance represented investment in a listed equity security in Singapore and measured at fair value by reference to quoted prices as at year end.

The fair value measurement of the listed equity securities is classified within Level 1 of the fair value hierarchy. Changes in the fair value of financial asset at fair value through profit or loss, amounting to \$536,000 (May 31, 2018 : \$Nil, June 1, 2017 : \$Nil) have been included in profit or loss for the year as part of "other operating expenses".

## 13 INVENTORIES

	Group		
	May 31,	May 31,	June 1,
	2019	2018	2017
	\$'000	\$'000	\$'000
At cost:			
Consumables	<b>203</b>	168	27

## 14 CONTRACT ASSETS

	Group		
	May 31,	May 31,	June 1,
	2019	2018	2017
	\$'000	\$'000	\$'000
		(Restated)	(Restated)
Accrued revenue	<b>35,235</b>	41,756	29,122
Amounts related to construction engineering contracts	<b>141,098</b>	92,410	101,599
Net	<b>176,333</b>	134,166	130,721

Contract assets relating to accrued revenue are amounts for which the Group have performed work as at end of reporting period, but have not billed the customer. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

Contract assets relating to construction engineering contracts are balances due from customers under contract income that arise when the Group becomes entitled to invoice customers in line with achieving a series of performance-related milestones. The Group would recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 14 CONTRACT ASSETS (cont'd)

Management estimates the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the relevant customers' industry.

None of the amounts due from customers at the end of the reporting period is past due.

Based on the Group's historical credit loss experience with the relevant customers, as well as available forward-looking information, the Group has assessed the expected credit loss rate on contract assets to be insignificant.

The table below shows the movement in 12-month ECL that has been recognised for contract assets in accordance with SFRS(I) 9:

	<b>Group May 31, 2019 Lifetime ECL - credit-impaired \$'000</b>
<b>Group</b>	
As at June 1, 2018, as previously reported	-
Reclassified from trade receivables (Note 8)	<b>744</b>
As at June 1, 2018, as restated	<b>744</b>
Change in allowance due to net contract assets originated, net of those derecognised due to settlement	<b>(658)</b>
Balance as at May 31, 2019	<b>86</b>

## 15 CONTRACT COSTS

	<b>Group</b>		
	<b>May 31, 2019 \$'000</b>	May 31, 2018 \$'000 (Restated)	June 1, 2017 \$'000 (Restated)
Costs to obtain contracts	<b>1,240</b>	3,515	3,854

Costs to obtain contracts relate to incremental commission fees ranging from 3% to 8% and legal fees paid to intermediaries as a result of obtaining residential property sales contracts.

These costs are amortised on a straight-line basis over the period of construction (in general, 2 to 3 years) as this reflects the period over which the residential property is transferred to the customer. During the year, the Group's amortisation amounting to \$4,481,000 (2018 : \$5,344,000) was recognised as part of the cost of sales recognised in profit or loss. There was no impairment loss in relation to the costs capitalised.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 16 DEVELOPMENT PROPERTIES / COMPLETED PROPERTIES AND LAND HELD FOR SALE

	May 31, 2019 \$'000	Group	
		May 31, 2018 \$'000 (Restated)	June 1, 2017 \$'000 (Restated)
Development properties	175,838	194,492	125,314
Completed properties and land held for sale	42,974	46,502	47,001
Total	<b>218,812</b>	240,994	172,315

	May 31, 2019 \$'000	Group	
		May 31, 2018 \$'000 (Restated)	June 1, 2017 \$'000 (Restated)
Land and land related costs	167,420	169,002	98,365
Development costs	8,418	25,490	26,949
	<b>175,838</b>	194,492	125,314

Development properties have operating cycles longer than one year and are intended for sale in the Group's normal operating cycle. Accordingly, the development properties are classified as current assets.

Development properties recognised as "cost of sales" amounted to \$54,480,000 (May 31, 2018 : \$64,901,000) during the year.

### Allowance for diminution in value for completed properties and land held for sale

	Group	
	2019 \$'000	2018 \$'000
At beginning of the year	6,275	4,998
Charge to profit or loss	542	1,277
Write off	(2,765)	–
At end of the year	<b>4,052</b>	6,275

The Group makes allowance for diminution in value taking into account estimated net realisable values of the project by reference to comparable properties, location and property market conditions.

The allowance for diminution value was made on certain properties due to the weakening market conditions these properties.

## NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

### 16 DEVELOPMENT PROPERTIES / COMPLETED PROPERTIES AND LAND HELD FOR SALE (cont'd)

Allowance for diminution in value for completed properties and land held for sale (cont'd)

Details of the Group's development properties as at May 31, 2019 are as follows:

Name of Property/location	Description	Tenure	Estimated percentage of completion	Year to be completed	Land area (sq m)	Gross floor area (sq m)	Group's interest in property
<u>Properties in the course of development:</u>							
183 Longhaus 183 Upper Thomson Road, Singapore	40 residential units and 10 commercial units	Freehold	96%	July 31, 2019	1,576	4,727	63%
Rezi 35 Geylang Lorong 35, Singapore	44 units of residential apartments	Freehold	46%	Fourth quarter 2019**	1,115	3,121	32%
Lattice One 1 Seraya Crescent, Singapore	48 units of residential apartments	Freehold	*	Second quarter 2021**	2,236	3,131	63%
35 Gilstead 35 Gilstead Road, Singapore	70 units of residential apartments	Freehold	5%	Second quarter 2021**	3,528	4,954	38%

\* No revenue has been recognised in respect of this development property.

\*\* Standard calendar year quarters.



## NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

### 16 DEVELOPMENT PROPERTIES / COMPLETED PROPERTIES AND LAND HELD FOR SALE (cont'd)

Details of the Group's completed properties and land held for sale as at May 31, 2019 are as follows:

Name of Property/ location	Description	Tenure	Estimated percentage of completion	Land area (sq m)	Gross floor area (sq m)	Group's interest in property
<u>Completed properties and land held for sale:</u>						
31 Harvey Avenue, Singapore	1 unit of 3-storey house	Freehold	100%	515	723	63%
The Peak @ Cairnhill I, 51 Cairnhill Circle, Singapore	2 units of residential apartments	Freehold	100%	978	256	63%
Third Avenue, Jalan Teknokrat 3, Cyberjaya, Selangor, Malaysia	4 units residential apartments, 3 commercial units and 1 office block	Freehold	100%	24,085	20,725	63%
Peach Garden Phu Huu Residential District 9, Ho Chi Minh City, Vietnam	28 plots of land	Freehold	100%	6,029	-	41%

Development properties were pledged to banks to secure the bank loans and long-term borrowings granted to the Group as disclosed in 31 respectively.

Finance costs capitalised as cost of development properties during the year amounted to \$108,000 (May 31, 2018 : \$152,000, June 1, 2017 : \$249,000) at interest rates is 11.5% (May 31, 2018 : 11.5%, June 1, 2017 : 11.5%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 17 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	<b>Group</b>		
	<b>May 31, 2019 \$'000</b>	May 31, 2018 \$'000	June 1, 2017 \$'000
At beginning of the year	<b>47,617</b>	47,481	–
Foreign currency exchange adjustment	–	(848)	–
Reclassified (to) from property, plant and equipment (Note 22)	<b>(47,617)</b>	–	74,953
Additions	–	1,067	–
Written off	–	(83)	–
Less: Disposal	–	–	(27,472)
Net	<b>–</b>	<b>47,617</b>	<b>47,481</b>

Following the approval of the subsidiary's (TEE Land Limited) directors on July 26, 2016 to sell the two hotels in Australia, the freehold land and building on freehold land are classified as "non-current assets classified as held for sale" and presented separately in the consolidated statement of financial position.

In 2017, the subsidiary sold one of the hotels for a consideration of approximately \$32,820,000 (A\$31,365,000), net of transaction cost. The gain on disposal of \$5,348,000 (A\$5,111,000) was recorded in the profit or loss.

The subsidiary was actively marketing for sale of Larmont Hotel Sydney since the date of reclassification in 2017. The sales have not been completed as at the end of the reporting period. In 2018, the subsidiary's management and directors have reassessed and are satisfied that the freehold land and building on freehold land continues to meet the criteria to be classified as held for sale in accordance with FRS 105 *Non-current assets held for sale and discontinued operations*. In 2019, the subsidiary's management and directors have reassessed the probability of the sales and deemed that the asset is unlikely to be recovered through a sales transaction. The freehold land and building on freehold land has been reclassified to property, plant and equipment (Note 22) in accordance to SFRS (I) 5 *Non-current asset held for sale*.

In 2018 and 2017, the non-current assets held for sale were pledged to banks to secure the long-term borrowings granted to the Group (Note 31).

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 18 INVESTMENT IN ASSOCIATES AND JOINT VENTURE

	Group			Company		
	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000
<b>Associates</b>						
Quoted equity shares, at cost	-	-	9,875	-	-	-
Unquoted equity shares, at cost	11,280	11,280	11,643	-	300	300
Deemed cost of investment	4,756	4,756	5,766	-	-	-
Share of post-acquisition reserves, net of dividend received	1,710	4,018	21,012	-	-	-
Impairment:						
Balance b/f	(491)	-	-	-	-	-
Recognised in profit or loss	(3,600)	(7,788)	-	-	(300)	-
Disposal of associate	-	7,297	-	-	-	-
Net	(4,091)	(491)	-	-	(300)	-
Total	13,655	19,563	48,296	-	-	300
<b>Joint venture</b>						
Unquoted equity shares, at cost	9	9	9	-	-	-
Share of post-acquisition reserves, net of dividend received	120	261	882	-	-	-
Total	129	270	891	-	-	-

Deemed cost of investment pertains to the effects of fair value of financial guarantee on initial recognition provided by the Group on behalf of associates to obtain banking facilities.

Management had performed an impairment review on the investment of associates and impairment loss of \$3,600,000 (May 31, 2018 : \$7,788,000) is recognised during the year based on the fair value less cost to sell.

The Group's wholly-owned subsidiary, TEE Infrastructure Private Limited ("TEE Infrastructure"), together with Dymon Asia Capital (Singapore) Pte. Ltd.'s private equity arm, through their newly incorporated associate company, TEE Medical Services Pte. Ltd. ("TEE Medical"), entered into a sale and purchase agreement to acquire the biohazardous waste, cytotoxic waste and pharmaceutical waste treatment business from SembCorp Environment Pte. Ltd., a wholly-owned subsidiary of Sembcorp Industries Limited for a consideration of S\$20,000,000. The acquisition was completed on September 1, 2018.

On February 28, 2019, TEE Infrastructure entered into an agreement with Asia Enviro Services Ltd. and completed its disposal of its entire 45% stake in TEE Medical. A gain on disposal of \$139,000 has been included in the line item "other operating income" in the profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 18 INVESTMENT IN ASSOCIATES AND JOINT VENTURE (cont'd)

Details of the Group's significant associates and joint venture are as follows:

Name of associate/ joint venture	Place of incorporation and operation	Principal activity	Proportion of effective ownership interest and voting power held		
			May 31, 2019	May 31, 2018	June 1, 2017
			%	%	%
<b><u>Associates</u></b>					
Unique Development Pte. Ltd. ("UDPL") Singapore <sup>(2) (5)</sup>		Development of real estate	13	13	13
Unique Realty Pte. Ltd. ("UREL") Singapore <sup>(2) (5)</sup>		Development of real estate	13	13	13
Residenza Pte. Ltd. ("RPL") Singapore <sup>(2) (5)</sup>		Development of real estate	20	20	20
Unique Consortium Pte. Ltd. ("UCPL") Singapore <sup>(2) (5)</sup>		Development of real estate	13	13	13
Unique Commercial Pte. Ltd. ("UCom") Singapore <sup>(4) (5)</sup>		Development of real estate	35	35	–
Wealth Development Pte. Ltd. ("WDV") <sup>(2) (5)</sup> Singapore		Development of real estate	30	30	–
Development 26 Pte. Ltd. ("D26") Singapore <sup>(2) (5)</sup>		Development of real estate	28	28	28
Chewathai Public Company Limited ("CWL") Thailand <sup>(1) (5) (6)</sup>		Development of real estate	–	–	20
Global Environmental Technology Co., Ltd. ("GETCO") Thailand <sup>(1)</sup>		Wastewater treatment	49	49	49
<b><u>Joint venture</u></b>					
TEE-HC Engineering Company Limited Macao <sup>(3)</sup>		Provision of mechanical and electrical engineering	55	55	55

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 18 INVESTMENT IN ASSOCIATES AND JOINT VENTURE (cont'd)

- (1) Audited by another firm of auditors, Ernst & Young Office Limited, Thailand for equity accounting purposes for Group consolidation.
- (2) Audited by another firm of auditors, Ernst & Young LLP, Singapore for equity accounting purposes for Group consolidation.
- (3) Audited by another firm of auditors, KPMG, Macao for equity accounting purposes for Group consolidation.
- (4) Audited by another firm of auditors, Baker Tilly TFW LLP, Singapore for the purpose of consolidation.
- (5) Held by a subsidiary, TEE Land Limited (Note 19).
- (6) In 2018, Chewathai Public Company Limited was disposed and recorded impairment loss recognised in profit or loss of \$7,297,000 (Note 43).

In accordance with the requirements of Rules 715 and 716 of the SGX-ST Listing Manual, the directors of the Company and the Audit Committee, having reviewed the appointment of different auditors for the Group's associates, are satisfied that these appointments would not compromise the standard and effectiveness of the audit of the Group.

In 2018, by an extraordinary general meeting held on January 24, 2018, the Group disposed of its entire shareholding interest of 239,119,300 ordinary shares in the capital of its associate, Chewathai Public Company Limited ("Chewathai") to Chartchewa Company Limited ("Purchaser"). The selling price per share was Baht 1.33, being negotiated at arms-length and arrived at on a "willing-buyer, willing-seller" basis, taking into account, inter alia, the market capitalisation and net asset value of Chewathai as at September 30, 2017. The par value per share is Baht 1.00.

The disposal was in two tranches as follows:

- 88,000,000 ordinary shares in Chewathai was sold to the Purchaser on January 26, 2018; and
- the remaining 151,119,300 ordinary shares in Chewathai was sold to the Purchaser upon the exercise of a call option by the Purchaser on May 28, 2018.

Summarised financial information in respect of the Group's associates and joint venture is set out below:

	<b>Group</b>		
	<b>May 31, 2019 \$'000</b>	May 31, 2018 \$'000	June 1, 2017 \$'000
Total assets	<b>225,605</b>	252,674	510,588
Total liabilities	<b>(182,345)</b>	(197,847)	(357,666)
Net assets	<b>45,260</b>	54,827	152,922
Group's share of associates' and joint venture's net assets	<b>13,784</b>	19,833	49,187
		<b>2019</b>	2018
		<b>\$'000</b>	\$'000
Revenue		<b>25,067</b>	133,828
(Loss) Profit for the year		<b>(3,218)</b>	8,707
Group's share of associates' and joint venture's results for the year		<b>(226)</b>	3,038
Dividends received from associates and joint venture during the year		<b>2,366</b>	10,991

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 18 INVESTMENT IN ASSOCIATES AND JOINT VENTURE (cont'd)

The summarised financial information below represents amounts shown in the associates' and joint venture's financial statements prepared in accordance with SFRSs and includes adjustments by the Group to align with the Group's accounting policy for equity accounting purposes. Summarised and reconciliation of the financial information in respect of each of the Group's material associates and joint venture is set out below.

### Summarised statement of financial position

May 31, 2019

	Associates										Joint Venture	
	UDPL \$'000	UREL \$'000	RPL \$'000	UCPL \$'000	D26 \$'000	UCOM \$'000	WDV \$'000	GETCO \$'000	Individually immaterial associates \$'000	Total \$'000	TEE-HC Engineering \$'000	Total \$'000
Proportion of the Group's ownership interest	13%	13%	20%	13%	28%	35%	30%	49%	20 to 50%		55%	
Current assets	3,075	2,449	2,124	23,792	276	51,973	30,562	3,189	23,779	141,219	296	141,515
Non-current assets	943	-	-	1,723	-	151	-	8,678	72,595	84,090	-	84,090
Current liabilities	(687)	(391)	(825)	(5,335)	(109)	(6,027)	(9,454)	(1,966)	(14,979)	(39,773)	(62)	(39,835)
Non-current liabilities	-	(93)	-	(17,136)	(420)	(48,409)	(22,000)	(1,248)	(51,204)	(140,510)	-	(140,510)
Net assets	3,331	1,965	1,299	3,044	(253)	(2,312)	(892)	8,653	30,191	45,026	234	45,260
Group's share of net assets	666	393	416	609	-	(446)	(268)	4,240	7,380	12,990	129	13,119
Deemed cost of investment	1,054	610	201	694	300	446	440	-	1,011	4,756	-	4,756
Impairment loss	(1,054)	(610)	(201)	(694)	(300)	-	-	-	(1,232)	(4,091)	-	(4,091)
Carrying amount of the Group's interest in associate and joint venture	666	393	416	609	-	-	172	4,240	7,159	13,655	129	13,784

## NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 18 INVESTMENT IN ASSOCIATES AND JOINT VENTURE (cont'd)

## Summarised statement of profit or loss and comprehensive income

2019

	Associates							Joint Venture				
	UDPL \$'000	UREL \$'000	RPL \$'000	UCPL \$'000	D26 \$'000	UCOM \$'000	WDV \$'000	GETCO \$'000	Individually immaterial associates \$'000	Total \$'000	TEE-HC Engineering \$'000	Total \$'000
Revenue	-	2,550	-	-	-	2,740	-	7,959	11,469	24,718	349	25,067
Profit (Loss) for the year	52	(388)	(218)	(89)	(317)	(1,807)	(741)	572	(406)	(3,342)	124	(3,218)
Dividends received from associates and joint venture during the year	240	-	1,891	-	-	-	-	-	22	2,153	213	2,366

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 18 INVESTMENT IN ASSOCIATES AND JOINT VENTURE (cont'd)

Summarised statement of financial position

May 31, 2018

	Associates										Joint Venture	
	UDPL \$'000	UREL \$'000	RPL \$'000	UCPL \$'000	D26 \$'000	UCOM \$'000	WDV \$'000	GETCO \$'000	Individually immaterial associates \$'000	Total \$'000	TEE-HC Engineering \$'000	Total \$'000
Proportion of the Group's ownership interest	13%	13%	20%	13%	28%	35%	30%	49%	20 to 50%		55%	
Current assets	5,074	3,066	9,950	29,304	350	57,856	37,165	3,421	21,369	167,555	590	168,145
Non-current assets	946	-	-	13,546	-	83	-	8,536	61,418	84,529	-	84,529
Current liabilities	(1,541)	(642)	(2,524)	(21)	(286)	(7,233)	(10,317)	(2,102)	(2,184)	(26,850)	(99)	(26,949)
Non-current liabilities	-	(72)	-	(39,696)	-	(51,210)	(27,000)	(2,108)	(50,812)	(170,898)	-	(170,898)
Net assets	4,479	2,352	7,426	3,133	64	(504)	(152)	7,747	29,791	54,336	491	54,827
Group's share of net assets	896	470	2,376	627	29	(176)	(46)	3,796	7,095	15,067	270	15,337
Deemed cost of investment	1,054	610	201	694	300	446	440	-	1,011	4,756	-	4,756
Impairment loss	-	-	-	-	(271)	-	-	-	(220)	(491)	-	(491)
Other adjustments	-	-	-	-	-	-	-	-	231	231	-	231
Carrying amount of the Group's interest in associate and joint venture	1,950	1,080	2,577	1,321	58	270	394	3,796	8,117	19,563	270	19,833



# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 18 INVESTMENT IN ASSOCIATES AND JOINT VENTURE (cont'd)

### Summarised statement of profit or loss and comprehensive income

2018

	Associates							Joint Venture				
	UDPL \$'000	UREL \$'000	RPL \$'000	UCPL \$'000	D26 \$'000	UCOM \$'000	WDV \$'000	GETCO \$'000	Individually immaterial associates \$'000	Total \$'000	TEE-HC Engineering \$'000	Total \$'000
Revenue	1,797	8,560	-	-	-	24,718	8,258	7,841	77,774	128,948	4,880	133,828
(Loss) Profit for the year	(17)	1,863	(70)	(2,914)	1,084	(21)	(349)	290	8,850	8,716	(9)	8,707
Dividends received from associates and joint venture during the year	580	1,900	-	7,000	450	-	-	510	-	10,440	551	10,991

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 18 INVESTMENT IN ASSOCIATES AND JOINT VENTURE (cont'd)

### Summarised statement of financial position

June 1, 2017

	Associates										Joint Venture	
	UDPL	UREL	RPL	UCPL	D26	CWL	GETCO	Individually immaterial associates	Total	TEE-HC Engineering	Total	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Proportion of the group's ownership interest	13%	13%	20%	13%	28%	20%	49%	13 to 50%		55%		
Current assets	9,118	17,884	10,395	42	4,149	158,749	6,130	153,209	359,676	2,386	362,062	
Non-current assets	944	-	-	69,474	-	22,678	8,728	46,702	148,526	-	148,526	
Current liabilities	(2,666)	(7,818)	(2,638)	(24)	(3,169)	(97,455)	(3,669)	(62,431)	(179,870)	(799)	(180,669)	
Non-current liabilities	-	(77)	(260)	(28,445)	-	(36,436)	(2,931)	(108,848)	(176,997)	-	(176,997)	
Net assets	7,396	9,989	7,497	41,047	980	47,536	8,258	28,632	151,335	1,587	152,922	
Group's share of net assets	1,479	1,998	2,399	8,209	441	16,968	4,046	6,741	42,281	873	43,154	
Deemed cost of investment	1,054	610	201	691	300	1,185	-	1,725	5,766	-	5,766	
Other adjustments	-	-	-	-	-	-	-	249	249	18	267	
Carrying amount of the group's interest in associate and joint venture	2,533	2,608	2,600	8,900	741	18,153	4,046	8,715	48,296	891	49,187	

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 19 INVESTMENT IN SUBSIDIARIES

	Company		
	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000
Quoted equity shares, at cost	70,671	70,671	70,671
Unquoted equity shares, at cost	49,713	38,514	37,514
Deemed cost of investment	2,256	2,256	2,256
Impairment loss	(5,786)	(1,511)	(1,511)
Net	<b>116,854</b>	109,930	108,930

Deemed cost of investment pertains to the effects of fair value of financial guarantees on initial recognition provided by the Company on behalf of its subsidiaries for the granting of banking facilities.

Management had performed an impairment review on the investment of subsidiaries and is of the view that no impairment is required during the year based on the carrying amount of the underlying net assets which approximates the estimated fair value less cost to sell.

Details of the Company's significant subsidiaries are as follows:

Name of subsidiary/ Country of incorporation and operation	Principal activity	Proportion of ownership interest and voting power held		
		May 31, 2019 %	May 31, 2018 %	June 1, 2017 %
Trans Equatorial Engineering Pte. Ltd. Singapore <sup>(1)</sup>	Provision of mechanical and electrical engineering services	100	100	100
PBT Engineering Pte. Ltd. Singapore <sup>(1)</sup>	Provision of addition, alteration and upgrading of existing buildings, mechanical and electrical engineering services	100	100	100
TEE Land Limited Singapore <sup>(2)</sup>	Development of real estate and investment holding	63.28	63.28	63.28
TEE E&C (Malaysia) Sdn. Bhd. Malaysia <sup>(3)</sup>	Provision of mechanical and electrical engineering services	100	100	100
G3 Environmental Private Limited Singapore <sup>(1)(4)</sup>	Commercial and industrial real estate management	50.10	50.10	–

<sup>(1)</sup> Audited by Deloitte & Touche LLP, Singapore

<sup>(2)</sup> Listed on Singapore Exchange Securities Trading Limited. Audited by another firm of auditors, Baker Tilly TFW LLP, Singapore

<sup>(3)</sup> Audited by another firm of auditors, Deloitte PLT, Malaysia

<sup>(4)</sup> Incorporated in 2018 to acquire TEE Environmental Group (Note 50)

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 19 INVESTMENT IN SUBSIDIARIES (cont'd)

In accordance with the requirements of Rules 715 and 716 of the SGX-ST Listing Manual, the directors of the Company and the Audit Committee, having reviewed the appointment of different auditors for the Group's subsidiaries, are satisfied that these appointments would not compromise the standard and effectiveness of the audit of the Group.

Certain shares in a subsidiary, TEE Land Limited was pledged to a bank to secure facilities granted to the Group (Note 25).

All the shares in subsidiaries, TEE Water Pte Ltd (formerly known as TEE Resources Pte Ltd) and TEE Infrastructure Private Limited and certain shares in a subsidiary, TEE Land Limited were pledged as security in connection with The Senior Secured Notes (Note 34).

All the shares in a subsidiary, TEE Resources Sdn. Bhd. have been pledged as a security in connection with a loan from a director (Note 27). The pledge has been discharged subsequent to the end of the financial year.

The Group undertakes to provide financial support to certain subsidiaries with net current liabilities to ensure that subsidiaries can meet their contractual obligations when they fall due.

Information about the composition of wholly-owned and non wholly-owned subsidiaries of the Group as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries			Number of non wholly-owned subsidiaries		
		May 31, 2019	May 31, 2018	June 1, 2017	May 31, 2019	May 31, 2018	June 1, 2017
Mechanical and electrical engineering services	Singapore, Malaysia, Hong Kong, Brunei	12	11	11	–	–	–
Development of real estates	Singapore, Malaysia, New Zealand, Australia	–	–	–	25	25	24
Infrastructure and wastewater treatment	Singapore, Thailand, Philippines, Cambodia	5	4	4	8	7	3

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 19 INVESTMENT IN SUBSIDIARIES (cont'd)

Details of non wholly-owned subsidiaries that have material non-controlling interests to the Group are disclosed below:

Name of subsidiary	Place of incorporation and operation	Effective equity interest and voting power held by non-controlling interest		(Loss) Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		May 31, 2019 %	June 1, 2017 %	2019 \$'000 (Restated)	2018 \$'000 (Restated)	May 31, 2019 \$'000 (Restated)	June 1, 2017 \$'000 (Restated)
TEE Land Limited and its subsidiaries	Singapore	36.72	36.72	(10,084)	(3,729)	52,489	70,757
G3 Environmental Private Limited and its subsidiaries	Singapore	49.90	–	(1,513)	692	(816)	–
Individually immaterial subsidiaries with non-controlling interest				160	96	(1,206)	(1,383)
				(11,437)	(2,941)	50,467	69,374

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 19 INVESTMENT IN SUBSIDIARIES (cont'd)

The summarised financial information of TEE Land Limited and its subsidiaries on a 100% basis is set out below, as adjusted to align accounting policies to that of Group's:

	<b>May 31,</b>	<b>Group</b>	
	<b>2019</b>	May 31,	June 1,
	<b>\$'000</b>	2018	2017
		\$'000	\$'000
		(Restated)	(Restated)
Current assets	<b>316,567</b>	405,829	331,779
Non-current assets	<b>81,032</b>	50,550	86,377
Current liabilities	<b>127,234</b>	160,107	130,635
Non-current liabilities	<b>140,441</b>	138,342	116,641
Equity attributable to owners of the company	<b>121,292</b>	146,734	155,974
		<b>2019</b>	2018
		<b>\$'000</b>	\$'000
Revenue for the year		<b>100,520</b>	109,161
Expenses		<b>(126,343)</b>	(118,160)
Loss for the year		<b>(25,823)</b>	(8,999)
Loss attributable to:			
Owners of the company		<b>(23,840)</b>	(8,694)
Non-controlling interests		<b>(1,983)</b>	(305)
Loss for the year		<b>(25,823)</b>	(8,999)
Other comprehensive (loss) income attributable to:			
Owners of the company		<b>(932)</b>	571
Non-controlling interests		<b>(581)</b>	(197)
Other comprehensive (loss) income for the year		<b>(1,513)</b>	374
Total comprehensive loss attributable to:			
Owners of the company		<b>(24,772)</b>	(8,123)
Non-controlling interests		<b>(2,564)</b>	(502)
Total comprehensive loss for the year		<b>(27,336)</b>	(8,625)
Net cash outflow from (used in) operating activities		<b>10,198</b>	(70,128)
Net cash inflow from investing activities		<b>5,470</b>	28,190
Net cash outflow (used)/from in financing activities		<b>(19,763)</b>	36,703
Net cash outflow		<b>(4,095)</b>	(5,235)

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 19 INVESTMENT IN SUBSIDIARIES (cont'd)

The summarised financial information of G3 Environmental Private Limited and its subsidiaries on a 100% basis is set out below:

	<b>May 31, 2019 \$'000</b>	May 31, 2018 \$'000
Current assets	<b>11,829</b>	11,966
Non-current assets	<b>13,626</b>	11,750
Current liabilities	<b>23,129</b>	20,881
Non-current liabilities	<b>3,960</b>	1,437
Equity attributable to owners of the company	<b>(1,634)</b>	1,398
	<b>2019 \$'000</b>	2018 \$'000
Revenue for the year	<b>41,368</b>	24,561
Expenses	<b>(44,400)</b>	(23,174)
(Loss) Profit for the year	<b>(3,032)</b>	1,387
Net cash (outflow used in) inflow from operating activities	<b>(3,707)</b>	1,558
Net cash outflow used in investing activities	<b>(1,122)</b>	(13,123)
Net cash inflow generated from financing activities	<b>2,794</b>	14,621
Net cash (outflow) inflow	<b>(2,035)</b>	3,056

## 20 CLUB MEMBERSHIP

	<b>Group and Company</b>		
	<b>May 31, 2019 \$'000</b>	May 31, 2018 \$'000	June 1, 2017 \$'000
Club membership, at cost	<b>5</b>	45	73
Addition	–	5	–
Impairment loss	–	–	(28)
Disposals	–	(45)	–
Net	<b>5</b>	5	45

Management had performed an impairment review on the club membership based on its estimated fair value less cost to sell and this led to increase in fair value of \$Nil (May 31, 2018 : \$Nil, June 1, 2017 : fair value loss of \$3,000) recognised.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 21 INTANGIBLE ASSET

	<b>Group</b>	
	<b>May 31,</b>	<b>May 31,</b>
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<hr/>		
Customer contracts		
Cost:		
At the beginning of the year	<b>2,233</b>	–
Arising from acquisition of subsidiaries (Note 50)	–	2,233
At the end of the year	<b>2,233</b>	2,233
	<hr/>	
Accumulated amortisation:		
At the beginning of the year	<b>(434)</b>	–
Amortisation for the year	<b>(745)</b>	(434)
At the end of the year	<b>(1,179)</b>	(434)
	<hr/>	
Carrying amount	<b>1,054</b>	1,799
	<hr/>	

The intangible asset above has a finite useful life, over which the asset is amortised, which is 3 years.

The amortisation expense has been included in the line item "other operating expenses" in the profit or loss.



## NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 22 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings										Total \$'000
	Freehold land \$'000	on freehold land \$'000	Leasehold building \$'000	Leasehold improvements \$'000	Computers \$'000	Renovation \$'000	Motor vehicles \$'000	Machinery and tools \$'000	Office equipment \$'000		
Cost:											
At June 1, 2017	39	-	22,361	257	1,440	1,193	1,087	232	1,045		27,654
Foreign currency exchange adjustment	1	-	-	6	1	51	14	5	1		79
Arising from acquisition of subsidiaries (Note 50)	-	-	150	-	248	281	6,319	3,377	253		10,628
Additions	-	-	-	1	237	24	3	210	56		531
Disposals	-	-	-	-	-	-	(140)	-	(5)		(145)
Write-offs	-	-	-	-	(48)	(26)	-	(3)	(14)		(91)
At May 31, 2018	40	-	22,511	264	1,878	1,523	7,283	3,821	1,336		38,656
Foreign currency exchange adjustment	(268)	(2,129)	-	9	(2)	(27)	2	7	(502)		(2,910)
Additions	-	-	114	1	262	250	658	2,030	520		3,835
Disposals	(40)	(274)	-	-	(21)	(1)	(1,050)	(81)	(9)		(1,476)
Write-offs	-	-	-	-	(30)	(24)	(236)	(789)	(27)		(1,106)
Reclassification	-	-	-	-	(51)	20	(123)	291	(137)		-
Reclassified from non- current assets held for sales (Note 17)	4,545	36,227	-	-	-	-	-	-	8,413		49,185
At May 31, 2019	4,277	33,824	22,625	274	2,036	1,741	6,534	5,279	9,594		86,184

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 22 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Buildings										Total \$'000	
	Freehold land \$'000	on freehold land \$'000	Leasehold building \$'000	Leasehold improvements \$'000	Computers \$'000	Renovation \$'000	Motor vehicles \$'000	Machinery and tools \$'000	Office equipment \$'000			
Accumulated depreciation:												
At June 1, 2017	-	-	1,284	223	974	925	689	224	541		4,860	
Foreign currency exchange adjustment	-	-	-	6	3	42	13	5	-		69	
Depreciation	-	-	657	35	415	332	742	290	214		2,685	
Disposals	-	-	-	-	-	-	(125)	-	(5)		(130)	
Write-offs	-	-	-	-	(47)	(16)	-	(4)	(14)		(81)	
At May 31, 2018	-	-	1,941	264	1,345	1,283	1,319	515	736		7,403	
Foreign currency exchange adjustment	-	(121)	-	5	(2)	(26)	8	7	(119)		(248)	
Depreciation	-	2,521	667	5	277	288	1,095	579	2,458		7,890	
Disposals	-	(18)	-	-	(20)	(2)	(574)	(30)	(7)		(651)	
Write-offs	-	-	-	-	(30)	(17)	(178)	(593)	(27)		(845)	
Reclassification	-	-	-	-	(15)	-	(44)	154	(95)		-	
Reclassified from non-current assets held for sales (Note 17)	-	871	-	-	-	-	-	-	697		1,568	
At May 31, 2019	-	3,253	2,608	274	1,555	1,526	1,626	632	3,643		15,117	
Carrying amount:												
At May 31, 2019	4,277	30,571	20,017	-	481	215	4,908	4,647	5,951		71,067	
At May 31, 2018	40	-	20,570	-	533	240	5,964	3,306	600		31,253	
At June 1, 2017	39	-	21,077	34	466	268	398	8	504		22,794	

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 22 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Detail of the Group's properties are as follow:

Address of properties	Tenure of properties	Term of lease	Remaining term of lease	Existing use
TEE Building 25 Bukit Batok Street 22 Singapore 659591	Leasehold	From May 1, 1992 to April 30, 2052	34 years	Industrial and office space for providing rental
Larmont Hotel Sydney 2-14 Kings Cross Road, Potts Point, NSW 111, Australia	Freehold	–	–	Hotel operations

The carrying amount of the Group's motor vehicles includes an amount of \$1,507,000 (May 31, 2018 : \$4,717,000, June 1, 2017 : \$201,000) which are held under finance leases (Note 30).

Depreciation expenses has been included in the line item "cost of sales" and "administrative expenses" in the profit or loss.

The Group's freehold land, buildings on freehold land and leasehold building were pledged to bank to secure facilities granted to the Group (Note 31).

	Computers \$'000	Renovation \$'000	Office equipment \$'000	Total \$'000
<b>Company</b>				
At June 1, 2017	599	8	142	749
Additions	9	–	–	9
Write-offs	(17)	–	–	(17)
At May 31, 2018	591	8	142	741
Additions	1	26	–	27
At May 31, 2019	592	34	142	768
<b>Accumulated depreciation:</b>				
At June 1, 2017	360	1	55	416
Depreciation	175	1	28	204
Write-offs	(17)	–	–	(17)
At May 31, 2018	518	2	83	603
Depreciation	42	2	28	72
At May 31, 2019	560	4	111	675
<b>Carrying amount:</b>				
At May 31, 2019	32	30	31	93
At May 31, 2018	73	6	59	138
At June 1, 2017	239	7	87	333

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 23 INVESTMENT PROPERTIES

	Group			Company		
	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000
At fair value:						
At beginning of the year	<b>32,405</b>	33,812	35,717	<b>22,000</b>	22,000	24,000
Additions	<b>45</b>	-	-	-	-	-
Changes in fair value included in profit or loss (Note 43)	<b>(691)</b>	(995)	(2,469)	-	-	(2,000)
Foreign currency exchange adjustments	<b>(317)</b>	(412)	564	-	-	-
At end of the year	<b>31,442</b>	32,405	33,812	<b>22,000</b>	22,000	22,000

As at May 31, 2019, 2018 and June 1, 2017, the Group's and Company's investment properties are stated at estimated fair value based on valuation carried out by independent professional appraisers, having an appropriate recognised professional qualification and recent experience in the location and category of the property being appraised.

The investment properties were pledged to a bank to secure long-term borrowings granted to the Group and the Company (Note 31).

The property rental income from the Group's and Company's investment properties, which are leased out under operating leases, amounted to \$3,133,000 (2018 : \$2,489,000) and \$1,935,000 (2018 : \$1,211,000) respectively. The direct operating expenses (including repairs and maintenance) arising from the Group's and Company's rental-generating investment properties, amounted to \$484,000 (2018 : \$1,052,000) and \$297,000 (2018 : \$477,000) respectively.

In determining the market value of the investment properties, the appraisers have considered valuation techniques (including income capitalisation method, discounted cash flow method and direct comparison method) in arriving at the open market value as at the end of the reporting period. Income capitalisation method involves assessment of the income earning capacity and capitalised it at the adopted capitalisation rate to derive a core value. Discounted cash flow method recognises the time value of money by estimating the net present value of future cash flows. The direct comparison method involves the analysis of comparable sales of similar properties and adjusting prices to those reflective of the investment properties.

The Group classified fair value measurement using a fair value hierarchy that reflects the nature and complexity of the significant inputs used in making the measurement. As at May 31, 2019, 2018 and June 1, 2017, the fair value measurements of the Group's investment properties are classified within Level 3 of the fair value hierarchy.

## NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

### 23 INVESTMENT PROPERTIES (cont'd)

The investment properties held by the Group are as follow:

Name of property	Location	Description	Tenure
33 Changi North Crescent	Singapore	4-storey purpose-built factory building with ancillary offices	30 years from 2006
Workotel 19 Main South Road Upper Riccarton, Christchurch	New Zealand	107 units and 4 houses for providing rental accommodation	Freehold
Thistle Guesthouse 21 Main North Road Upper Riccarton, Christchurch	New Zealand	10 bedrooms and 1 ground floor apartment and an attached sleep-out for providing rental accommodation	Freehold
Chewathai Ratchaprarop Condominium, No.11 Ratchaprarop Road Makkasan Sub-district, Ratchathewi District, Bangkok	Thailand	3 condominium apartment units for providing rental accommodation	Freehold

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 23 INVESTMENT PROPERTIES (cont'd)

There were no transfers between different levels during the year. Details of valuation techniques and significant unobservable inputs used in the fair value measurement are as follows:

Investment properties	Fair value			Valuation methodology	Significant unobservable inputs (Level 3)	Range	
	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000			May 31, 2018	June 1, 2017
Singapore	22,000	22,000	22,000	Direct comparison method	Price per square meter of gross floor area <sup>(1)</sup>	\$1,600 to \$3,000	\$1,600 - \$3,000
New Zealand	7,188	8,197	9,676	Discounted cash flow method	Discount rate <sup>(2)</sup>	8.00%	10.00%
Thailand	2,254	2,208	2,136	Direct comparison method	Price per square meter of gross floor area <sup>(1)</sup>	\$311 to \$480	\$300 - \$480
				Direct comparison method	Price per square meter of gross floor area <sup>(1)</sup>	\$3,900 to \$7,100	\$4,000 - \$6,600
				Income capitalisation Method	Occupancy turnover <sup>(1)</sup>	97.00%	97.00%
					Turnover <sup>(1)</sup>	\$2,700/Week	\$3,000/week
					Operating income <sup>(1)</sup>	\$2,500/Week	\$2,600/week
					Net operating income margin <sup>(1)</sup>	91.00%	87.00%
					Capitalisation rate <sup>(2)</sup>	6.00%	6.00%
	<b>31,442</b>	<b>32,405</b>	<b>33,812</b>				

<sup>(1)</sup> Any significant isolated increase (decrease) in these inputs would result in a significantly higher (lower) fair value measurement.

<sup>(2)</sup> Any significant isolated decrease (increase) in this input would result in a significantly higher (lower) fair value measurement.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 24 DEFERRED TAX

The following are the major deferred tax assets and liabilities recognised by the Group and Company, and movements thereon during the year:

<b>Deferred tax assets</b>	<b>Provisions \$'000</b>	<b>Tax losses \$'000</b>	<b>Total \$'000</b>
<b>Group</b>			
At June 1, 2017 (Restated)	67	4,399	4,466
Credit to profit or loss for the year (Note 45)	101	1,005	1,106
Foreign currency exchange adjustment	–	18	18
At May 31, 2018	168	5,422	5,590
Credit (Charge) to profit or loss for the year (Note 45)	15	(1,565)	(1,550)
Foreign currency exchange adjustment	–	(43)	(43)
At May 31, 2019	183	3,814	3,997

<b>Deferred tax liabilities</b>	<b>Recognition of profits from properties under development \$'000</b>	<b>Accelerated tax depreciation \$'000</b>	<b>Total \$'000</b>
<b>Group</b>			
At June 1, 2017	374	55	429
Arising from acquisition of subsidiaries (Note 50)	–	681	681
Charge to profit or loss for the year (Note 45)	694	162	856
Foreign currency exchange adjustment	(15)	–	(15)
At May 31, 2018	1,053	898	1,951
Credit to profit or loss for the year (Note 45)	(620)	(537)	(1,157)
Foreign currency exchange adjustment	(19)	–	(19)
At May 31, 2019	414	361	775

No deferred tax liability has been recognised in respect of undistributed earnings of subsidiaries which would be subject to withholding tax if transferred out of the country. The Group is in a position to control the timing of the transfer of these retained earnings and do not expect the retained earnings to be remitted such as to attract withholding tax in the foreseeable future. Temporary differences arising in connection with interests in associates is insignificant.

## NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

### 25 BANK LOANS AND OVERDRAFTS

	Group			Company		
	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000
Secured:						
- Bank loans	16,494	9,281	4,950	4,300	4,481	3,700
- Bills payable	7,988	11,612	11,710	-	-	-
	<b>24,482</b>	20,893	16,660	<b>4,300</b>	4,481	3,700
Unsecured:						
- Bank loans	8,238	14,833	15,473	-	-	3,400
- Bills payable	12,491	10,913	11,834	-	-	-
- Bank overdrafts (Note 6)	3,321	4,611	6,148	-	-	-
	<b>24,050</b>	30,357	33,455	-	-	3,400
Total	<b>48,532</b>	51,250	50,115	<b>4,300</b>	4,481	7,100

The following outstanding balances are secured with the following:

	Group			Company		
	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000
Secured with:						
Shares of a subsidiary	4,300	4,481	3,700	4,300	4,481	3,700
Trade receivables	20,182	16,211	11,997	-	-	-
Joint and several former directors' guarantee	-	201	-	-	-	-
Pledge over fixed deposit	-	-	963	-	-	-
Total	<b>24,482</b>	20,893	16,660	<b>4,300</b>	4,481	3,700

The outstanding balances are repayable within 12 months. The effective interest rate on the outstanding balances ranges from 3.42% to 6.25% (May 31, 2018 : 2.76% to 6.25%, June 1, 2017 : 3.03% to 7.71%) per annum.



# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 26 TRADE PAYABLES

	Group			Company		
	May 31, 2019 \$'000	May 31, 2018 \$'000 (Restated)	June 1, 2017 \$'000 (Restated)	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000
Contract trade payables	125,478	74,824	79,966	–	–	222
Retention payables	22,342	23,796	22,502	–	–	–
Third parties	10,969	1,026	–	–	–	–
Others	2,782	496	450	13	54	–
<b>Total</b>	<b>161,571</b>	<b>100,142</b>	<b>102,918</b>	<b>13</b>	<b>54</b>	<b>222</b>

The credit period granted by suppliers ranged from 30 to 90 days (May 31, 2018 : 30 to 90 days, June 1, 2017 : 30 to 90 days). No interest is charged on the outstanding balance.

Retention payables are classified as current as they are expected to be settled within the Group's normal operating cycle.

## 27 OTHER PAYABLES

	Group			Company		
	May 31, 2019 \$'000	May 31, 2018 \$'000 (Restated)	June 1, 2017 \$'000 (Restated)	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000
Subsidiaries (Note 19)	–	–	–	50,719	63,872	59,070
Related parties (Note 5)	738	598	103	–	–	–
Associates (Notes 5 and 18)	3,387	5,325	9,620	–	–	3
Non-controlling interest	2,188	2,218	4,095	–	–	–
Loan from non-controlling interest	18,019	16,539	3,680	–	–	–
Accrued expenses	8,507	6,639	4,103	794	882	549
Accrued interest expense	2,383	2,199	1,557	177	162	57
Amount due to a director (Note 5)	–	10,000	–	–	–	–
Rental and security deposits	2,072	1,216	1,137	576	77	–
Dividend payable	–	410	–	–	–	–
Other payables	2,724	2,008	4,332	275	615	98
	<b>40,018</b>	<b>47,152</b>	<b>28,627</b>	<b>52,541</b>	<b>65,608</b>	<b>59,777</b>
Less: Amounts payable within 12 months (shown under current liabilities)	(30,251)	(39,078)	(24,923)	(52,541)	(65,608)	(59,777)
Amounts payable after 12 months	<b>9,767</b>	<b>8,074</b>	<b>3,704</b>	<b>–</b>	<b>–</b>	<b>–</b>

The amounts due to subsidiaries, associates, related parties and non-controlling shareholder are unsecured, interest-free and repayable on demand.

In 2017, included in the other payables to non-controlling interest is dividend payable of \$1,841,000 to a non-controlling interests of a subsidiary. The balance has been paid in 2018.

## NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

### 27 OTHER PAYABLES (cont'd)

The non-current loan from non-controlling interest of \$9,736,000 (May 31, 2018 : \$8,056,000, June 1, 2017 : \$3,680,000) are for development properties "Rezi 35" and "35 Gilstead", bear interest at 5% per annum and repayable after 12 months from the end of the reporting period. The remaining amount of \$8,283,000 (May 31, 2018 : \$8,483,000, June 1, 2017 : \$Nil) is for working capital loans for respective subsidiaries and are unsecured, interest-free and repayable on demand.

The fair value of the non-current loan from non-controlling interest approximates its carrying value as the borrowing rates are based on benchmark market rates.

### 28 CONTRACT LIABILITIES

	<b>Group</b>		
	<b>May 31, 2019 \$'000</b>	May 31, 2018 \$'000 (Restated)	June 1, 2017 \$'000 (Restated)
Advance receipts from customers	<b>6,661</b>	9,263	8,028

Contract liability mainly represents amounts of consideration billed to purchasers of the Group's development properties in advance of the percentage of completion of construction. For non-construction engineering contracts, revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. When the customer makes advance payments prior to delivery of goods, the transaction price received at that point by the Group is recognised as contract liability until the goods have been delivered to the customer.

There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year. All contract liabilities as at June 1, 2017 and May 31, 2018 were recognised in revenue in the subsequent financial year.

### 29 PROVISION FOR MAINTENANCE COSTS

	<b>Group</b>	
	<b>May 31, 2019 \$'000</b>	May 31, 2018 \$'000
At beginning of the year	<b>1,034</b>	910
Charge to profit or loss for the year	<b>1,620</b>	876
Utilised	<b>(1,662)</b>	(752)
At end of the year	<b>992</b>	1,034

The provision for maintenance costs expense charged to profit or loss is included under cost of sales.

The provision for maintenance costs represents management's best estimate of the Group's liability for additional costs to be incurred for the completed projects within the warranty periods granted on such completed projects.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 30 OBLIGATIONS UNDER FINANCE LEASES

	Group					
	Minimum lease payments			Present value of minimum lease payments		
	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000
Amounts payable under finance leases:						
Within one year	378	636	102	346	607	83
In the second to fifth years inclusive	1,247	347	305	1,143	330	272
After five years	–	–	13	–	–	13
	<b>1,625</b>	983	420	<b>1,489</b>	937	368
Less: Future finance charges	(136)	(46)	(52)	–	–	–
Present value of lease obligations	<b>1,489</b>	937	368	<b>1,489</b>	937	368
Less: Amounts due for settlement within 12 months (shown under current liabilities)				<b>(346)</b>	(607)	(83)
Amounts due for settlement after 12 months				<b>1,143</b>	330	285

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 7 years (May 31, 2018 : 4 years, June 1, 2017 : 7 years). During the financial year ended May 31, 2019, the average effective borrowing rate was 3.60% (May 31, 2018 : 3.60%, June 1, 2017 : 5.12%) per annum. Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into contingent rental payments.

The fair value of the Group's lease obligations approximates their carrying amounts.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets (Note 22).

## 31 LONG-TERM BORROWINGS

	Group			Company		
	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000
	Borrowings	<b>237,696</b>	234,687	187,483	<b>14,969</b>	14,682
Less: Current portion due within 12 months	<b>(93,670)</b>	(91,857)	(51,151)	<b>(1,268)</b>	(1,920)	(4,277)
Amounts due for settlement after 12 months	<b>144,026</b>	142,830	136,332	<b>13,701</b>	12,762	23,239
Secured	<b>237,052</b>	231,648	171,482	<b>14,969</b>	14,266	13,705
Unsecured	<b>644</b>	3,039	16,001	–	416	13,811
Total	<b>237,696</b>	234,687	187,483	<b>14,969</b>	14,682	27,516

## NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

### 31 LONG-TERM BORROWINGS (cont'd)

The following outstanding balances are secured with the following:

	Group			Company		
	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000
Secured with:						
Development properties	168,197	150,550	77,757	–	–	–
Completed properties and land held for sale	6,287	18,867	31,111	–	–	–
Investment properties	19,323	18,998	18,862	14,969	14,266	13,705
Leasehold building	38,798	16,987	17,800	–	–	–
Joint and several former directors' guarantee	425	725	–	–	–	–
Corporate guarantee by the company and a subsidiary	4,022	–	–	–	–	–
Non-current assets classified as held-for-sale	–	25,521	25,952	–	–	–
<b>Total</b>	<b>237,052</b>	<b>231,648</b>	<b>171,482</b>	<b>14,969</b>	<b>14,266</b>	<b>13,705</b>

The Group's and Company's long-term borrowings bear interest at rates ranging from 2.38% to 6.50% (May 31, 2018 : 2.28% to 6.50%, June 1, 2017 : 2.08% to 7.50%) per annum. The directors estimate the fair value of the Group's and Company's long-term borrowings to approximate the carrying amount and interest rates to approximate current market interest rates on or near the end of the reporting period.

In the current year, a financial covenant relating to secured borrowings amounting to \$2,456,000 of a subsidiary was not met. Subsequent to the end of the reporting period, the Group obtained a waiver of the breach of the loan covenants from the relevant lender which is after the date on which the loan covenants were tested. Consequently, the secured borrowings of \$2,456,000 was reclassified from non-current liabilities to current liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 31 LONG-TERM BORROWINGS (cont'd)

### Reconciliation of liabilities arising from financing activities

	June 1, 2017 \$'000	Financing cash flow (i) \$'000	Non-cash changes			May 31, 2018 \$'000
			Acquisition of subsidiaries (Note 50) \$'000	Foreign exchange movement \$'000	Other changes (ii) \$'000	
Bank loans (Note 25)	43,967	890	1,659	123	–	46,639
Finance leases (Note 30)	368	(709)	1,272	6	–	937
Long-term borrowings (Note 31)	187,483	46,670	1,041	(507)	–	234,687
Term notes (Note 32)	29,939	(30,000)	–	–	61	–
Notes payable (Note 34)	–	20,175	–	(94)	1,008	21,089
Amount due to a director (Note 27)	–	10,000	–	–	–	10,000
Loan from non-controlling interest (Note 27)	3,680	12,859	–	–	–	16,539

(i) The cash flows make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

(ii) Other changes include amortisation costs, interest accruals and payments.

## NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

### 31 LONG-TERM BORROWINGS (cont'd)

#### Reconciliation of liabilities arising from financing activities

	June 1, 2018	Financing cash flow (i)	Non-cash changes			May 31, 2019
			Acquisition of subsidiaries (Note 50)	Foreign exchange movement	Other changes (ii)	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Bank loans (Note 25)	46,639	(1,428)	–	–	–	<b>45,211</b>
Finance leases (Note 30)	937	(600)	–	–	1,152	<b>1,489</b>
Long-term borrowings (Note 31)	234,687	4,708	–	(1,699)	–	<b>237,696</b>
Notes payable (Note 34)	21,089	(1,766)	–	606	1,071	<b>21,000</b>
Amount due to a director (Note 27)	10,000	(10,000)	–	–	–	–
Loan from non-controlling interest (Note 27)	16,539	1,480	–	–	–	<b>18,019</b>

- (i) The cash flows make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.
- (ii) Other changes include amortisation costs, interest accruals, payments, and acquiring of property, plant and equipment under finance lease arrangements.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 32 TERM NOTES

	Group			Company		
	May 31,	May 31,	June 1,	May 31,	May 31,	June 1,
	2019	2018	2017	2019	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Notes issued under MTN

Programme, net of issuance cost	-	-	29,939	-	-	-
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The Company and Group have in place \$350 million and \$600 million Multicurrency Medium Term Note Programme ("MTN Programme") respectively under which they can issue notes in series or tranches and may be denominated in Singapore dollars or other currency deemed appropriate at the time.

On October 27, 2014, the Group had completed the issuance of \$30 million of Senior Unsecured Fixed Rate Notes (the "Notes") with tenure of 3 years under the MTN Programme. The Notes are unsecured, bear a fixed interest rate of 6.50% per annum payable semi-annually in arrears. The Notes have been fully repaid in October 2017.

## 33 FINANCIAL GUARANTEE LIABILITIES

	Group			Company		
	May 31,	May 31,	June 1,	May 31,	May 31,	June 1,
	2019	2018	2017	2019	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Financial guarantee liabilities	365	452	951	149	226	312
Less: Amounts shown under current liabilities	(185)	(67)	(199)	(75)	(76)	(86)
Amounts shown under non-current liabilities	180	385	752	74	150	226

Financial guarantee liabilities pertain to the effects of fair value of corporate guarantee on initial recognition provided by the Group and Company on behalf of associates and subsidiaries to obtain banking facilities, less amortisation.

## 34 NOTES PAYABLE

	Group			Company		
	May 31,	May 31,	June 1,	May 31,	May 31,	June 1,
	2019	2018	2017	2019	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Notes payable	21,000	21,089	-	21,128	21,267	-
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The Senior Secured Notes of US\$15 million issued on December 19, 2017 with an original maturity date on December 18, 2020, have an option to extend for an additional 2 years, and bear effective interest rate of 15.78% (May 31, 2018 : 22.93%) per annum. The Senior Secured Notes are denominated in US dollars.

The Senior Secured Notes are secured by respective subsidiaries share capital, subsidiary's shares held by the Company and subject to comply by the respective financial covenants and subject to certain restrictions.

The proceeds were used for repayment of loan and acquisition of subsidiaries.

The fair value of the Group's notes payable approximated their carrying amount.

## NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

### 35 LONG-TERM DEPOSIT

	Group			Company		
	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000	May 31, 2019 \$'000	May 31, 2018 \$'000	June 1, 2017 \$'000
	Long-term deposit	306	306	–	306	306

Long-term deposit is for the lease of premises located at 33 Changi North Crescent, Singapore (Note 23) with tenor and renewal option till 2035.

### 36 SHARE CAPITAL

	Group and Company					
	May 31, 2019	May 31, 2018	June 1, 2017	May 31, 2019	May 31, 2018	June 1, 2017
	Number of ordinary shares			\$'000	\$'000	\$'000
Issued and paid up:						
At beginning of the year	503,223,039	503,223,039	503,222,633	58,701	58,701	58,701
Share issuance	144,929,837	–	–	14,493	–	–
Issue of shares arising from exercise of warrants	–	–	406	–	–	*
At end of the year	648,152,876	503,223,039	503,223,039	73,194	58,701	58,701

\* Denotes amount less than \$1,000

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends.

In 2017, the Company issued 406 new ordinary shares upon the exercise of warrants with an exercise price of 25.0 cents per ordinary share.

On April 30, 2018, there were bonus warrants issued on the basis of 1 warrant for every 10 existing ordinary shares in the capital of the Company held by the shareholders of the Company. The number of bonus warrants issued was 50,195,020 and the exercise price is at 21.5 cents per warrant.

On February 14, 2019, the Company issued 144,929,837 new ordinary shares which rank pari passu in all respects with all other existing shares in issue ("Right Shares"). The Company raised net proceeds of approximately S\$14.5 million from Rights Issue.

On February 15, 2019, being the market day next following the closing date of Right Issue. The exercise price of the existing bonus warrants has been adjusted from \$0.215 to \$0.189 per warrant on February 15, 2019 and 6,998,778 new warrants have been issued and allotted on March 4, 2019. Total number of outstanding bonus warrants are 57,193,798.

The warrants can be exercised within the period from date of issue of the bonus warrant to October 30, 2020.



# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 37 TREASURY SHARES

	Group and Company					
	May 31, 2019	May 31, 2018	June 1, 2017	May 31, 2019	May 31, 2018	June 1, 2017
	Number of ordinary shares			\$'000	\$'000	\$'000
Purchase during the year and at end of the year	<b>1,270,400</b>	1,270,400	1,270,400	<b>269</b>	269	269

In 2017, the Company acquired 1,270,400 of its own shares through purchases on the Singapore Exchange. The total amount paid to acquire the shares was \$269,000 and has been deducted from shareholders' equity. The shares are held as 'treasury shares'.

The Company intends to transfer the treasury shares for the purposes of or pursuant to an employees' share scheme or as consideration for the acquisition of shares in or assets of another company or assets of a person.

## 38 CURRENCY TRANSLATION RESERVE

Exchange differences relating to the translation from the functional currencies of the Group's foreign operations into Singapore dollars are brought to account by recognising those exchange differences in other comprehensive income and accumulating them in a separate component of equity under the header of currency translation reserve.

## 39 CAPITAL RESERVE

	Group			Company		
	May 31, 2019	May 31, 2018	June 1, 2017	May 31, 2019	May 31, 2018	June 1, 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At beginning of the year	<b>18,741</b>	18,793	18,765	<b>(94)</b>	(42)	(42)
Acquisition of non-controlling interests in a subsidiary	-	-	28	-	-	-
Rights issuance expenses	<b>(180)</b>	-	-	<b>(180)</b>	-	-
Expenses incurred on issue of bonus warrants	-	(52)	-	-	(52)	-
At end of the year	<b>18,561</b>	18,741	18,793	<b>(274)</b>	(94)	(42)

The capital reserve represents effects of changes in ownership interests in subsidiaries when there is no change in control.

## 40 NON-CONTROLLING INTERESTS

Included in non-controlling interests is an amount of \$11,471,000 (May 31, 2018 : \$11,454,000, June 1, 2017 : \$15,462,000) of loan due to non-controlling interests which has been classified as equity as the loan is repayable at the discretion of the subsidiary.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 41 REVENUE

	Group	
	2019 \$'000	2018 \$'000 (Restated)
Corporate and others:		
Rental income	1,935	1,210
Engineering:		
Construction engineering contracts	203,182	135,776
Real Estate:		
Hotel operations	7,310	7,177
Rental income	1,198	1,278
Sale of development properties	105,455	95,491
Infrastructure:		
Rental and related services income	2,851	3,001
Sale of goods	7,396	4,818
Waste and recycling management services	33,974	19,744
<b>Total</b>	<b>363,301</b>	<b>268,495</b>

### Timing of revenue recognition

	Group	
	2019 \$'000	2018 \$'000 (Restated)
At a point in time:		
Sale of goods	7,396	4,818
Short-term construction engineering services	12,466	13,489
Sale of completed development properties	15,083	532
Hotel operations – food and beverages	331	634
Over time:		
Construction engineering contracts	190,716	122,287
Sale of development properties under construction	90,372	94,959
Waste and recycling management services	33,974	19,744
Hotel operations	6,979	6,543
Rental and related services income	5,984	5,489
<b>Total</b>	<b>363,301</b>	<b>268,495</b>

Included in revenue from construction engineering contracts and sale of development properties is an amount of \$190,716,000 and \$90,372,000 (2018 : \$122,287,000 and \$94,959,000) respectively of revenue recognised based on the percentage of completion basis.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 42 OTHER OPERATING INCOME

	Group	
	2019 \$'000	2018 \$'000
Interest income arising from:		
Fixed deposits	281	218
Associates (Notes 5 and 18)	115	636
Others	2	7
Dividend income	–	544
Ancillary fees collected from development property	256	90
Amortisation of financial guarantee liabilities	263	333
Deposit forfeited for an aborted sale of completed property	316	54
Foreign currency exchange adjustment gain	–	1,276
Gain from a bargain purchase (Note 50)	–	2,488
Gain on disposal of an associate	139	–
Gain on disposal of property, plant and equipment	–	33
Gain on disposal of stock dividend	–	160
Government grant	425	472
Management fees income	432	905
Rental income	100	96
Service fees income	90	109
Others	145	148
Total	<b>2,564</b>	<b>7,569</b>

## 43 OTHER OPERATING EXPENSES

	Group	
	2019 \$'000	2018 \$'000
Additional buyer stamp duties	728	–
Allowance for diminution in value on completed properties and land held for sale	542	1,277
Allowance for doubtful other receivables (Note 9)	166	639
Allowance for doubtful loan receivables (Note 10)	665	–
Allowance for doubtful trade receivables (Note 8)	178	646
Write back of loss allowance for contract assets (Note 14)	(658)	–
Amortisation of intangible assets (Note 21)	745	434
Change in fair value of investment properties (Note 23)	691	995
Change in fair value of financial asset at FVTPL	536	–
Foreign currency exchange adjustment loss	1,675	–
Impairment loss on investment in associates (Note 18)	3,600	7,788
Loss on disposal of property, plant and equipment	24	–
Non-current assets held for sale written off	–	83
Option fee forfeited for an aborted purchase of land	420	–
Other receivables written off	154	–
Property, plant and equipment written off	261	10
Trade receivables written off	117	437
Total	<b>9,844</b>	<b>12,309</b>

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 44 FINANCE COSTS

	Group	
	2019	2018
	\$'000	\$'000
		(Restated)
Interest on borrowings and bank overdrafts	13,346	12,950
Interest on obligations under finance leases	34	38
Total borrowing costs	<u>13,380</u>	<u>12,988</u>
Less: Amounts included in the cost of development properties and completed properties and land held for sale (Note 16)	(108)	(152)
Net	<u>13,272</u>	<u>12,836</u>

## 45 INCOME TAX EXPENSE

	Group	
	2019	2018
	\$'000	\$'000
		(Restated)
Current:		
- On the profit for the year	1,383	1,937
- Adjustment in respect of prior years	446	(1,993)
- Withholding tax expense	30	433
Deferred (Note 24):		
- Adjustment in respect of prior years	374	17
- Charge (Credit) for the year	19	(267)
	<u>2,252</u>	<u>127</u>

Domestic income tax is calculated at 17% (2018 : 17%) of the estimated assessable loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 45 INCOME TAX EXPENSE (cont'd)

The total charge for the year can be reconciled to the accounting loss as follows:

	Group	
	2019 \$'000	2018 \$'000 (Restated)
Loss before tax	(27,358)	(12,820)
Less: Share of results of associates and joint venture (Note 18)	226	(3,038)
	<u>(27,132)</u>	<u>(15,858)</u>
Tax at the domestic income tax rate of 17% (2018 : 17%)	(4,612)	(2,696)
Tax effect of income that are not taxable in determining taxable profit	1,751	3,586
Deferred tax benefits not recognised	5,075	1,041
Deferred tax benefits previously not recognised now utilised	(170)	–
Withholding tax expense	30	433
Under (Over) provision of income tax in prior years	446	(1,993)
Underprovision of deferred tax in prior years	374	17
Effect of different tax rates of overseas operations	(668)	117
Exempt income and tax rebate	(61)	(259)
Others	87	(119)
	<u>2,252</u>	<u>127</u>

Deferred tax assets have not been recognised as follows:

	Group	
	2019 \$'000	2018 \$'000 (Restated)
<u>Tax losses</u>		
Amount at beginning of year	29,177	32,724
Adjustment in respect of prior years	3,779	(6,530)
Tax losses for the year	27,014	2,983
Utilised during the year	(383)	–
Amount at end of year	<u>59,587</u>	<u>29,177</u>
<u>Other temporary differences</u>		
Amount at beginning of year	2,820	885
Adjustment in respect of prior years	3,545	–
Amount during the year	2,844	1,935
Utilised during the year	(616)	–
Amount at end of year	<u>8,593</u>	<u>2,820</u>
Total	<u>68,180</u>	<u>31,997</u>
Deferred tax assets at 17% (2018 : 17%) not taken up in the financial statements	<u>11,591</u>	<u>5,439</u>

Subject to the agreement by the tax authorities, at the end of the reporting period, the Group has unutilised tax losses and temporary differences available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 46 LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	Group	
	2019	2018
	\$'000	\$'000
		(Restated)
Directors' remuneration:		
Directors of the Company	1,739	1,715
Directors of the subsidiaries	1,607	1,677
Employee benefits expense (including directors' remuneration)	37,186	29,710
Costs of defined contribution plans included in employee benefits expense	2,075	1,773
Audit fees:		
Auditors of the Company:		
- current year	357	277
- adjustment in respect of prior year	-	29
Other auditors:		
- current year	254	227
- adjustment in respect of prior year	-	42
Non-audit fees:		
Auditors of the Company:		
- current year	38	35
- adjustment in respect of prior year	3	-
Other auditors:		
- current year	115	95
- adjustment in respect of prior year	(3)	(7)
Amortisation of deferred commission expenses *	4,554	5,393
Amortisation of deferred show flat costs **	433	514
Amortisation of issuance costs on term notes ***	-	60
Amortisation of issuance costs on notes payable ***	210	131

\* Included in cost of sales and selling and distribution expenses in the consolidated statement of profit or loss

\*\* Included in selling and distribution expenses in the consolidated statement of profit or loss

\*\*\* Included in administrative expenses in the consolidated statement of profit or loss

### Retirement Benefit Obligations

The employees of TEE International Limited and certain of its subsidiaries are members of state-managed retirement benefit plans. The Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

As at May 31, 2019, contributions of \$269,000 (2018 : \$293,000) due in respect of current year had not been paid over to the plans.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 47 LOSS PER SHARE

The calculation of basic earnings per ordinary share is based on Group loss attributable to owners of the Company of \$18,173,000 (2018 : \$10,006,000) divided by the weighted average number of ordinary shares (excluding treasury shares) of 554,077,058 (2018 : 515,574,986) in issue during the year.

Fully diluted loss per ordinary share is calculated based on 554,077,058 (2018 : 515,574,986) ordinary shares.

	Group			
	2019		2018	
	Basic \$'000	Diluted \$'000	Basic \$'000	Diluted \$'000
Loss attributable to owners of the Company	<b>(18,173)</b>	<b>(18,173)</b>	(10,006)	(10,006)
Weighted average number of ordinary shares (excluding treasury shares) for the purposes of basic/diluted earnings per share	<b>554,077,058</b>	<b>554,077,058</b>	515,574,986	515,574,986
Loss per share (cents)	<b>(3.28)</b>	<b>(3.28)</b>	(1.94)	(1.94)

## 48 OPERATING LEASE ARRANGEMENTS

### The Group as lessee

	Group	
	2019 \$'000	2018 \$'000
Minimum lease payments under operating leases recognised as expense in the year	<b>2,365</b>	1,260

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2019 \$'000	2018 \$'000
Within one year	<b>3,267</b>	732
In the second to fifth year inclusive	<b>6,225</b>	88
After fifth year	<b>22,340</b>	-
Total	<b>31,832</b>	820

Operating lease payments represent rentals payable by the Group for certain of its office premises, warehouse and equipment. Leases are negotiated for an average term of 3 years and rentals are fixed for an average of 3 years.

The Company does not have outstanding commitments under non-cancellable operating leases.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 48 OPERATING LEASE ARRANGEMENTS (cont'd)

### The Group and Company as lessor

The Group and Company rent out its investment properties under operating lease to outside parties. Property rental income earned by the Group and Company during the year was \$3,133,000 (2018 : \$2,489,000) and \$1,935,000 (2018 : \$1,211,000) respectively.

At the end of the reporting period, the Group and Company have contracted with tenants for the following future minimum lease payments:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Within one year	2,185	2,036	1,935	1,935
In the second to fifth year inclusive	8,410	7,778	7,740	7,740
After fifth year	3,386	5,321	3,386	5,321
Total	<b>13,981</b>	15,135	<b>13,061</b>	14,996

## 49 SEGMENT INFORMATION

The Group is organised into four major operating divisions - Corporate & Others, Engineering, Real Estate and Infrastructure. The divisions are the basis on which the Group reports its segment information. Certain assets, liabilities and profit and loss items are also reallocated to the respective segments. The accounting policies of these reportable segments are the same as the Group's accounting policies described in Note 2.

Corporate & Other involves a range of activities from corporate exercises and include income and expenses not attributable to other operating segments. Engineering involves providing mechanical and electrical work relating to the expansion and improvement of infrastructure, constructing new buildings and converting existing buildings and facilities for new uses and offering turnkey approaches to the construction of infrastructure as well as in system development from system definition, system development and system deployment. Real estate involves the development and sale of private residential and commercial properties and investment in hotels and properties. Infrastructure business offers infrastructure solutions in the areas of water and energy related projects and commercial and industrial real estate management. This includes comprehensive sustainable solutions to meet demands for integrated infrastructure, utilities and environmental services.

### (a) Reportable Operating Segment Information

In accordance with SFRS(I) 8 *Operating Segments*, management has determined the operating segments based on the reports regularly reviewed by the Group Chief Executive that are used to make strategic decisions.

**Segment revenue and expenses:** Segment revenue and expenses are the operating revenue and expenses reported in the Group's profit or loss that are directly attributable to a segment and the relevant portion of such revenue and expenses that can be allocated on a reasonable basis to a segment.

**Segment assets and liabilities:** Segment assets include all operating assets used by a segment and consist principally of cash and bank balances, operating receivables, loans to associates, amounts due from customers for contract work, inventories, development properties, available-for-sale investment, investment in associates, investment in joint venture, club membership, completed properties and land held for sale, deferred tax assets, property, plant and equipment, intangible assets and investment properties, net of allowances. Segment liabilities include all operating liabilities used by a segment and consist principally of bank loans and overdrafts, operating payables, provision for maintenance costs, income tax payable, finance leases, term notes, long-term borrowings, notes payable, financial guarantee liabilities, derivative financial instruments and deferred tax liabilities.

**Inter-segment transfers:** Segment revenue and expenses include transfers between operating segments. Inter-segment sales are charged at cost plus a percentage of profit mark-up. These transfers are eliminated on consolidation.



# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 49 SEGMENT INFORMATION (cont'd)

(a) Reportable Operating Segment Information (cont'd)

	Corporate & Others		Engineering		Real Estate		Infrastructure		Elimination		Group	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
			(Restated)		(Restated)		(Restated)		(Restated)		(Restated)	
<b>Segment revenue</b>												
External sales	1,211	203,182	135,775	113,963	103,946	44,221	27,563	-	-	-	363,301	268,495
Inter-segment sales	3,931	14,062	29,511	1,204	1,204	8	513	(15,713)	(35,159)	-	-	-
Total revenue	5,142	217,244	165,286	115,167	105,150	44,229	28,076	(15,713)	(35,159)	363,301	268,495	
<b>Segment results</b>												
Segment results	156	6,676	6,590	(17,324)	(5,768)	(6,384)	2,186	8,942	(6,186)	(13,860)	(3,022)	
Share of results of associates and joint venture	-	-	69	(794)	2,838	499	205	-	-	(226)	3,038	
Finance costs	(3,299)	(2,033)	(1,986)	(8,037)	(7,385)	(1,204)	(912)	986	746	(13,272)	(12,836)	
(Loss) Profit before tax	(3,143)	4,712	4,599	(26,155)	(10,315)	(7,089)	1,479	9,928	(5,440)	(27,358)	(12,820)	
Income tax expense	-	(1,537)	(372)	(718)	638	470	(393)	-	-	(2,252)	(127)	
(Loss) Profit for the year	(3,143)	3,175	4,227	(26,873)	(9,677)	(6,619)	1,086	9,928	(5,440)	(29,610)	(12,947)	
<b>Segment assets</b>												
Segment assets	25,111	204,265	114,717	383,487	438,487	23,249	15,161	-	-	635,407	593,476	
Investment in associates and joint venture	-	-	129	5,409	11,932	8,246	7,631	-	-	13,784	19,833	
Deferred tax assets	-	-	136	3,861	5,485	-	-	-	-	3,997	5,590	
Total assets	25,111	204,530	115,092	392,757	455,904	31,495	22,792	-	-	653,188	618,899	
<b>Segment liabilities</b>												
Segment liabilities	2,245	147,260	76,631	46,028	66,934	14,315	12,539	-	-	209,913	158,349	
Loans and borrowings	40,252	42,987	42,877	219,657	223,196	5,805	1,638	-	-	308,717	307,963	
Income tax payable	-	-	2,326	37	654	82	73	-	-	2,445	2,537	
Deferred tax liabilities	-	-	-	387	1,025	388	926	-	-	775	1,951	
Total liabilities	42,497	192,573	121,318	266,109	291,809	20,590	15,176	-	-	521,850	470,800	

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 49 SEGMENT INFORMATION (cont'd)

(a) Reportable Operating Segment Information (cont'd)

	Corporate & Others		Engineering		Real Estate		Infrastructure		Elimination		Group	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Other information</b>	<b>73</b>	<b>204</b>	<b>209</b>	<b>230</b>	<b>5,618</b>	<b>1,063</b>	<b>1,990</b>	<b>1,188</b>	-	-	<b>7,890</b>	<b>2,685</b>
Depreciation												
Allowance for diminution in value of completed properties and land held for sale	-	-	-	-	542	1,277	-	-	-	-	542	1,277
Change in fair value of investment properties	-	-	-	-	691	995	-	-	-	-	691	995
Allowance for doubtful trade receivables	-	-	85	646	7	-	86	-	-	-	178	646
Write back of loss allowance for contract assets	-	-	(658)	-	-	-	-	-	-	-	(658)	-
Allowance for doubtful other receivables	-	2	(15)	456	181	181	-	-	-	-	166	639
Impairment loss on investment in associates	-	220	-	-	3,600	7,568	-	-	-	-	3,600	7,788
Loss (Gain) on disposal of property, plant and equipment	-	-	17	(29)	(30)	-	37	(4)	-	-	24	(33)
Gain on disposal of an associate	-	-	-	-	-	-	(139)	-	-	-	(139)	-
Property, plant and equipment written off	-	-	9	1	-	9	252	-	-	-	261	10

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 49 SEGMENT INFORMATION (cont'd)

(a) Reportable Operating Segment Information (cont'd)

	Corporate & Others		Engineering		Real Estate		Infrastructure		Elimination		Group	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Other information</b>												
Non-current assets held for sale written off	-	-	-	-	-	83	-	-	-	-	-	83
Gain from a bargain purchase	-	-	-	-	-	-	-	(2,488)	-	-	-	(2,488)
Amortisation of intangible asset	-	-	-	-	-	-	745	434	-	-	745	434
Change in fair value of financial asset at FVTPL	536	-	-	-	-	-	-	-	-	-	536	-
Purchase of property, plant and equipment	28	9	259	132	257	24	3,177	366	-	-	3,721	531

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 49 SEGMENT INFORMATION (cont'd)

### (a) Reportable Operating Segment Information (cont'd)

	Corporate & Other	Engineering	Real Estate	Infrastructure	Elimination	Group
	2017	2017	2017	2017	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
		(Restated)	(Restated)			
<b>Segment assets</b>						
Segment assets	29,719	130,466	364,839	1,095	–	526,119
Investment in associates and joint venture	–	891	40,269	8,027	–	49,187
Deferred tax assets	–	67	4,399	–	–	4,466
<b>Total assets</b>	<b>29,719</b>	<b>131,424</b>	<b>409,507</b>	<b>9,122</b>	<b>–</b>	<b>579,772</b>
<b>Segment liabilities</b>						
Segment liabilities	942	99,118	37,495	3,879	–	141,434
Loans and borrowings	34,616	43,958	189,266	65	–	267,905
Income tax payable	–	2,015	3,581	–	–	5,596
Deferred tax liabilities	–	25	374	30	–	429
<b>Total liabilities</b>	<b>35,558</b>	<b>145,116</b>	<b>230,716</b>	<b>3,974</b>	<b>–</b>	<b>415,364</b>

### (b) Geographical Information

Segment revenue: Segment revenue is analysed based on the location of customers regardless of where the goods are produced.

Segment non-current assets: Segment non-current assets (excluding bank balances pledged, held-to-maturity financial asset, other receivables and deferred tax assets) are analysed based on the location of those assets.

	Revenue		Non-current assets		
	2019	2018	May 31, 2019	May 31, 2018	June 1, 2017
	\$'000	\$'000	\$'000	\$'000	\$'000
				(Restated)	
Singapore	315,463	202,946	69,757	76,492	94,603
Malaysia	27,338	47,716	53	215	523
Thailand	2,851	3,001	15	55	57
Vietnam	436	532	–	–	–
Hong Kong	8,705	5,844	132	274	896
Australia/New Zealand	8,508	8,456	47,395	8,259	9,759
<b>Total</b>	<b>363,301</b>	<b>268,495</b>	<b>117,352</b>	<b>85,295</b>	<b>105,838</b>

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 50 ACQUISITION OF SUBSIDIARIES

On November 3, 2017, TEE International Limited's subsidiary, TEE Infrastructure Private Limited ("TEE Infrastructure") entered into an option agreement with Tan Chin Kiong and Tan Chiang Leong (the "Sellers") in which the Sellers grant to TEE Infrastructure the right, exercisable within 14 days to purchase all the shares in TEE Environmental Pte. Ltd. (Formerly known as Chiang Kiong Environmental Pte. Ltd.) (which in turn owns TEE Recycling Pte. Ltd. (Formerly known as Chiang Kiong Resources (Paper) Pte. Ltd.)) and Envotek Engineering Pte. Ltd. (collectively known as "TEE Environmental Group") at \$18.5 million (the "Acquisition").

G3 Environmental Private Limited is a special purpose company incorporated by TEE Infrastructure (50.1%), Advancer Global Facility Pte. Ltd. (20.1%) and Kenmoore Mezzanine Investments Ltd (29.8%) to acquire TEE Environmental Group. The Acquisition was completed on December 29, 2018.

The fair value of the net identifiable assets acquired are as follows:

	Carrying amount \$'000	Fair value adjustments \$'000	Fair value \$'000
Cash and cash equivalent	5,708	–	5,708
Trade receivables	8,164	–	8,164
Other receivables	3,271	–	3,271
Inventories	110	–	110
Intangible assets	876	1,357	2,233
Property, plant and equipment	9,486	1,142	10,628
Bank loans and overdraft	(1,659)	–	(1,659)
Trade payables	(1,698)	–	(1,698)
Other payables	(2,630)	–	(2,630)
Long-term borrowings	(1,041)	–	(1,041)
Finance leases	(1,272)	–	(1,272)
Income tax payable	(145)	–	(145)
Deferred tax liabilities	(107)	(574)	(681)
Fair value of identifiable net assets acquired			20,988
Gain from a bargain purchase arising from acquisition (Note 42)			(2,488)
Total consideration, satisfied by cash			18,500
Cash and cash equivalent acquired			(5,708)
Net cash outflow on acquisition of subsidiaries			12,792

Management was of the view, after re-assessment, that the gain arising from acquisition represented a bargain purchase on acquisition, which was primarily due to fair value of customers contracts and fair value adjustment of property, plant and equipment as at acquisition date.

Acquisition related costs amounting to \$299,000 have been excluded from consideration transferred and have been recognised as an expense during the year, within the "administrative expenses" line item in the statement of profit or loss and other comprehensive income.

### Impact on acquisition on the results of the Group

The consolidated result of the Group include post acquisition revenue of \$24.6 million and profit after tax of \$1.4 million contributed by TEE Environmental Group from January 2018 to May 2018.

Had the acquisition of TEE Environmental Group been effected at June 1, 2017, the estimated revenue of the Group from operation would have been \$305.7 million (restated), and the estimated loss for the year from operation would have been \$11.8 million (restated).

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 51 CONTINGENT LIABILITIES

One of the Group's subsidiaries has not met the required timeline for the completion of a development project due to external factors. The matter is under appeal with the relevant authority for an extension. In the event that the appeal is not successful, management estimates the potential charge to be approximately \$4.8 million. Based on the facts and circumstances of this matter, the directors are of the view that the subsidiary has reasonable grounds in obtaining an extension of time for the completion of the development project. Accordingly, no provision for any liability has been made in these financial statements.

## 52 EVENTS AFTER THE REPORTING PERIOD

The Group's subsidiary, JPJ Properties Pty Ltd ("JPJ Properties") was deregistered on August 13, 2019. JPJ Properties was 55% held by TEE Hospitality Pte Ltd, a wholly-owned subsidiary of TEE Land Limited.

## 53 ADOPTION OF NEW FINANCIAL REPORTING FRAMEWORK

The Group and the Company adopted the new financial reporting framework – Singapore Financial Reporting Standards (International) ("SFRS(I)") for the first time for financial year ended May 31, 2019 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) has been applied in the first set of SFRS(I) financial statements. SFRS(I) is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

As a first-time adopter of SFRS(I), the Group and the Company have applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (May 31, 2018), except for areas of exceptions and optional exemptions set out of SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ended May 31, 2018, an additional opening statement of financial position as at date of transition (June 1, 2017) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are presented for equity as at date of transition (June 1, 2017) and as at end of last financial period under FRS (May 31, 2018), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended May 31, 2018). Additional disclosures are made for specific transition adjustments if applicable.

Management has elected the following transition exemption:

- To reset the translation reserve to zero on June 1, 2017 and accordingly, the Group has reclassified an amount of \$1.011 million from currency translation reserve to the opening retained earnings as at June 1, 2017. After the date of transition, any gain or loss on disposal of any foreign operation will exclude translation differences that arose before the date of transition.
- The Group elected not to restate information for 2018. Accordingly, the information presented for 2018 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*.
- SFRS(I) 3 Business Combinations has not been applied to acquisitions of subsidiaries that are considered businesses under SFRS(I) that occurred before June 1, 2017. The FRS carrying amounts of assets and liabilities determined in that business combination, that are required to be recognised under SFRS(I), are the deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with SFRS(I). Assets and liabilities that do not qualify for recognition under SFRS(I) are excluded any previously recognised amounts as a result of SFRS(I) recognition requirements.

SFRS(I) also requires that the FRS carrying amount of goodwill must be used in the opening SFRS(I) statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). There was no goodwill that had arose from the previous acquisitions.

- As permitted under SFRS(I) 1, the transaction price allocated to (partially) unsatisfied performance obligations as of May 31, 2018 is not disclosed using the transition provision of SFRS(I) 15.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 53 ADOPTION OF NEW FINANCIAL REPORTING FRAMEWORK

### Reconciliations of equity and total comprehensive income

The effects of transition to SFRS(I) and the initial application of SFRS(I) 15 are presented and explained below.

#### Group

(A) Impact on the Statement of Financial Position as at June 1, 2017 (date of transition to SFRS(I))

	As previously reported under FRS \$'000	Application of SFRS(I) 1 \$'000	Note	Initial application of SFRS(I) 15 \$'000	Note	As adjusted under SFRS(I) \$'000
<b>Assets</b>						
<b>Current assets</b>						
Trade receivables	55,117	–		(25,543)	(b),(d)	29,574
Other receivables	13,239	–		(3,854)	(g)	9,385
Contract assets	–	–		130,721	(b),(c) (d),(h)	130,721
Contract costs	–	–		3,854	(g)	3,854
Amount due from customers for contract work	89,622	–		(89,622)	(c)	–
Development properties	143,997	–		(18,683)	(b),(h)	125,314
<b>Non-current assets</b>						
Deferred tax assets	3,851	–		615	(i)	4,466
<b>Liabilities and equity</b>						
<b>Current liabilities</b>						
Trade payables	104,212	–		(1,294)	(f)	102,918
Other payables	32,951	–		(8,028)	(e)	24,923
Contract liabilities	–	–		8,028	(e)	8,028
<b>Capital, reserves and Non-controlling interests</b>						
Share capital	58,701	–		–		58,701
Treasury shares	(269)	–		–		(269)
Currency translation reserve	(1,011)	1,011	(a)	–		–
Capital reserve	18,793	–		–		18,793
Accumulated profits (losses)	19,396	(1,011)	(a)	(576)		17,809
Equity attributable to owners of the Company	95,610	–		(576)		95,034
Non-controlling interests	70,016	–		(642)	(i)	69,374
Net equity	165,626	–		(1,218)		164,408

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 53 ADOPTION OF NEW FINANCIAL REPORTING FRAMEWORK

### Reconciliations of equity and total comprehensive income (cont'd)

(B) Impact on the Statement of Financial Position as at May 31, 2018 (end of last period reported under FRS)

	As previously reported under FRS \$'000	Application of SFRS(I) 1 \$'000	Note	Initial application of SFRS(I) 15 \$'000	Note	As adjusted under SFRS(I) \$'000
<b>Assets</b>						
<b>Current assets</b>						
Trade receivables	70,074	–		(38,922)	(b),(d)	31,152
Other receivables	22,180	–		(3,515)	(g)	18,665
Contract assets	–	–		134,166	(b),(c) (d),(h)	134,166
Contract costs	–	–		3,515	(g)	3,515
Amount due from customers for contract work	71,142	–		(71,142)	(c)	–
Development properties	227,757	–		(33,265)	(b),(e),(h)	194,492
Completed properties and land held for sale	46,538	–		(36)	(h)	46,502
<b>Non-current assets</b>						
Deferred tax assets	4,364	–		1,226	(i)	5,590
<b>Liabilities and equity</b>						
<b>Current liabilities</b>						
Trade payables	104,081	–		(3,939)	(f)	100,142
Other payables	46,972	–		(7,894)	(e)	39,078
Contract liabilities	–	–		9,263	(e),(f)	9,263
<b>Capital, reserves and Non-controlling interests</b>						
Share capital	58,701	–		–		58,701
Treasury shares	(269)	–		–		(269)
Currency translation reserve	(690)	1,011	(a)	–		321
Capital reserve	18,741	–		–		18,741
Accumulated profits (losses)	11,791	(1,011)	(a)	(2,977)		7,803
Equity attributable to owners of the Company	88,274	–		(2,977)		85,297
Non-controlling interests	65,228	–		(2,426)	(i)	62,802
Net equity	153,502	–		(5,403)		148,099



# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 53 ADOPTION OF NEW FINANCIAL REPORTING FRAMEWORK

### Reconciliations of equity and total comprehensive income (cont'd)

(C) Impact on the Statement of Profit or Loss and Other Comprehensive Income for the year ended May 31, 2018 (last financial year reported under FRS)

	As previously reported under FRS \$'000	Application of SFRS(I) 1 \$'000	Note	Initial application of SFRS(I) 15 \$'000	Note	As adjusted under SFRS(I) \$'000
<b>Revenue</b>	271,255	–		(2,760)	(h)	268,495
<b>Cost of sales</b>	(232,613)	–		921	(h)	(231,692)
<b>Gross profit</b>	38,642	–		(1,839)		36,803
Other operating income	7,569	–		–		7,569
Selling and distribution expenses	(11,675)	–		–		(11,675)
Administrative expenses	(23,410)	–		–		(23,410)
Other operating expenses	(12,309)	–		–		(12,309)
Share of results of associates and joint venture	3,038	–		–		3,038
Finance costs	(9,878)	–		(2,958)	(h)	(12,836)
<b>Loss before tax</b>	(8,023)	–		(4,797)		(12,820)
Income tax expense	(738)	–		611	(i)	(127)
<b>Loss for the year</b>	(8,761)	–		(4,186)		(12,947)
<b>Other comprehensive (loss) income</b>						
<i>Items that may be reclassified subsequently to profit or loss</i>						
Currency translation differences, representing other comprehensive (loss) income for the year	2,143	–		1		2,144
<b>Total comprehensive loss for the year</b>	(6,618)	–		(4,185)		(10,803)
<b>Loss attributable to:</b>						
Owners of the Company	(7,605)	–		(2,401)		(10,006)
Non-controlling interests	(1,156)	–		(1,785)		(2,941)
	(8,761)	–		(4,186)		(12,947)
<b>Total comprehensive loss attributable to:</b>						
Owners of the Company	(7,284)	–		(2,401)		(9,685)
Non-controlling interests	666	–		(1,784)		(1,118)
	(6,618)	–		(4,185)		(10,803)

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 53 ADOPTION OF NEW FINANCIAL REPORTING FRAMEWORK

### Reconciliations of equity and total comprehensive income (cont'd)

(D) Impact on the Statement of Cash Flows for the year ended May 31, 2018 (last financial year reported under FRS).

The transition to SFRS(I) and the initial application of SFRS(I) 15 have not had a material impact on the statement of cash flows.

Notes to the reconciliations:

#### SFRS(I) 1

(a) Management has elected the option to reset the currency translation reserve to zero at the date of transition, resulting in the currency translation reserve arising from translation differences for all foreign operations to be reclassified to retained earnings at June 1, 2017.

#### SFRS(I) 15

(b) Under SFRS(I) 15, the percentage of completion of performance obligation in advance of progress billings invoiced to purchasers of development properties are recognised as contract assets. This balance was previously recognised as part of trade receivables and development properties and has been reclassified. There was no impact on the statement of profit or loss as a result of these reclassifications.

(c) Under SFRS(I) 15, amount due from customers for contract work-in-progress is recognised as contract assets. There was no impact on the statement of profit or loss as a result of these reclassifications.

(d) Under SFRS(I) 15, accrued revenue is recognised as a contract asset. It was previously presented as part of trade receivables and so has been reclassified. There was no impact on the statement of profit or loss as a result of these reclassifications.

(e) Under SFRS(I) 15, progress billings invoiced to purchasers of development properties in advance of the percentage of completion of performance obligation are recognised as contract liabilities. This balance was previously recognised as part of other payables and development properties and has been reclassified. There was no impact on the statement of profit or loss as a result of these reclassifications.

(f) Under SFRS(I) 15, billings invoiced to customers in advance of the completion of performance obligation are recognised as contract liabilities. This balance was previously recognised as part of trade payables and has been reclassified. There was no impact on the statement of profit or loss as a result of these reclassifications.

(g) The Group incurs commission fees paid to intermediaries in connection with obtaining residential property sales contracts. When the Group expects that these costs will be recovered, it capitalises these and amortises them over the period during which the residential property is transferred to the customer. This balance was previously recognised as part of other receivables.

(h) The Group has adopted the tentative agenda decision by the IFRS Interpretations Committee regarding the capitalisation of borrowing costs in relation to the construction of a multi-unit real estate residential development ("building") where revenue is recognised over time. Accordingly, the borrowing costs previously capitalised in development properties were expensed off in the respective financial years in which they were incurred.

This resulted in change in the percentage of completion and adjustment to revenue and cost of sales.

(i) To recognise the impact on deferred tax assets/ non-controlling interest of the above adjustments recognised.

# NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

## 54 STANDARDS ISSUED BUT NOT EFFECTIVE

At the date of authorisation of these financial statements, the following SFRS(I) pronouncement was issued but not effective and is expected to have an impact to the Group and the Company in the period of its initial application.

### **SFRS(I) 16 Leases**

*Effective for annual periods beginning on or after January 1, 2019*

The standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

SFRS(I) 1-17 does not require the recognition of any right-of-use asset or liability for future payments for the operating leases the Group enters into. Under SFRS(I) 16, the Group may be required to recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of SFRS(I) 16. Additional disclosures may also be made with respect to leases, including any significant judgement and estimation made in distinguishing between leases and service contracts, on the basis of whether an identified asset controlled by the customer exists. Management has performed a detailed analysis of the requirements of the initial application of SFRS(I) 16.

As at May 31, 2019, the Group and the Company have non-cancellable operating lease commitments as disclosed in Note 48. A preliminary assessment indicates that these arrangements will meet the definition of a lease under SFRS(I) 16, and hence the Group and the Company will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon application of SFRS(I) 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's and the Company's financial statements and management is currently assessing its potential impact.

## SHAREHOLDERS' INFORMATION

As at 29 October 2019

ISSUED AND FULLY PAID-UP CAPITAL (INCLUDING TREASURY SHARES)	:	S\$73,193,862
ISSUED AND FULLY PAID-UP CAPITAL (EXCLUDING TREASURY SHARES)	:	S\$72,925,213
NO. OF SHARES ISSUED (EXCLUDING TREASURY SHARES)	:	646,882,476
NUMBER /PERCENTAGE OF TREASURY SHARES	:	1,270,400 (0.20%)
CLASS OF SHARES	:	Ordinary Shares
VOTING RIGHTS	:	One Vote Per Share

### DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	183	10.03	3,756	0.00
100 - 1,000	112	6.14	62,845	0.01
1,001 - 10,000	470	25.77	2,844,055	0.44
10,001 - 1,000,000	1,016	55.70	117,084,695	18.10
1,000,001 & ABOVE	43	2.36	526,887,125	81.45
<b>TOTAL</b>	<b>1,824</b>	<b>100.00</b>	<b>646,882,476</b>	<b>100.00</b>

### TOP TWENTY SHAREHOLDERS

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES HELD	%
1	HONG LEONG FINANCE NOMINEES PTE LTD	181,474,863	28.05
2	PHILLIP SECURITIES PTE LTD	42,665,190	6.60
3	RHB SECURITIES SINGAPORE PTE LTD	40,758,431	6.30
4	LINCOLN CAPITAL PTE. LTD.	25,967,321	4.02
5	OCBC SECURITIES PRIVATE LTD	25,948,389	4.01
6	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	24,985,216	3.86
7	DBS NOMINEES PTE LTD	24,669,415	3.81
8	LUM TUCK SENG	15,457,060	2.39
9	KGI SECURITIES (SINGAPORE) PTE. LTD	14,337,100	2.22
10	MAYBANK KIM ENG SECURITIES PTE.LTD	14,058,506	2.17
11	UNITED OVERSEAS BANK NOMINEES PTE LTD	13,190,969	2.04
12	UOB KAY HIAN PTE LTD	11,718,419	1.81
13	HO BENG SIANG	11,500,000	1.78
14	CITIBANK NOMINEES SINGAPORE PTE LTD	9,620,205	1.49
15	CHUA LEONG HAI @CHUA LEANG HAI	8,100,000	1.25
16	PHUA CHIAN KIN	7,004,967	1.08
17	RAFFLES NOMINEES (PTE) LIMITED	6,629,153	1.02
18	LING CHUI CHUI	5,300,000	0.82
19	GOH POH KWANG (WU BAOGUANG)	4,400,000	0.68
20	HSBC (SINGAPORE) NOMINEES PTE LTD	3,550,434	0.55
	<b>TOTAL</b>	<b>491,335,638</b>	<b>75.95</b>

# SHAREHOLDERS' INFORMATION

As at 29 October 2019

## SUBSTANTIAL SHAREHOLDERS

As shown in the Register of Substantial Shareholders as at 29 October 2019

	Number of shares			
	Direct Interest	%	Deemed Interest	%
Phua Chian Kin <sup>(1)</sup>	253,822,746	39.24	41,237,501	6.37
Wayfoong Global Pte. Ltd. <sup>(2)</sup>	–	–	150,000,000	23.19
Low Ee Chin <sup>(2)</sup>	–	–	150,000,000	23.19

### Notes:

- (1) Mr. Phua Chian Kin is deemed to have an interest in the 1,237,501 ordinary shares held by his spouse, Mdm. Tay Kuek Lee and 40,000,000 ordinary shares held by OCBC Securities Private Ltd. A total of 246,817,779 ordinary shares held by Mr. Phua are registered in the name of Hong Leong Finance Nominees Pte Ltd, CGS-CIMB Securities (Singapore) Pte Ltd, Phillip Securities Pte Ltd and RHB Securities Singapore Pte Ltd.
- (2) Right to acquire 150,000,000 shares ("Sale Shares") in TEE International Limited arising from the execution of a binding term sheet dated 16 September 2019 between Wayfoong Global Pte. Ltd. ("Wayfoong") and Mr. Phua Chian Kin. Completion under the binding term sheet has not taken place. Pursuant to section 4(7) of the Securities and Futures Act, Cap.289 of Singapore, Wayfoong is deemed to have an interest in the Sale Shares. Mr. Low Ee Chin, through his 100% shareholding in Wayfoong is deemed to have an interest in the shares Wayfoong has an interest in.

## PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on the information available to the Company as at 29 October 2019, approximately 50.95% of the issued ordinary shares of the Company are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

## WARRANTHOLDERS' INFORMATION

As at 29 October 2019

Number of outstanding Warrants : 57,193,798  
 Exercise Price : S\$0.189  
 Expiry Date : 30 October 2020

### DISTRIBUTION OF WARRANTHOLDERS – W201030

SIZE OF WARRANTHOLDINGS	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 - 99	206	13.26	4,280	0.01
100 - 1,000	346	22.26	140,057	0.24
1,001 - 10,000	805	51.80	2,494,888	4.36
10,001 - 1,000,000	188	12.10	10,997,943	19.23
1,000,001 & ABOVE	9	0.58	43,556,630	76.16
<b>TOTAL</b>	<b>1,554</b>	<b>100.00</b>	<b>57,193,798</b>	<b>100.00</b>

### TOP TWENTY WARRANTHOLDERS

NO.	NAME OF WARRANTHOLDERS	NO. OF WARRANTS HELD	%
1	PHUA CHIAN KIN	13,229,851	23.13
2	HONG LEONG FINANCE NOMS PTE LTD	12,878,879	22.52
3	RHB SECURITIES SINGAPORE PTE LTD	5,466,206	9.56
4	LINCOLN CAPITAL PTE. LTD.	2,958,845	5.17
5	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	2,748,462	4.80
6	DBS NOMINEES PTE LTD	1,906,891	3.33
7	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,753,272	3.07
8	CITIBANK NOMINEES SINGAPORE PTE LTD	1,492,398	2.61
9	TAY KUEK LEE	1,121,826	1.96
10	CHENG SHAO SHIONG @ BERTIE CHENG	854,587	1.49
11	4 P INVESTMENTS PTE LTD	761,257	1.33
12	MAYBANK KIM ENG SECURITIES PTE.LTD	760,400	1.33
13	TAN SU LAN @ TAN SOO LUNG	546,944	0.96
14	RAFFLES NOMINEES (PTE) LIMITED	454,781	0.79
15	DBS VICKERS SECURITIES (S) PTE LTD	398,253	0.70
16	PHILLIP SECURITIES PTE LTD	352,946	0.62
17	ONG BOON CHUAN	318,487	0.56
18	UOB KAY HIAN PTE LTD	312,824	0.55
19	ESTATE OF LIM TCHEN NAN, DECEASED	242,440	0.42
20	YEO KHEE SENG BENNY	228,117	0.40
	<b>TOTAL</b>	<b>48,787,666</b>	<b>85.30</b>

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting of TEE International Limited (the “**Company**”) will be held at York Hotel Singapore, 21 Mount Elizabeth, Singapore 228516 on 29 November 2019, Friday, at 2.30 p.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the financial year ended 31 May 2019 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect Ms. Saw Chin Choo as Director of the Company who will be retiring pursuant to Article 89 of the Company’s Constitution. **(Resolution 2)**  
*Ms. Saw will, upon re-election as a Director of the Company, remain as Executive Director of the Company. Detailed information of Ms. Saw required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST can be found in the Annual Report.*
3. To note that Mr. Bertie Cheng Shao Shiong who is retiring by rotation at this Annual General Meeting pursuant to Article 89 of the Company’s Constitution has decided not to offer himself for re-election to office.
4. To re-elect Mr. Phua Chian Kin as Director of the Company who will be retiring pursuant to Article 89 of the Company’s Constitution. **(Resolution 3)**  
*Mr. Phua will, upon re-election as a Director of the Company, remain as a Director of the Company. Detailed information of Mr. Phua required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST can be found in the Annual Report.*
5. To re-elect Mr. Lai Hock Meng as Director of the Company who will be retiring pursuant to Article 88 of the Company’s Constitution. **(Resolution 4)**  
*Mr. Lai will, upon re-election as a Director of the Company, remain as an Independent Director of the Company. Detailed information of Mr. Lai required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST can be found in the Annual Report.*
6. To re-elect Mr. Wu Geng as Director of the Company who will be retiring pursuant to Article 88 of the Company’s Constitution. **(Resolution 5)**  
*Mr. Wu will, upon re-election as a Director of the Company, remain as an Independent Director of the Company. Detailed information of Mr. Wu required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST can be found in the Annual Report.*
7. To approve the payment of Directors’ fees of S\$330,000 for the financial year ending 31 May 2020 to be paid quarterly in arrears. (2019: S\$310,750). **(Resolution 6)**
8. To approve the payment of additional Directors’ fees of S\$10,720 for the financial year ended 31 May 2019. **(Resolution 7)**  
*[See Explanatory Note (i)]*
9. To note that Deloitte & Touche LLP have expressed that they will not seek re-appointment as Auditors of the Company.  
*[See Explanatory Note (ii)]*
10. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

# NOTICE OF ANNUAL GENERAL MEETING

## AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

### 11. Authority to issue new shares

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in 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) options, 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 of the Company 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 Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

- (1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such 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 (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
  - (a) new Shares arising from the conversion or exercise of any convertible securities;
  - (b) new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
  - (c) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) 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 Company’s Constitution; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force 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 earlier. **(Resolution 8)**

[See Explanatory Note (iii)]



# NOTICE OF ANNUAL GENERAL MEETING

## 12. **Renewal of Share Buy-Back Mandate**

That for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as ascertained as at the date of Annual General Meeting of the Company) at the price of up to but not exceeding the Maximum Price as defined on page 9 of the Company's Circular to shareholders dated 12 September 2012 (the "**Circular**"), in accordance with the terms of the said Circular and the Letter to Shareholders enclosed together with the Annual Report, and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force 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 earlier. **(Resolution 9)**

*[See Explanatory Note (iv)]*

## 13. **Authority to issue shares under the TEE International Limited Scrip Dividend Scheme**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the SGX-ST, the Directors of the Company be authorised and empowered to issue such number of Shares in the Company as may be required to be issued pursuant to the TEE International Limited Scrip Dividend Scheme from time to time in accordance to the "Terms and Conditions of the Scrip Dividend Scheme" set out in pages A-2-2 to A-2-8 of the Circular to Shareholders dated 4 September 2013 and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force 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 earlier. **(Resolution 10)**

*[See Explanatory Note (v)]*

## 14. **Authority to issue shares under the TEE International Employee Share Option Scheme 2016**

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant options in accordance with the provisions of the TEE International Employee Share Option Scheme 2016 (the "**Scheme**") and to allot and issue or deliver from time to time such number of Shares (or treasury shares) in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of Shares available pursuant to the Scheme, the TEE International Performance Share Plan 2016 and any other share-based schemes of the Company collectively, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force 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 earlier. **(Resolution 11)**

*[See Explanatory Note (vi)]*

## NOTICE OF ANNUAL GENERAL MEETING

### 15. Authority to issue shares under the TEE International Performance Share Plan 2016

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant awards in accordance with the provisions of the TEE International Performance Share Plan 2016 (the "Plan") and to allot and issue or deliver from time to time such number of Shares (or treasury shares) in the capital of the Company as may be required to be issued pursuant to the vesting of awards granted or to be granted by the Company under the Plan, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of Shares available pursuant to the Plan, the Scheme and any other share-based schemes of the Company collectively, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force 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 earlier.

**(Resolution 12)**

*[See Explanatory Note (vii)]*

By Order of the Board

Ms. Yeo Ai Mei  
Ms. Josephine Toh  
Company Secretaries

Singapore  
13 November 2019

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes on Resolutions to be passed:

- (i) The additional Directors' fees were due to changes in the composition of the various Board Committees during the financial year ended 31 May 2019.
- (ii) The Auditors of the Company, Deloitte & Touche LLP, have expressed that they would not be seeking re-appointment as Auditors of the Company at this Annual General Meeting. Efforts are being made by the Company to appoint new auditors as soon as practicable. Further announcement(s) would be released in due course once the proposed new appointment has been confirmed.
- (iii) The Ordinary Resolution 8 proposed in item 11 above, if passed, will empower the Directors of the Company, effective 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 or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of Shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for 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 when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

- (iv) The Ordinary Resolution 9 proposed in item 12 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier, to purchase or otherwise acquire ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the Maximum Price as defined in the Circular dated 12 September 2012. 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 Buy-Back Mandate on the audited consolidated financial statements of the Group for the financial year ended 31 May 2019 are set out in greater detail in the Letter to Shareholders enclosed together with the Annual Report.
- (v) The Ordinary Resolution 10 proposed in item 13 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or when such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares in the Company from time to time pursuant to the TEE International Limited Scrip Dividend Scheme.
- (vi) The Ordinary Resolution 11 proposed in item 14 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares in the Company pursuant to the exercise of options granted under the Scheme. The aggregate number of Shares which may be issued pursuant to the Scheme, the Plan and any other share-based schemes of the Company collectively, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.
- (vii) The Ordinary Resolution 12 proposed in item 15 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares in the Company pursuant to the vesting of awards granted or to be granted under the Plan, provided that the aggregate number of Shares available pursuant to the Plan, the Scheme and any other share-based schemes of the Company collectively, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

## Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote in his/her stead at the Annual General Meeting (the "Meeting").
- (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

2. A proxy need not be a member of the Company.
3. Please see the enclosed Proxy Form and the Notes to Proxy Form for more information.

## NOTICE OF ANNUAL GENERAL MEETING

**Personal data privacy:**

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

# TEE INTERNATIONAL LIMITED

Company Registration No. 200007107D  
(Incorporated In The Republic of Singapore)

## IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy TEE International Limited's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

## PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, \_\_\_\_\_ (Name)

\_\_\_\_\_ (NRIC/Passport Number/Company Registration Number)

of \_\_\_\_\_ (Address)

being a member/members of TEE International Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as \*my/our proxy/proxies to vote for \*me/us on \*my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on 29 November 2019 at 2.30 p.m. and at any adjournment thereof. \*I/We direct \*my/our \*proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the \*proxy/proxies will vote or abstain from voting at \*his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

No.	Resolutions relating to:	<sup>1</sup> No. of Votes For	<sup>1</sup> No. of Votes Against
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 May 2019		
2	Re-election of Ms. Saw Chin Choo as a Director		
3	Re-election of Mr. Phua Chian Kin as a Director		
4	Re-election of Mr. Lai Hock Meng as a Director		
5	Re-election of Mr. Wu Geng as a Director		
6	Approval of Directors' fees for the financial year ending 31 May 2020 to be paid quarterly in arrears		
7	Approval of additional Directors' fees for the financial year ended 31 May 2019		
8	Authority to issue new shares		
9	Renewal of Share Buy-Back Mandate		
10	Authority to issue shares under the TEE International Limited Scrip Dividend Scheme		
11	Authority to issue shares under the TEE International Employee Share Option Scheme 2016		
12	Authority to issue shares under the TEE International Performance Share Plan 2016		

<sup>1</sup> If you wish to exercise all your votes "For" or "Against" the relevant Resolution, please tick (✓) within the relevant box provided. Alternatively, please indicate the number of votes as appropriate in the boxes provided.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2019

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

\_\_\_\_\_  
Signature of Shareholder(s)  
or, Common Seal of Corporate Shareholder

\*Delete where inapplicable



**Notes:**

1. Please insert the total number of shares of the Company ("**Shares**") held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the member shall specify the proportion of his/her shares to be represented by each proxy, failing which the appointment shall be deemed to be in the alternative.
4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

"Relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
  6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 25 Bukit Batok Street 22, TEE Building, Singapore 659591 not less than 48 hours before the time appointed for the Meeting.
  7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument of proxy, failing which the instrument of proxy may be treated as invalid.
  8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

**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 November 2019.

**General:**

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 Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Mr. Bertie Cheng Shao Shiong  
*Chairman, Independent Director*  
Mr. Phua Boon Kin  
*Interim Group Chief Executive and  
Managing Director*  
Mr. Phua Chian Kin  
*Director*  
Ms. Saw Chin Choo  
*Executive Director*  
Mr. Gn Hiang Meng  
*Independent Director*  
Mr. Aric Loh Siang Khee  
*Independent Director*  
Mr. Lai Hock Meng  
*Independent Director*  
Mr. Wu Geng  
*Independent Director*

## AUDIT COMMITTEE

*Chairman*  
Mr. Gn Hiang Meng  
*Members*  
Mr. Aric Loh Siang Khee  
Mr. Bertie Cheng Shao Shiong

## NOMINATING COMMITTEE

*Chairman*  
Mr. Gn Hiang Meng  
*Members*  
Mr. Aric Loh Siang Khee  
Mr. Phua Boon Kin

## REMUNERATION COMMITTEE

*Chairman*  
Mr. Gn Hiang Meng  
*Members*  
Mr. Aric Loh Siang Khee  
Mr. Bertie Cheng Shao Shiong

## EXECUTIVE COMMITTEE

*Members*  
Mr. Gn Hiang Meng  
Mr. Aric Loh Siang Khee  
Mr. Phua Boon Kin

## COMPANY SECRETARIES

Ms. Yeo Ai Mei, CA  
Ms. Josephine Toh Le Mui, ACIS

## REGISTERED OFFICE

Co. Reg. No.: 200007107D  
25 Bukit Batok Street 22  
TEE Building  
Singapore 659591  
Tel: (65) 6561 1066  
Fax: (65) 6565 1738  
Email: IR@teeintl.com  
Website: www.teeintl.com

## DATE OF INCORPORATION

15 August 2000

## SHARE REGISTRAR

B.A.C.S. Private Limited  
8 Robinsons Road  
#03-00 ASO Building  
Singapore 048544  
Tel: (65) 6593 4848  
Fax: (65) 6593 4847

## INDEPENDENT AUDITORS

Deloitte & Touche LLP  
6 Shenton Way #33-00  
OUE Downtown 2  
Singapore 068809

Auditor Partner-in-charge:  
Mr. Kee Cheng Kong, Michael  
(Appointed with effect from FY2017)

## INVESTOR RELATIONS

Ms. Celine Ooi  
Tel: (65) 6697 6589  
Fax: (65) 6565 1738  
Email: IR@teeintl.com

## PRINCIPAL BANKERS

United Overseas Bank Limited  
CIMB Bank Berhad  
DBS Bank Ltd  
Oversea-Chinese Banking Corporation Limited



**TEE INTERNATIONAL LIMITED**

UEN: 200007107D

TEE Building

25 Bukit Batok Street 22

Singapore 659591

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Website: [www.teeintl.com](http://www.teeintl.com)