Revised Financial Statements
**TEE International Limited**
(Company Registration No: 200007107D)
**and its subsidiaries**
For the year ended 31 May 2020

**TEE INTERNATIONAL LIMITED AND ITS SUBSIDIARIES**

**DIRECTORS' STATEMENT AND REVISED FINANCIAL STATEMENTS**

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**TEE INTERNATIONAL LIMITED AND ITS SUBSIDIARIES**

**DIRECTORS' STATEMENT**

The directors present their statement to the members, together with the audited revised consolidated financial statements of the Group for the financial year ended 31 May 2020 and the revised statement of financial position of the Company as at 31 May 2020.

This new directors' statement replaces the original directors' statement signed on 12 October 2020. This new directors' statement and the revised financial statements have been prepared in accordance with Companies (Revision of Defective Financial Statements, or Consolidated Financial Statements or Balance-Sheet) Regulations 2018 (the "Regulations").

The basis for revisions are explained in Note 52 to the revised financial statements. This new directors' statement is taken as having been prepared on the date of the original directors' statement and accordingly, does not consider those events occurring between 13 October 2020 and 27 April 2022.

In the opinion of the directors,

(a) the revised consolidated financial statements of the Group and the revised statement of financial position of the Company 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 31 May 2020 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the original consolidated financial statements; and

(b) as at the date of the original directors' statement (12 October 2020), having regard to information as disclosed in Note 1 to the revised financial statements, there were reasonable grounds to believe that the Company would be able to pay its debts as and when they fell due.

1 DIRECTORS

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

| Directors in office at 12 October 2020 | Movements during the period from 13 October 2020 to 27 April 2022 | | Directors in office at 27 April 2022 |
|---|---|---|---|
| | Appointment | Resignation | |
| Mr. Gn Hiang Meng | - | Mr. Gn Hiang Meng (Resigned on 21 January 2021) | - |
| Mr. Aric Loh Siang Khee | - | Mr. Aric Loh Siang Khee (Resigned on 21 January 2021) | - |
| Prof. Siow Yuen Khong Alex | - | - | Prof. Siow Yuen Khong Alex |
| Mr. Teo Yi Dar | - | - | Mr. Teo Yi Dar |
| Mr. Gary Ng Jit Meng | - | Mr. Gary Ng Jit Meng (Resigned on 5 March 2021) | - |
| Mr. Phua Boon Kin | - | Mr. Phua Boon Kin (Resigned on 20 December 2021) | - |
| Ms. Saw Chin Choo | - | Ms. Saw Chin Choo (Resigned on 14 October 2021) | - |

1 DIRECTORS (CON'D)

| Directors in office at 12 October 2020 | Movements during the period from 13 October 2020 to 27 April 2022 | | Directors in office at 27 April 2022 |
|---|---|---|---|
| | Appointment | Resignation | |
| - | Mr. Yeo Kian Wee Andy (Appointed on 29 December 2020) | - | Mr. Yeo Kian Wee Andy |
| - | Mr. Phua Cher Chuan (Appointed on 24 June 2021) | - | Mr. Phua Cher Chuan |
| - | Mr. Hoon Chee Wai (Appointed on 29 December 2020) | - | Mr. Hoon Chee Wai |

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 Companies Act 1967 (the "Act") except as follows:

| Name of directors and company in which interests are held | Shareholdings registered in name of directors | | | Shareholdings in which directors are deemed to have interests | | |
|---|---|---|---|---|---|---|
| | At beginning of year | At end of year | At 21 June 2020 | At beginning of year | At end of year | At 21 June 2020 |
| The Company | | | Ordinary shares | | | |
| Mr. Phua Boon Kin | 145,132 | 145,132 | 145,132 | - | - | - |
| Ms. Saw Chin Choo | 1,925,100 | 1,925,100 | 1,925,100 | 3,312 | 3,312 | 3,312 |
| The Company | | | Warrants (W201030) to subscribe for ordinary shares at the exercise price of $0.189 each | | | |
| Mr. Phua Boon Kin | 11,983 | 11,983 | 11,983 | - | - | - |
| Ms. Saw Chin Choo | 158,953 | 158,953 | 158,953 | 377 | 377 | 377 |

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:

| Date of issue | At beginning of year | Exercised during the year | Expired during the year | At end of year |
|---|---|---|---|---|
| Warrants (W201030) over ordinary shares | | | | |
| 30 April 2018 | 57,193,798 | - | - | 57,193,798 |

Warrants (W201030) will expire on 30 October 2020.

(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. Hoon Chee Wai | (Chairman and independent director) |
| Mr. Yeo Kian Wee Andy | (Independent director) |
| Prof. Siow Yuen Khong Alex | (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 Act.

The Audit Committee performed, inter alia, the following functions:

(a) reviewed the overall scope of work of both the external and internal auditors and the assistance and co-operation accorded to them by management;

(b) reviewed the results of the external auditors' examination of the consolidated financial statements of the Group and the statement of financial position of the Company and evaluation of the Group's system of internal accounting controls;

(c) reviewed the announcements of results as well as related press releases of the Group;

(d) 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;

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 INDEPENDENT AUDITOR

The independent auditor, Foo Kon Tan LLP, Public Accountants and Chartered Accountants, has expressed its willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

.....
Mr. Phua Cher Chuan

.....
Mr. Teo Yi Dar

Singapore

27 April 2022

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TEE INTERNATIONAL LIMITED**

## Report on the Audit of the Revised Financial Statements

### Disclaimer of Opinion

We were engaged to audit the accompanying revised 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 31 May 2020, 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 for the year then ended, and notes to the revised financial statements, including a summary of significant accounting policies. The revised financial statements replace the original financial statements approved by the directors on 12 October 2020.

We do not express an opinion on the accompanying revised financial statements. 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 revised financial statements.

### Basis for Disclaimer of Opinion

Unauthorised Remittances

Unauthorised Remittances totalling $6.55 million were made in the previous financial year. These Unauthorised Remittances have been repaid to the Group, of which $3.55 million was repaid in the previous financial year and $3 million in the current financial year.

The internal auditors and external investigators appointed to investigate the facts and circumstances surrounding the Unauthorised Remittances and assess the impact on the original financial statements of the Group have concluded their work. However, the Commercial Affairs Department of the Singapore Police Force ("CAD") has started an investigation and has requested further information from the Company. As at the date of this report, there has been no further update on the CAD investigation. The outcome of the CAD investigation could provide other information or findings that may have an impact on the revised financial statements. Accordingly, we are unable to determine any adjustments arising thereon that may be required, and whether there will then be an impact on the accompanying revised financial statements. As a result, we are unable to obtain sufficient appropriate audit evidence or satisfy ourselves through alternative means to conclude if there is any further impact to the revised financial statements.

Opening Balances

We were appointed as auditor of the Company for the current financial year. The auditor for the previous financial year ended 31 May 2019 disclaimed their opinion on 8 November 2019. The basis of disclaimer was the Unauthorised Remittances stated above. In addition, during the year, the Company disposed of its subsidiary, TEE Land Limited (Note 51). We are not auditors of TEE Land Limited. Consequently, we have not been able to obtain sufficient appropriate audit evidence on the revised statements of financial position as at 1 June 2019, as well as the components making up TEE Land Limited's contribution of $4.025 million to loss for the year. As the revised opening balances as at 1 June 2019 form the basis for determining the financial performance, changes in equity and cash flows of the Group for the financial year ended 31 May 2020, we are unable to determine whether adjustments are required to the revised financial statements for the financial year ended 31 May 2020.

## Report on the Audit of the Revised Financial statements (Cont'd)

### Basis for Disclaimer of Opinion (Cont'd)

Contingent Liabilities

Various claims have been made against the Company and the Group in the Engineering segment for liquidated damages, defects, and/or under guarantees for the performance of contracts.

The outcome of the claims, and counterclaims, cannot be determined with reasonable certainty. We are unable to obtain sufficient appropriate audit evidence on the amount of any liability arising, or to quantify if the provision for defects liability, contract assets and cost of sales are appropriately stated in the accompanying revised financial statements, and consequently, whether the going concern basis of preparation of revised financial statements is appropriate.

Comparative Figures

The Company revised its FY2020 financial statements in respect of the comparative figures resulting from the below non-compliance with accounting standards under Section 201(5) of the Companies Act 1967 (the "Act") as identified by ACRA contained in its FY2019 financial statements:

- Classification of portion of the sale proceeds from the disposal of shares in Chewathai Public Company Limited and advances made to other parties as cash flows from operating activities instead of investing activities in the consolidated statement of cash flows
- Recognition of revenue from sale of shop lot units at a point in time instead of over time
- Not accounting for TEE Land Limited as "Held-for-sale"

We are unable to obtain appropriate audit evidence on the above adjustments made by management to remediate the non-compliance as identified by ACRA. Consequently, our opinion on the FY2020 financial statements is modified because of the possible effect on the comparability of the current period's figures and the corresponding figures, as well as any carried forward impact on the current year's financial statements.

### Other Matters – (a) Revisions Made Under the Regulations

We draw attention to Note 52 to these revised financial statements which describes the reasons for and the impacts arising from the revisions to the original financial statements. The original financial statements were approved by the directors on 12 October 2020 and we dated our original auditor's report on the original financial statements on that date.

The revised financial statements have been prepared in accordance with the Companies (Revision of Defective Financial Statements, or Consolidated Financial Statements or Balance-Sheet) Regulations 2018 (the "Regulations") and accordingly do not deal with events which have taken place after the date on which the original financial statements were approved. Consequently, our procedures on subsequent events are restricted solely to the revisions described in Note 52 to these revised financial statements and we have not performed procedures in relation to events occurring between the date of our original auditor's report and the date of this report.

### Other Matters – (b) Prior Period's Financial Statements Audited by Predecessor Auditor

The financial statements for the year ended 31 May 2019 were audited by another firm of auditors whose report dated 8 November 2019 expressed a disclaimer of opinion on those financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TEE INTERNATIONAL LIMITED**

## Responsibilities of Management and Directors for the Revised Financial Statements

Management is responsible for the preparation of revised financial statements that give a true and fair view in accordance with the provisions of the Act as they have effect under the Regulations 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 revised financial statements and to maintain accountability of assets.

In preparing the revised financial statements, management is responsible for assessing the Group's ability to continue as a going concern, as made up to the date of the original financial statements, 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 Revised Financial Statements

Our responsibility is to conduct an audit of the revised consolidated financial statements of the Group and the revised statement of financial position 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 revised 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 revised financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

## 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 subsidiaries 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 Kon Yin Tong.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore,

27 April 2022

**TEE INTERNATIONAL LIMITED AND ITS SUBSIDIARIES**

**STATEMENTS OF FINANCIAL POSITION**
**31 May 2020**

| | | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | | **31 May 2020** | 31 May 2019 | 01 June 2018 | **31 May 2020** | 31 May 2019 | 01 June 2018 |
| | Note | **$'000** | $'000 (Restated) | $'000 (Restated) | **$'000** | $'000 (Restated) | $'000 |
| **ASSETS** | | | | | | | |
| **Current assets** | | | | | | | |
| Cash and cash equivalents | 6 | **50,730** | 35,854 | 34,902 | **8,997** | 759 | 990 |
| Bank balances pledged | 7 | **3,615** | 3,290 | 52 | **-** | - | - |
| Trade receivables | 8 | **30,010** | 28,905 | 31,152 | **3,659** | - | 34 |
| Other receivables | 9 | **5,027** | 6,389 | 17,975 | **14,165** | 10,240 | 24,033 |
| Loans receivables | 10 | **-** | - | 14,376 | **-** | - | - |
| Financial asset at amortised cost | 11 | **-** | - | 25 | **-** | - | 25 |
| Financial assets at fair value through profit or loss | 12 | **82** | 164 | 700 | **82** | 164 | 700 |
| Inventories | 13 | **77** | 156 | 168 | **-** | - | - |
| Contract assets | 14 | **146,244** | 141,650 | 134,166 | **-** | - | - |
| Contract costs | 15 | **-** | - | 3,515 | **-** | - | - |
| Development properties | 16 | **-** | - | 197,437 | **-** | - | - |
| Completed properties and land for sale | 16 | **-** | - | 48,274 | **-** | - | - |
| | | **235,785** | 216,408 | 482,742 | **26,903** | 11,163 | 25,782 |
| Non-current assets held-for-sale | 17 | **17,041** | 366,746 | 47,617 | **-** | 48,928 | - |
| Total current assets | | **252,826** | 583,154 | 530,359 | **26,903** | 60,091 | 25,782 |
| **Non-current assets** | | | | | | | |
| Bank balances pledged | 7 | **-** | - | 471 | **-** | - | - |
| Other receivables | 9 | **1,312** | 1,360 | 1,211 | **777** | 941 | 1,104 |
| Investment in associates | 18 | **9,646** | 8,256 | 19,563 | **-** | - | - |
| Investment in joint venture | 18 | **130** | 129 | 270 | **-** | - | - |
| Investment in subsidiaries | 19 | **-** | - | - | **43,926** | 43,926 | 109,930 |
| Club membership | 20 | **-** | 5 | 5 | **-** | 5 | 5 |
| Intangible asset | 21 | **310** | 1,054 | 1,799 | **-** | - | - |
| Property, plant and equipment | 22 | **8,389** | 11,093 | 31,253 | **41** | 93 | 138 |
| Investment properties | 23 | **34,926** | 22,000 | 32,405 | **23,909** | 22,000 | 22,000 |
| Deferred tax assets | 24 | **618** | 137 | 4,447 | **-** | - | - |
| Total non-current assets | | **55,331** | 44,034 | 91,424 | **68,653** | 66,965 | 133,177 |
| **Total assets** | | **308,157** | 627,188 | 621,783 | **95,556** | 127,056 | 158,959 |

See accompanying notes to revised financial statements.

**TEE INTERNATIONAL LIMITED AND ITS SUBSIDIARIES**

**STATEMENTS OF FINANCIAL POSITION (CONT'D)**
**31 May 2020**

| | Note | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | | **31 May 2020** | 31 May 2019 | 01 June 2018 | **31 May 2020** | 31 May 2019 | 01 June 2018 |
| | | **$'000** | $'000 (Restated) | $'000 (Restated) | **$'000** | $'000 (Restated) | $'000 |
| **LIABILITIES AND EQUITY** | | | | | | | |
| **Current liabilities** | | | | | | | |
| Bank loans and overdrafts | 25 | **57,496** | 46,538 | 51,250 | **-** | 4,300 | 4,481 |
| Trade payables | 26 | **147,628** | 145,029 | 100,142 | **3,613** | 13 | 54 |
| Other payables | 27 | **22,573** | 17,061 | 39,078 | **59,555** | 52,541 | 65,608 |
| Contract liabilities | 28 | **661** | 316 | 9,263 | **-** | - | - |
| Provision for maintenance costs | 29 | **235** | 992 | 1,034 | **-** | - | - |
| Current portion of finance leases | 30 | **-** | 333 | 607 | **-** | - | - |
| Current portion of lease liabilities | 31 | **2,119** | - | - | **128** | - | - |
| Current portion of long-term borrowings | 32 | **2,809** | 6,234 | 91,857 | **2,510** | 1,268 | 1,920 |
| Current portion of financial guarantee liabilities | 33 | **75** | 75 | 67 | **75** | 75 | 76 |
| Income tax payable | | **4,339** | 2,408 | 2,424 | **842** | - | - |
| | | **237,935** | 218,986 | 295,722 | **66,723** | 58,197 | 72,139 |
| Liabilities directly associated with non-current assets held-for-sale | 17 | **19,840** | 266,109 | - | **-** | - | - |
| Total current liabilities | | **257,775** | 485,095 | 295,722 | **66,723** | 58,197 | 72,139 |
| **Non-current liabilities** | | | | | | | |
| Finance leases | 30 | **-** | 1,130 | 330 | **-** | - | - |
| Lease liabilities | 31 | **14,454** | - | - | **2,309** | - | - |
| Long-term borrowings | 32 | **16,755** | 13,826 | 142,830 | **11,404** | 13,701 | 12,762 |
| Financial guarantee liabilities | 33 | **-** | 74 | 385 | **-** | 74 | 150 |
| Notes payable | 34 | **-** | 21,000 | 21,089 | **-** | 21,128 | 21,267 |
| Long-term deposit | 35 | **306** | 306 | 306 | **306** | 306 | 306 |
| Other payables | 27 | **40** | 30 | 8,074 | **-** | - | - |
| Deferred tax liabilities | 24 | **178** | 389 | 1,951 | **-** | - | - |
| Total non-current liabilities | | **31,733** | 36,755 | 174,965 | **14,019** | 35,209 | 34,485 |
| **Capital, reserves and non-controlling interests** | | | | | | | |
| Share capital | 36 | **73,194** | 73,194 | 58,701 | **73,194** | 73,194 | 58,701 |
| Treasury shares | 37 | **(269)** | (269) | (269) | **(269)** | (269) | (269) |
| Currency translation reserve | 38 | **605** | (245) | 359 | **-** | - | - |
| Capital reserve | 39 | **-** | 18,561 | 18,741 | **(274)** | (274) | (94) |
| Accumulated (losses)/profits | | **(51,363)** | (36,370) | 9,674 | **(57,837)** | (39,001) | (6,003) |
| Equity attributable to owners of the Company | | **22,167** | 54,871 | 87,206 | **14,814** | 33,650 | 52,335 |
| Non-controlling interests | 40 | **(3,518)** | 50,467 | 63,890 | **-** | - | - |
| Net equity | | **18,649** | 105,338 | 151,096 | **14,814** | 33,650 | 52,335 |
| **Total liabilities and equity** | | **308,157** | 627,188 | 621,783 | **95,556** | 127,056 | 158,959 |

See accompanying notes to revised financial statements.

**TEE INTERNATIONAL LIMITED AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**Year ended 31 May 2020**

| | Note | Group | |
|---|---|---|---|
| | | **2020** | 2019 |
| | | **$'000** | $'000 |
| | | **(Restated)** | (Restated) |
| **Continuing operations** | | | |
| **Revenue** | 41 | **329,945** | 249,338 |
| Cost of sales | | **(331,030)** | (231,658) |
| **Gross profit** | | **(1,085)** | 17,680 |
| Other operating income | 42 | **3,623** | 1,241 |
| Administrative expenses | | **(16,011)** | (15,854) |
| Other operating expenses | 43 | **(4,844)** | (2,517) |
| Share of results of associates and joint venture | 18 | **746** | 568 |
| Finance costs | 44 | **(7,034)** | (5,168) |
| Impairment loss on financial assets and contract assets | 46 | **(1,179)** | - |
| Impairment loss on financial assets written back | 46 | **-** | 500 |
| **Loss before tax** | | **(25,784)** | (3,550) |
| Income tax expense | 45 | **(3,416)** | (1,534) |
| **Loss for the year from continuing operations** | | **(29,200)** | (5,084) |
| **Loss for the year from discontinued operations, net of tax** | 47 | **(8,550)** | (53,485) |
| **Loss for the year** | 46 | **(37,750)** | (58,569) |
| **Other comprehensive income/(loss)** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Currency translation differences, representing other comprehensive income/(loss) for the year | | **3** | (1,256) |
| **Total comprehensive loss for the year** | | **(37,747)** | (59,825) |
| **Loss attributable to:** | | | |
| Owners of the Company | | | |
| Loss from continuing operations, net of tax | | **(27,694)** | (3,732) |
| Loss from discontinued operations, net of tax | | **(5,860)** | (42,312) |
| | | **(33,554)** | (46,044) |
| Non-controlling interests | | | |
| Loss from continuing operations, net of tax | | **(1,506)** | (1,352) |
| Loss from discontinued operations, net of tax | | **(2,690)** | (11,173) |
| | | **(4,196)** | (12,525) |
| **Loss for the year** | | **(37,750)** | (58,569) |
| **Total comprehensive loss attributable to:** | | | |
| Owners of the Company | | **(33,093)** | (46,648) |
| Non-controlling interests | | **(4,654)** | (13,177) |
| | | **(37,747)** | (59,825) |
| **Loss per share** | | | |
| From continuing and discontinued operations | | | |
| - Basic (cents) | 48 | **(5.19)** | (8.31) |
| - Diluted (cents) | 48 | **(5.19)** | (8.31) |
| From continuing operations | | | |
| - Basic (cents) | 48 | **(4.28)** | (0.67) |
| - Diluted (cents) | 48 | **(4.28)** | (0.67) |

See accompanying notes to revised financial statements.

**TEE INTERNATIONAL LIMITED AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**Year ended 31 May 2020**

| | Share capital | Treasury shares | Currency translation reserve | Capital reserve | Accumulated profits/ (losses) | Equity attributable to Owners of the Company | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Balance at 1 June 2018 (previously reported) | 58,701 | (269) | 321 | 18,741 | 7,803 | 85,297 | 62,802 | 148,099 |
| Effects of revisions (Note 52) | - | - | 38 | - | 1,871 | 1,909 | 1,088 | 2,997 |
| Balance at 1 June 2018 (restated) | 58,701 | (269) | 359 | 18,741 | 9,674 | 87,206 | 63,890 | 151,096 |
| Total comprehensive loss for the year: | | | | | | | | |
| Loss for the year | - | - | - | - | (46,044) | (46,044) | (12,525) | (58,569) |
| Other comprehensive loss for the year | - | - | (604) | - | - | (604) | (652) | (1,256) |
| Total comprehensive loss for the year | - | - | (604) | - | (46,044) | (46,648) | (13,177) | (59,825) |
| Transaction with Owners, recognised directly in equity: | | | | | | | | |
| 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 31 May 2019 (restated) | 73,194 | (269) | (245) | 18,561 | (36,370) | 54,871 | 50,467 | 105,338 |

See accompanying notes to revised financial statements.

**TEE INTERNATIONAL LIMITED AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)**
**Year ended 31 May 2020**

| | Share capital | Treasury shares | Currency translation reserve | Capital reserve | Accumulated profits/ (losses) | Equity attributable to Owners of the Company | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Balance at 1 June 2019 (previously reported) | 73,194 | (269) | (245) | 18,561 | (10,370) | 80,871 | 50,467 | 131,338 |
| Effects of revisions (Note 52) | - | - | - | - | (26,000) | (26,000) | - | (26,000) |
| Balance at 1 June 2019 (restated) | 73,194 | (269) | (245) | 18,561 | (36,370) | 54,871 | 50,467 | 105,338 |
| Total comprehensive income/(loss) for the year: | | | | | | | | |
| Loss for the year | - | - | - | - | (33,554) | (33,554) | (4,196) | (37,750) |
| Other comprehensive income/(loss) for the year | - | - | 461 | - | - | 461 | (458) | 3 |
| Total comprehensive income/(loss) for the year | - | - | 461 | - | (33,554) | (33,093) | (4,654) | (37,747) |
| Transaction with Owners, recognised directly in equity: | | | | | | | | |
| Disposal of a subsidiary | - | - | 389 | (18,561) | 18,561 | 389 | (49,351) | (48,962) |
| Contribution from non-controlling interest | - | - | - | - | - | - | 20 | 20 |
| Balance at 31 May 2020 | 73,194 | (269) | 605 | - | (51,363) | 22,167 | (3,518) | 18,649 |

See accompanying notes to revised financial statements.

**TEE INTERNATIONAL LIMITED AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS**
**Year ended 31 May 2020**

| | Note | Group 2020 $'000 (Restated) | 2019 $'000 (Restated) |
|---|---|---|---|
| **Operating activities** | | | |
| Loss before tax from continuing operations | | **(25,784)** | (3,550) |
| Loss before tax from discontinued operations | | **(8,559)** | (53,816) |
| Adjustments for: | | | |
| Share of results of associates and joint venture | 18 | **(746)** | 226 |
| Depreciation of property, plant and equipment | 46 | **4,457** | 7,890 |
| Allowance for diminution in value of completed properties and land for sale | 43 | **-** | 542 |
| Allowance for doubtful other receivables | 46 | **169** | 181 |
| Allowance for doubtful loan receivables | 46 | **-** | 665 |
| Allowance for impairment loss on contract assets | 46 | **957** | - |
| Allowance for doubtful trade receivables | 46 | **53** | 663 |
| Allowance for doubtful trade receivables written back | 46 | **-** | (485) |
| Allowance for doubtful other receivables written back | 46 | **-** | (15) |
| Write back of loss allowance for contract assets | 46 | **-** | (658) |
| Amortisation of deferred commission expenses | 46 | **1,733** | 3,874 |
| Amortisation of deferred show flat costs | 46 | **1,150** | 433 |
| Amortisation of financial guarantee liabilities | 42 | **(186)** | (263) |
| Amortisation of intangible asset | 43 | **744** | 745 |
| Amortisation of issuance costs on notes payable | 46 | **282** | 210 |
| Changes in fair value of financial assets at FVTPL | 43 | **82** | 536 |
| Changes in fair value of investment properties | 43 | **1,189** | 691 |
| Club membership written off | 20 | **5** | - |
| Gain on disposal of an associate | 42 | **-** | (139) |
| Gain on disposal of subsidiary | 42 | **(4,287)** | - |
| Loss on disposal of property, plant and equipment | 43 | **6** | 24 |
| Impairment loss on investment in associates | 43 | **-** | 3,600 |
| Impairment loss on property, plant and equipment | 43 | **2,484** | - |
| Impairment recognised based on net estimated fair value of disposal group classified as held-for-sale | 43 | **-** | 26,000 |
| Other receivable written off | 43 | **12** | 154 |
| Property, plant and equipment written off | 43 | **234** | 261 |
| Provision for maintenance costs | 29 | **462** | 1,620 |
| Trade receivables written off | 43 | **978** | 117 |
| Unrealised currency translation (gain)/loss | | **(219)** | 1,357 |
| Interest income | 42 | **(229)** | (398) |
| Interest expense | 44 | **12,470** | 13,272 |
| Operating cash flows before movements in working capital | | **(12,543)** | 3,737 |
| Trade receivables | | **3,799** | (13,850) |
| Other receivables | | **(1,231)** | (3,546) |
| Inventories | | **81** | (35) |
| Contract assets | | **(5,617)** | (41,697) |
| Contract costs | | **(3,409)** | (2,206) |
| Development properties | | **15,609** | (2,646) |
| Completed properties and land for sale | | **9,954** | 27,640 |
| Trade payables | | **936** | 62,132 |
| Other payables | | **12,707** | 2,306 |
| Contract liabilities | | **2,704** | (2,602) |
| Utilisation of provision for maintenance costs | | **(1,219)** | (1,662) |
| Cash generated from operations | | **21,771** | 27,571 |
| Interest paid | | **(3,539)** | (4,843) |
| Income tax paid | | **(2,377)** | (1,966) |
| Net cash generated from operating activities | | **15,855** | 20,762 |

See accompanying notes to revised financial statements.

**TEE INTERNATIONAL LIMITED AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)**
**Year ended 31 May 2020**

| | Note | Group 2020 $'000 (Restated) | 2019 $'000 (Restated) |
|---|---|---|---|
| **Investing activities** | | | |
| Proceeds on disposal of financial assets at amortised cost | | - | 25 |
| Proceeds on disposal of an associate | | - | 14,067 |
| Proceeds on disposal of property, plant and equipment | | **443** | 801 |
| Purchase of investment property | | - | (45) |
| Purchase of property, plant and equipment | A | **(1,338)** | (2,683) |
| Net cash inflow from the disposal of a subsidiary | 51 | **25,074** | - |
| Investment in associates | | - | (4,658) |
| Loans receivables | | **(18)** | (347) |
| Loan to a related party | | - | (3,000) |
| Repayment of finance lease receivables | | **10** | - |
| Repayment of loans receivables | | **225** | 3,219 |
| Repayment of loan by a related party | | **3,000** | - |
| Dividend received from associates and joint venture | | - | 2,366 |
| Interest received | | **114** | 1,421 |
| Net cash generated from investing activities | | **27,510** | 11,166 |
| **Financing activities** | | | |
| Drawdown of bank loans | | **159,194** | 115,515 |
| Repayment of bank loans | | **(145,938)** | (116,943) |
| Drawdown of long-term borrowings | | **10,195** | 55,335 |
| Repayment of long-term borrowings | | **(37,281)** | (50,627) |
| Repayment of notes payable | | **(18,439)** | (1,766) |
| Increase in bank balances pledged | | **(315)** | (2,749) |
| Repayment of principal portion of lease liabilities/ finance lease | | **(2,262)** | (600) |
| Repayment of loan to a director | | - | (10,000) |
| Repayment of loan to non-controlling interest | | **(3,004)** | - |
| Loan from non-controlling interests | | - | 1,480 |
| Capital injection by non-controlling interest | | **20** | - |
| Payment of rights issue expenses | | - | (180) |
| Proceeds from rights issue | 36 | - | 14,493 |
| Dividends paid to non-controlling interests | B | - | (656) |
| Interest paid | | **(12,552)** | (7,871) |
| Net cash used for financing activities | | **(50,382)** | (4,569) |
| Net (decrease)/increase in cash and cash equivalents | | **(7,017)** | 27,359 |
| Cash and cash equivalents at beginning of year | | **57,554** | 30,291 |
| Effect of foreign exchange rate changes | | **33** | (96) |
| **Cash and cash equivalents at end of year** | 6 | **50,570** | 57,554 |

Note A

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $2,370,000 (2019 - $3,835,000) of which $33,000 (2019 - $Nil) was included in disposal group. Additions of $1,032,000 (2019 - $1,152,000) was acquired under lease arrangement and the balance of $1,338,000 (2019 - $2,683,000) was paid in cash.

Note B

In 2018, the Group declared dividends amounting to $2,251,000 to its non-controlling interest of which $410,000 remained outstanding as of year end 2018 and included in other payables. The dividend was paid in 2019.

See accompanying notes to revised financial statements.

1 GENERAL

(a) 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 revised financial statements are expressed in Singapore dollars.

(b) 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.

(c) As at 31 May 2020, the Group and the Company's current liabilities exceeded its current assets by $4,949,000 ("Group's Net Current Liabilities") and $39,820,000, respectively. At the Company level, the net current liabilities is due mainly to inter-company payables to certain subsidiaries. Subsequent to the financial year-end,

i. A subsidiary has obtained confirmations from all of its shareholders on 5 October 2020, not to demand for repayment of their respective proportionate shareholders' loans for a period of 13 months. The proportionate of non-controlling shareholders' loans amounted to $8,184,000.

ii. The Company's controlling shareholder, Tramore Global Limited ("TGL") had provided an interest-free short-term advance amounting to $750,000 to the Company in September 2020.

iii. TGL has further undertaken to provide financial support to cover the Group's Net Current Liabilities for the financial year ending 31 May 2021, so that the Group's current liabilities can be met as they fall due.

iv. The Group is the process of obtaining waivers for the breach of various bank covenants in respect of outstanding loans amounting to $57.5 million (Note 32). To date, the Group has not received any demand for immediate repayment for these loans.

v. The Company is exploring various options to strengthen its capital base.

In view of the above, the Directors and Management of the Company are of the view that it is appropriate to continue to adopt the going concern assumption in the preparation of the accompanying revised financial statements.

(d) The revised consolidated financial statements of the Group for the year ended 31 May 2020 and statement of financial position of the Company as at 31 May 2020 were authorised for issue by the Board of Directors on the date of the new directors' statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – These revised financial statements were prepared in accordance with the Companies (Revision of Defective Financial Statements, or Consolidated Financial Statements or Balance-Sheet) Regulations 2018 (the "Regulations"), as the directors have voluntarily revised these financial statements in accordance with Section 202A of the Companies Act 1967 (the "Act").

These revised financial statements replace the original financial statements that were approved by the directors on 12 October 2020. These revised financial statements were approved by the directors on 27 April 2022.

These revised financial statements are taken as having been prepared on the date of the original financial statements on 12 October 2020 and accordingly, do not consider any events which occurred between 13 October 2020 and 27 April 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

BASIS OF ACCOUNTING (CONT'D)

These revised financial statements have been revised to reflect changes made in response to queries raised by the Accounting and Corporate Regulatory Authority ("ACRA") in its letter dated 28 September 2021 as described in Note 52 to the revised financial statements. The impacts of the revisions are disclosed in Note 52 to the revised financial statements.

The revised 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 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) 1-16 *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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

BASIS OF CONSOLIDATION (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 the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and the 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

**Financial assets**

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 achieved by collecting 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.

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 achieved by both collecting 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Financial assets (Cont'd)**

*Amortised cost and effective interest method (cont'd)*

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Financial assets (Cont'd)**

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Financial assets (Cont'd)**

*Significant increase in credit risk (cont'd)*

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 aforegoing, 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.

*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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Financial assets (Cont'd)**

*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 ECL 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 ECL 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 ECL 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. For a lease receivable, the cash flows used for determining the credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with SFRS(I) 16 Leases.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Financial assets (Cont'd)**

*Measurement and recognition of expected credit losses (cont'd)*

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Financial liabilities and equity instruments (Cont'd)**

*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.

*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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Financial liabilities and equity instruments (Cont'd)**

*Financial liabilities subsequently measured at amortised cost (cont'd)*

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Leases (before 1 June 2019)**

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.

(a) 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.

(b) 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.

**Leases (from 1 June 2019)**

The Group has applied SFRS(I) 16 using modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under SFRS(I) 1-17 and SFRS(I) INT 4. The details of accounting policies under SFRS(I) 1-17 and SFRS(I) INT 4 are disclosed separately.

The lessee accounting policy for leases from 1 June 2019 are as follows:

(a) The Group as lessee

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use ("ROU") asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Leases (from 1 June 2019) (Cont'd)**

(a) The Group as lessee (cont'd)

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate ("IBR") specific to the lessee. The IBR is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The Group has elected to not recognise ROU assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value assets, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that trigger those lease payments.

For all contracts that contain both lease and non-lease components, the Group has elected to not separate lease and non-lease components and account these as one single lease component.

The lease liabilities are presented as a separate line in the statement of financial position.

The lease liability is subsequently measured at amortised cost, by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (with a corresponding adjustment to the related ROU asset or to profit or loss if the carrying amount of the ROU asset has already been reduced to zero whenever:

(i) the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Leases (from 1 June 2019) (Cont'd)**

(a) The Group as lessee (cont'd)

Lease liabilities (cont'd)

(ii) the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or

(iii) a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use asset ("ROU")

The ROU asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the costs relate to a ROU asset, the costs are included in the related ROU asset, unless those costs are incurred to produce inventories.

Depreciation on ROU assets is calculated using the straight-line method to allocate their depreciable amounts over the shorter period of lease term and useful life of the underlying asset as set out in the accounting policies for "Property, plant and equipment".

If a lease transfers ownership of the underlying asset or the cost of the ROU asset reflects that the Group expects to exercise a purchase option, the related ROU asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The ROU assets (except for those which meets the definition of an investment property) are presented within Property, plant and equipment in the statement of financial position.

A ROU asset which meets the definition of an investment property is presented within "Investment properties" in the statement of financial position.

The Group applies SFRS(I) 1-36 to determine whether a ROU asset is impaired and accounts for any identified impairment loss.

(b) The Group as lessor

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16, except for the classification of the sublease entered into that resulted in a finance lease classification.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Leases (from 1 June 2019) (Cont'd)**

(b) The Group as lessor (Cont'd)

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognises lease payments received from investment property under operating leases as income on a straight-line basis over the lease term within "revenue" in profit or loss. Rental income from subleased property is recognised within "other operating income" in profit or loss.

(c) Intermediate lessor in sublease

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the recognition exemption, then it classifies the sublease as an operating lease.

When the sublease is assessed as a finance lease, the Group derecognises the ROU asset relating to the head lease that it transfers to the sublessee and recognised the net investment in the sublease within "finance lease receivables" in the statement of financial position. Any differences between the ROU asset derecognised and the net investment in sublease is recognised in profit or loss. Lease liability relating to the head lease is retained in the statement of financial position, which represents the lease payments owed to the head lessor.

NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD-FOR-SALE AND DISCONTINUED OPERATIONS - 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.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held-for-sale, and:

(a) represents a separate major line of business or geographical area of operations;

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

Land 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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 land and 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% |
| Leased premises | - | over remaining period of lease |

Freehold land is not depreciated.

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.

Leased assets 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS (CONT'D)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

ASSOCIATES AND JOINT VENTURE (CONT'D)

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.

RELATED PARTIES - A related party is defined as follows:

(a) A person or a close member of that person's family is related to the group and company if that person:

(i) has control or joint control over the company;

(ii) has significant influence over the company; or

(ii) is a member of the key management personnel of the group and company or of a parent of the company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

RELATED PARTIES (CONT'D)

(b) An entity is related to the group and the company if any of the following conditions applies:

(i) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is part, provides key management personnel services to the company or the parent of the company.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 from investment properties
- 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

REVENUE RECOGNITION (CONT'D)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

REVENUE RECOGNITION (CONT'D)

Sale of development properties (Cont'd)

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 waste is 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 income from investment properties

The Group leases out its investment properties under operating lease and recognised rental income proportionately over the lease term. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis. Rental payments received in advance are recorded as unearned income and amortised proportionately over the lease term using the straight-line method.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

INCOME TAX (CONT'D)

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.

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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION (CONT'D)

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 that form an integral part of cash management, and are subject to an insignificant risk of changes in value.

SEGMENT REPORTING - An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. The Group determines and presents operating segments based on information that is provided internally to the Interim Group Chief Executive, who is the Group's chief operating decision maker. All operating segments' operating results are reviewed regularly by the Interim Group Chief Executive to make decision about resources to be allocated to the segments and assess its performance, and for which discrete financial information is available.

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 on-going 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 judgements, 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 revised financial statements.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

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

(i) Determination of lease terms

When estimating the lease term of the respective lease arrangement, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

(ii) Deferred taxation on investment properties

For the purpose of measuring deferred tax liabilities or assets arising from investment properties that are measured using the fair value model, management has reviewed the Group's investment property portfolio and concluded that they are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, management has determined that the presumption that investment properties measured using the fair value model are recovered through sale is not rebutted.

***(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.

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.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

***(b) Key sources of estimation uncertainty (Cont'd)***

(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 the respective notes to the revised financial statements.

(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.

(iv) Development properties, completed properties and land for sale

Development properties, completed properties and land 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.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

***(b) Key sources of estimation uncertainty (Cont'd)***

(iv) Development properties, completed properties and land for sale (Cont'd)

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 for 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, completed properties and land for sale as at prior year end 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 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, discount rate and comparable prices.

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.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

***(b) Key sources of estimation uncertainty (Cont'd)***

(vii) Estimation of incremental borrowing rate

The Group and the Company cannot readily determine the interest rate implicit in the lease. Therefore, it uses the IBR to measure lease liabilities. The IBR is defined as the rate of the interest that the lessee would have to pay to borrow over a similar security the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment.

The Group and the Company estimates the IBR relevant to each lease by using observable inputs such as market interest rate and asset yield where available, and then making certain lessee specific adjustments such as Group entity's credit rating.

The carrying amount of the Group and the Company's lease liabilities and right-of-use assets are disclosed in Note 31 and Note 49, respectively. If the incremental borrowing rate had been 50 basis point higher/lower with all other variables held constant, the Group and the Company's ROU and lease liabilities would have been approximately lower/higher by $354,000 (2019: $Nil) and $340,000 (2019: $Nil), respectively.

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 | | |
|---|---|---|---|---|---|---|
| | 31 May 2020 | 31 May 2019 | 1 June 2018 | 31 May 2020 | 31 May 2019 | 1 June 2018 |
| | $'000 | $'000 (Restated) | $'000 (Restated) | $'000 | $'000 | $'000 |
| Financial assets | | | | | | |
| Amortised cost | 88,659 | 73,361 | 95,356 | 26,625 | 10,798 | 24,872 |
| Financial assets at fair value through profit or loss | 82 | 164 | 700 | 82 | 164 | 700 |
| Financial liabilities | | | | | | |
| Amortised cost | 264,415 | 249,886 | 455,067 | 79,825 | 93,244 | 106,344 |
| Financial guarantee liabilities | 75 | 149 | 452 | 75 | 149 | 226 |

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, lease liabilities, 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 31 May 2020, 31 May 2019 and 1 June 2018.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

***(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.

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:

| | Liabilities | | | Assets | | |
|---|---|---|---|---|---|---|
| | 31 May 2020 | 31 May 2019 | 1 June 2018 | 31 May 2020 | 31 May 2019 | 1 June 2018 |
| | $'000 | $'000 (Restated) | $'000 | $'000 | $'000 (Restated) | $'000 |
| **Group** | | | | | | |
| Thai Baht | 816 | 776 | 900 | 6 | 6 | 9,382 |
| United States Dollar | - | 21,000 | 20,079 | 331 | 421 | 410 |
| **Company** | | | | | | |
| United States Dollar | - | 21,128 | 20,105 | 9,320 | 8,614 | 9,704 |

The Group has a number of investments in foreign subsidiaries and associates, whose net assets are exposed to currency translation risk. The Group did not 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.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

***(c) Financial risk management policies and objectives (Cont'd)***

*Foreign currency sensitivity (Cont'd)*

If the relevant foreign currency weakens by 10% against the functional currency of each group entity, loss for the year will (increase)/decrease by:

| | Thai Baht impact | | United States Dollar impact | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Profit or loss | 81 | 77 | (33) | 2,058 |

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 and notes payable and the details of the Group's interest rate exposure is disclosed in the respective notes to the financial statements.

*Interest rate sensitivity*

The sensitivity analysis below have been determined based on the exposure to interest rates for 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 31 May 2020 would increase/decrease by $382,000 (2019 - $434,000). 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 31 May 2020 would increase/decrease by $70,000 (2019 - $202,000). 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 31 May 2020, 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

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 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 |

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** | **Loss allowance** | **Net carrying amount** |
|---|---|---|---|---|---|---|
| | | | | **$'000** | **$'000** | **$'000** |
| **Group** | | | | | | |
| **31 May 2020** | | | | | | |
| Trade receivables | 8 | (i) | Lifetime ECL (simplified approach) | 30,202 | (192) | 30,010 |
| Other receivables | 9 | Performing | 12-month ECL | 4,304 | - | 4,304 |
| Other receivables | 9 | In default | Lifetime ECL | 1,233 | (1,233) | - |
| Contract assets | 14 | (i) | Lifetime ECL (simplified approach) | 147,201 | (957) | 146,244 |

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

***(c) Financial risk management policies and objectives (Cont'd)***

Credit risk management (Cont'd)

| | Note | Internal credit rating | 12-month or lifetime ECL | Gross carrying amount | Loss allowance | Net carrying amount |
|---|---|---|---|---|---|---|
| | | | | $'000 | $'000 | $'000 |
| **Group** | | | | | | |
| **31 May 2019** | | | | | | |
| Trade receivables | 8 | (i) | Lifetime ECL (simplified approach) | 29,163 | (258) | 28,905 |
| Other receivables | 9 | Performing | 12-month ECL | 5,554 | - | 5,554 |
| Other receivables | 9 | In default | Lifetime ECL | 1,037 | (1,037) | - |
| Contract assets | 14 | (i) | Lifetime ECL (simplified approach) | 141,736 | (86) | 141,650 |
| **1 June 2018** | | | | | | |
| Trade receivables | 8 | (i) | Lifetime ECL (simplified approach) | 31,262 | (110) | 31,152 |
| Other receivables | 9 | Performing | 12-month ECL | 15,066 | - | 15,066 |
| Other receivables | 9 | In default | Lifetime ECL | 4,559 | (4,559) | - |
| Quoted debt securities | 11 | Performing | 12-month ECL | 25 | - | 25 |
| Contract assets | 14 | (i) | Lifetime ECL (simplified approach) | 134,910 | (744) | 134,166 |
| **Company** | | | | | | |
| **31 May 2020** | | | | | | |
| Other receivables | 9 | Performing | 12-month ECL | 43,338 | (29,369) | 13,969 |
| **31 May 2019** | | | | | | |
| Other receivables | 9 | Performing | 12-month ECL | 28,714 | (18,675) | 10,039 |
| **1 June 2018** | | | | | | |
| Trade receivables | 8 | (i) | Lifetime ECL (simplified approach) | 34 | - | 34 |
| Other receivables | 9 | Performing | 12-month ECL | 43,331 | (19,508) | 23,823 |
| Quoted debt securities | 11 | Performing | 12-month ECL | 25 | - | 25 |

(i) 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 ECL 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.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

***(c) Financial risk management policies and objectives (Cont'd)***

Credit risk management (Cont'd)

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.

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 shown on the statement of financial position.

In addition, the Group and the Company are exposed to credit risk in relation to financial guarantees given to banks. The Group and the Company's maximum exposure in this respect is the maximum amount the Group and the Company 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 $4,989,000 and $156,523,000 (2019 - $4,989,000 and $111,434,000) respectively. Based on the expectations at the end of the reporting period, the Group and the 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.

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 the Company can be required to pay. The tables include 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.

| Group | 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 |
|---|---|---|---|---|---|---|
| **31 May 2020** | | | | | | |
| Non-interest bearing | - | 170,436 | 40 | 306 | - | 170,782 |
| Lease liabilities (fixed rate) | 3.19 | 2,691 | 8,598 | 8,198 | (2,914) | 16,573 |
| Variable interest rate instruments | 3.49 | 62,780 | 12,270 | 8,004 | (6,119) | 76,935 |
| Fixed interest rate instruments | 3.25 | 129 | - | - | (4) | 125 |
| Financial guarantee liabilities | - | 4,989 | - | - | (4,914) | 75 |
| Total | | 241,025 | 20,908 | 16,508 | (13,951) | 264,490 |
| **31 May 2019** | | | | | | |
| Non-interest bearing | - | 160,489 | 30 | 306 | - | 160,825 |
| Finance lease liability (fixed rate) | 3.64 | 364 | 1,234 | - | (135) | 1,463 |
| Variable interest rate Instruments | 6.92 | 56,734 | 30,054 | 8,932 | (9,007) | 86,713 |
| Fixed interest rate instruments | 4.94 | 787 | 128 | - | (30) | 885 |
| Financial guarantee liabilities | - | 4,989 | - | - | (4,840) | 149 |
| Total | | 223,363 | 31,446 | 9,238 | (14,012) | 250,035 |
| **1 June 2018** | | | | | | |
| Non-interest bearing | - | 128,724 | 18 | 306 | - | 129,048 |
| Finance lease liability (fixed rate) | 3.60 | 636 | 347 | - | (46) | 937 |
| Variable interest rate instruments | 4.63 | 153,053 | 159,984 | 25,761 | (34,691) | 304,107 |
| Fixed interest rate instruments | 8.13 | 13,232 | 9,831 | - | (2,088) | 20,975 |
| Financial guarantee liabilities | - | 46,602 | - | - | (46,150) | 452 |
| Total | | 342,247 | 170,180 | 26,067 | (82,975) | 455,519 |

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)

| Company | 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 |
|---|---|---|---|---|---|---|
| **31 May 2020** | | | | | | |
| Lease liabilities (fixed rate) | 2.52 | 190 | 760 | 2,032 | (545) | 2,437 |
| Non-interest bearing | - | 63,168 | - | 306 | - | 63,474 |
| Variable interest rate instruments | 2.52 | 2,983 | 6,239 | 8,004 | (3,312) | 13,914 |
| Financial guarantee liabilities | - | 156,523 | - | - | (156,448) | 75 |
| | | 222,864 | 6,999 | 10,342 | (160,305) | 79,900 |
| **31 May 2019** | | | | | | |
| Non-interest bearing | - | 52,541 | - | 306 | - | 52,847 |
| Variable interest rate instruments | 9.76 | 8,296 | 30,991 | 9,158 | (8,048) | 40,397 |
| Financial guarantee liabilities | - | 111,434 | - | - | (111,285) | 149 |
| | | 172,271 | 30,991 | 9,464 | (119,333) | 93,393 |
| **1 June 2018** | | | | | | |
| Non-interest bearing | - | 65,608 | - | 306 | - | 65,914 |
| Variable interest rate instruments | 13.36 | 8,966 | 34,161 | 6,637 | (9,750) | 40,014 |
| Fixed interest rate instruments | 3.00 | 429 | - | - | (13) | 416 |
| Financial guarantee liabilities | - | 98,557 | - | - | (98,331) | 226 |
| | | 173,560 | 34,161 | 6,943 | (108,094) | 106,570 |

The earliest period that the guarantee could be called is within 1 year (2019 - 1 year; 2018 - 1 year) from the end of the reporting period. The Group and the 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 the 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 assets on the statements of financial position.

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 | On demand or within 1 year | Within 2 to 5 years | After 5 years | Adjustment | Total |
|---|---|---|---|---|---|---|
| | % p.a. | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | | | |
| **31 May 2020** | | | | | | |
| Non-interest bearing | - | 84,794 | 535 | - | - | 85,329 |
| Fixed interest rate instruments | 1.05 | 3,419 | - | - | (7) | 3,412 |
| | | 88,213 | 535 | - | (7) | 88,741 |
| **31 May 2019** | | | | | | |
| Non-interest bearing | - | 69,763 | 419 | - | - | 70,182 |
| Fixed interest rate instruments | 1.18 | 3,359 | - | - | (16) | 3,343 |
| | | 73,122 | 419 | - | (16) | 73,525 |
| **1 June 2018** | | | | | | |
| Non-interest bearing | - | 83,892 | 107 | - | - | 83,999 |
| Fixed interest rate instruments | 3.88 | 11,875 | 480 | - | (298) | 12,057 |
| | | 95,767 | 587 | - | (298) | 96,056 |
| **Company** | | | | | | |
| **31 May 2020** | | | | | | |
| Non-interest bearing | - | 20,344 | - | - | - | 20,344 |
| Fixed interest rate instruments | 4.00 | 6,363 | - | - | - | 6,363 |
| | | 26,707 | - | - | - | 26,707 |
| **31 May 2019** | | | | | | |
| Non-interest bearing | - | 4,210 | - | - | - | 4,210 |
| Fixed interest rate instruments | 4.00 | 6,752 | - | - | - | 6,752 |
| | | 10,962 | - | - | - | 10,962 |
| **1 June 2018** | | | | | | |
| Non-interest bearing | - | 17,245 | - | - | - | 17,245 |
| Fixed interest rate instruments | 4.00-8.00 | 8,327 | - | - | - | 8,327 |
| | | 25,572 | - | - | - | 25,572 |

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

***(c) Financial risk management policies and objectives (Cont'd)***

**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.

***(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 and lease liabilities as disclosed in respective notes to the financial statements and equity attributable to owners of the Company, comprising of share capital, reserves and accumulated losses. 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:

| | 31 May 2020 | 31 May 2019 | 1 June 2018 |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **Group** | | | |
| Total debts | 93,633 | 89,061 | 307,963 |
| Total assets excluding assets of disposal group classified as held-for-sale | 291,116 | 260,442 | 574,166 |
| Total equity | 18,649 | 105,338 | 151,096 |
| Debt-to-total assets ratio (times) | 0.32 | 0.34 | 0.54 |
| Debt-to-total equity ratio (times) | 5.02 | 0.85 | 2.04 |

The Group's overall strategy with regards to capital management remains unchanged from prior year.

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 revised financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Significant related party transactions from continuing operations are as follows:

| | 2020 | 2019 |
|---|---|---|
| | $'000 | $'000 |
| **Group** | | |
| (a) Associates and joint venture | | |
| Dividend income | - | 2,366 |
| Interest income | 36 | 115 |
| Financial guarantee income | 186 | 263 |
| Management fee income | 248 | 335 |
| Consultancy and service income | 81 | 90 |
| (b) Company in which a director has significant financial interest | | |
| Rental expenses | 67 | 208 |

(c) Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year were as follows:

| | 2020 | 2019 |
|---|---|---|
| | $'000 | $'000 |
| Continuing operations | | |
| Short-term benefits | 3,845 | 3,953 |
| Post-employment benefits | 153 | 193 |
| | 3,998 | 4,146 |
| Comprise amounts paid to: | | |
| Directors of the Company | 895 | 1,732 |
| Directors of subsidiaries | 1,489 | 905 |
| Other key management personnel | 1,614 | 1,509 |
| | 3,998 | 4,146 |

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.

5 RELATED PARTY TRANSACTIONS (CONT'D)

(d) Guarantees given to associates

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 $1,690 (2019 - $2,100).

The independent non-executive director had resigned on 27 August 2019.

(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 $23,650 (2019 - $26,000).

(g) Advance (payable to)/receivable from related parties

| | 31 May 2020 | 31 May 2019 |
|---|---|---|
| | $'000 | $'000 |
| **Group** | | |
| Advance receivable from Oscar (Note 9) | - | 3,000 |

(i) A sum of $10.0 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 ("TEE Land") in September 2017 pursuant to a loan agreement entered between the Former GCE and TEE Land on 31 August 2017, and was fully repaid by TEE Land to the Former GCE on 28 February 2019. The advance bore interest rate of 11.5% per annum and was unsecured. Interest expense and commitment fee expense recognised in the profit or loss for 2019 amounted to $616,000.

According to the Former GCE, based on the relevant supporting documents that the Former GCE has provided to the predecessor 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 in September 2017 as a security to a third-party lender (the "Lender") which had agreed to provide a credit facility of US$15.0 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$10.0 million by Oscar from the Lender, Oscar had advanced certain amount of the loan proceeds to the Former GCE, who in turn advanced $10.0 million to TEE Land to fund a certain development project undertaken by Tee Resources; and (d) the pledge of the shares in TEE Resources was fully discharged by the Lender in September 2019.

5 RELATED PARTY TRANSACTIONS (CONT'D)

(g) Advance (payable to)/receivable from related parties (Cont'd)

(ii) The advance receivable from Oscar of $3.0 million as at prior year end was unsecured, interest-free and had no fixed terms of repayment. 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 predecessor 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. The advance was fully repaid by the Former GCE and Oscar to the Group in August 2019.

(iii) The following interest-free advances that were made during prior financial year have been fully repaid during prior financial year:

| | 31 May 2020 | 31 May 2019 |
|---|---|---|
| | $'000 | $'000 |
| **Group** | | |
| Advance received from Oscar | - | (2,800) |
| Advance paid to Former GCE | - | 500 |
| Advance paid to Oscar | - | 250 |

(iv) As disclosed in the Company's SGX announcement dated 13 September 2019, the Company had 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. The investigation of the External Investigator was completed and the External Investigator's report was released through the Company's SGX announcement on 3 March 2020.

## 6 CASH AND CASH EQUIVALENTS

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31 May 2020 | 31 May 2019 | 1 June 2018 | 31 May 2020 | 31 May 2019 | 1 June 2018 |
| | $'000 | $'000 (Restated) | $'000 | $'000 | $'000 | $'000 |
| Cash at banks | 42,186 | 35,734 | 9,596 | 496 | 758 | 989 |
| Cash on hand | 44 | 67 | 107 | 1 | 1 | 1 |
| Project accounts: | | | | | | |
| Cash at banks | - | - | 20,035 | - | - | - |
| Fixed deposits | - | - | 2,005 | - | - | - |
| Fixed deposits | - | 53 | 3,159 | - | - | - |
| Cash held in escrow | 8,500 | - | - | 8,500 | - | - |
| | 50,730 | 35,854 | 34,902 | 8,997 | 759 | 990 |
| Cash at bank in disposal group held-for-sale (Note 17) | 34 | 25,021 | - | - | - | - |
| Less: | | | | | | |
| Bank overdrafts (Note 25) | (194) | (3,321) | (4,611) | - | - | - |
| Cash and cash equivalents in the Consolidated statement of cash flow | 50,570 | 57,554 | 30,291 | 8,997 | 759 | 990 |

Fixed deposits as at 31 May 2019 bore average effective interest rate of 2.95% (1 June 2018 - 2.95%) per annum, and for a tenure of approximately 33 days (1 June 2018 - 167 days).

Project accounts are subject to restrictions under the Singapore Housing Developers (Project Account) Rules (1997 Ed) and Section 7A of the Housing Development (Control and Licensing) Amendments Act, 2002 in Malaysia. 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 | | |
|---|---|---|---|---|---|---|
| | 31 May 2020 | 31 May 2019 | 1 June 2018 | 31 May 2020 | 31 May 2019 | 1 June 2018 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Bank balances pledged | 3,615 | 3,290 | 523 | - | - | - |
| Less: | | | | | | |
| Amounts receivable within 12 months (shown under current assets) | (3,615) | (3,290) | (52) | - | - | - |
| Amounts receivable after 12 months | - | - | 471 | - | - | - |

These bank balances were pledged as security for certain bank facilities and bear average effective interest rate of 0.75% (31 May 2019 - 1.93% ; 1 June 2018 - 1.93%) per annum and for a tenure of approximately 366 days (31 May 2019 - 200 days ; 1 June 2018 - 491 days).

8 TRADE RECEIVABLES

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31 May 2020 | 31 May 2019 | 1 June 2018 | 31 May 2020 | 31 May 2019 | 1 June 2018 |
| | $'000 | $'000 (Restated) | $'000 (Restated) | $'000 | $'000 | $'000 |
| Contract trade receivables | 24,492 | 21,433 | 29,801 | 3,613 | - | 34 |
| Third parties | 5,644 | 7,499 | 876 | - | - | - |
| Others | 66 | 231 | 585 | 46 | - | - |
| | 30,202 | 29,163 | 31,262 | 3,659 | - | 34 |
| Less: Allowance for impairment | | | | | | |
| - At beginning of year | (258) | (110) | (189) | - | - | - |
| - Allowance for the year (Note 46) | (53) | (663) | (646) | - | - | - |
| - Foreign currency exchange adjustment | - | 20 | (17) | - | - | - |
| - Acquisition of subsidiaries | - | - | (2) | - | - | - |
| - Written off | 119 | - | - | - | - | - |
| - Allowance written back (Note 46) | - | 485 | - | - | - | - |
| - Reclassification to contract assets (Note 14) | - | - | 744 | - | - | - |
| - Reclassification to disposal group | - | 10 | - | - | - | - |
| - At end of year | (192) | (258) | (110) | - | - | - |
| Trade receivables - net | 30,010 | 28,905 | 31,152 | 3,659 | - | 34 |

The credit period granted to customers is generally 14 to 45 days (31 May 2019 - 14 to 45 days ; 1 June 2018 - 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 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.

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 (31 May 2019 – ten ; 1 June 2018 - fifteen) customers making up $13,984,000 (31 May 2019 - $12,889,000 ; 1 June 2018 - $13,411,000) which accounted for 46.6% (31 May 2019 – 44.6% ; 1 June 2018 – 43.1%) of the Group's trade receivables.

9 OTHER RECEIVABLES

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31 May 2020 | 31 May 2019 | 1 June 2018 | 31 May 2020 | 31 May 2019 | 1 June 2018 |
| | $'000 | $'000 (Restated) | $'000 (Restated) | $'000 | $'000 | $'000 |
| Associates and joint venture (a) | 12 | 2 | 105 | 12 | 2 | 2 |
| Subsidiaries (b) | - | - | - | 40,649 | 27,195 | 41,144 |
| Non-controlling interest (c) | - | - | 1,114 | - | - | - |
| Related party (d) | - | 3,000 | - | - | - | - |
| Interest receivables due from associates/former associate | - | - | 1,959 | - | - | - |
| Interest receivables | 30 | 34 | - | 2,518 | 1,315 | 815 |
| Dividend receivable | - | - | - | - | - | 707 |
| Deferred commission expenses (e) | 418 | 491 | 282 | 418 | 491 | 282 |
| Deferred show flat costs (e) | - | - | 129 | - | - | - |
| Lease receivables (f) | 190 | - | - | - | - | - |
| Prepayments | 1,095 | 1,091 | 3,005 | 31 | 38 | 328 |
| Deposits (g) | 3,311 | 1,444 | 5,078 | 159 | 202 | 224 |
| Advances to directors of subsidiaries (h) | 388 | 358 | 451 | - | - | - |
| Accrued rental income | 522 | 613 | 704 | 524 | 613 | 704 |
| Outside parties (i) | 1,606 | 1,753 | 10,918 | - | - | 439 |
| | 7,572 | 8,786 | 23,745 | 44,311 | 29,856 | 44,645 |
| Less: Allowance for impairment | | | | | | |
| - At beginning of year | (1,037) | (4,559) | (3,920) | (18,675) | (19,508) | (19,542) |
| - Foreign currency exchange adjustment | (27) | (47) | - | - | - | - |
| - Allowance for the year (Note 46) | (169) | (181) | (639) | (10,694) | - | - |
| - Allowance written back (Note 46) | - | 15 | - | - | 833 | 34 |
| - Reclassification to disposal group | - | 3,735 | - | - | - | - |
| - At end of year | (1,233) | (1,037) | (4,559) | (29,369) | (18,675) | (19,508) |
| Other receivables - net | 6,339 | 7,749 | 19,186 | 14,942 | 11,181 | 25,137 |
| Amounts receivable within 12 months (shown under current assets) | (5,027) | (6,389) | (17,975) | (14,165) | (10,240) | (24,033) |
| Amounts receivable after 12 months | 1,312 | 1,360 | 1,211 | 777 | 941 | 1,104 |

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 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) Amount due from associates and joint venture are unsecured, interest-free and repayable within 12 months from the reporting date. An allowance has been made for estimated irrecoverable amounts by the Company of $12,000 (31 May 2019 - $2,000 ; 1 June 2018 - $2,000)

(b) Amounts of $34,286,000 (2019 - $20,443,000 ; 2018 - $32,842,000) are interest-free whilst amount of $6,363,000 (2019 - $6,752,000 ; 2018 - $8,302,000) due from a subsidiary bears interest at 4% (31 May 2019 – 4% ; 1 June 2018 – 4%) per annum. Amounts due from subsidiaries are unsecured and repayable on demand. Allowance has been made for estimated irrecoverable amounts by the Company of $29,357,000 (31 May 2019 - $18,673,000 ; 1 June 2018 - $19,506,000).

9 OTHER RECEIVABLES (CONT'D)

(c) Other receivables due from non-controlling shareholders of $1,114,000 as at 1 June 2018 were unsecured, interest-free and repayable within 12 months. Amounts outstanding of $1,113,000 were reclassified to assets of disposal group classified as held-for-sale as at 31 May 2019 (Note 17).

(d) Other receivables due from a related party of $3,000,000 as at 31 May 2019 were unsecured, interest-free and had no fixed terms of repayment as disclosed in Note 5 (g)(ii). The amount 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) This relates to a finance leasing arrangement in respect of a subsidiary's electric power generation system. The term of the finance lease entered into with third party is 20 years with an option granted to the lessee to purchase the asset at end of lease period at a nominal amount.

(g) 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 1"). The Group had terminated the acquisition as a result of non-compliance of conditions precedent by the Seller 1 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 2"). The Group had terminated the acquisition as a result of non-compliance of conditions precedent by the Seller 2 and assessed and determined half of the deposit paid may not be collectable. Accordingly, full allowance for doubtful receivable has been provided in 2019 (1 June 2018 - $181,000).

(iii) An amount of $2,199,000 (31 May 2019 - $105,000 ; 1 June 2018 - $NIL) security deposits are placed for on-going business projects.

(iv) The deposits as disclosed in (i) and (ii) above included in assets of disposal group classified as held-for-sale were derecognised on the disposal of the subsidiary as disclosed in Note 51.

(h) Advances to directors of subsidiaries are provided under an approved employees loan scheme and are unsecured, interest-free and repayable by monthly instalment over a period of 3 years to 5 years.

(i) Included in amounts due from outside parties were:

(i) Receivables relating to disposal of property, plant and equipment in prior year which are unsecured, interest-free and repayable on demand. An allowance has been made for estimated irrecoverable amounts by the Group of $988,000 (31 May 2019 - $988,000 ; 1 June 2018 - $1,002,000);

9 OTHER RECEIVABLES (CONT'D)

(ii) As at 1 June 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. The amount has been received in August 2018; and

(iii) 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.

10 LOANS RECEIVABLES

| | Group | | |
|---|---|---|---|
| | 31 May 2020 | 31 May 2019 | 1 June 2018 |
| | $'000 | $'000 (Restated) | $'000 |
| Loans receivables from associates | - | - | 14,376 |
| Less: Allowance for impairment | | | |
| - At beginning of year | - | - | - |
| - Allowance for the year (Note 46) | - | (665) | - |
| - Reclassification to disposal group | - | 665 | - |
| - At end of year | - | - | - |
| Loans receivables from associates - net | - | - | 14,376 |

In 2019, included in the Group's loans receivables is an amount of $9,608,000 (1 June 2018 - $8,031,000) which was 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 (1 June 2018 - $6,345,000) was unsecured, bore interest which was fixed at 5.00% (1 June 2018 – 5.00%) per annum. Loan receivable of $10,839,000 as at 31 May 2019 were reclassified to disposal group classified as held-for-sale (Note 17).

For purpose of impairment assessment, the loans receivables were considered to have low credit risk as they were repayable on demand at the end of the reporting period and there had 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 was measured at an amount equal to 12 months ECL.

In determining the ECL, management had 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 was not significant.

11 FINANCIAL ASSET AT AMORTISED COST

| | 31 May 2020 | 31 May 2019 | 1 June 2018 |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **Group and Company** | | | |
| Quoted debt securities, at amortised cost | - | - | 25 |
| Presentation on statement of financial position: | | | |
| Current assets | - | - | 25 |
| Non-current assets | - | - | - |
| Total | - | - | 25 |

The quoted debt securities of $25,000 as at 1 June 2018 was fully redeemed during the year 2019.

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 31 May 2020 | 31 May 2019 | 1 June 2018 |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **Group and Company** | | | |
| Listed equity securities, at fair value | 82 | 164 | 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 $82,000 (2019 - $536,000) have been included in profit or loss for the year as part of "other operating expenses".

The Group and the Company's investments have been mandatorily measured at FVTPL.

13 INVENTORIES

| | 31 May 2020 | 31 May 2019 | 1 June 2018 |
|---|---|---|---|
| | $'000 | $'000 (Restated) | $'000 |
| **Group** | | | |
| At cost: | | | |
| Consumables | 77 | 156 | 168 |

14 CONTRACT ASSETS

| | 31 May 2020 | 31 May 2019 | 1 June 2018 |
|---|---|---|---|
| | $'000 | $'000 (Restated) | $'000 (Restated) |
| **Group** | | | |
| Accrued revenue | 304 | 552 | 41,756 |
| Amounts related to construction engineering contracts | 146,897 | 141,184 | 93,154 |
| | 147,201 | 141,736 | 134,910 |
| Less: Allowance for impairment | | | |
| - At beginning of year | (86) | (744) | - |
| - Allowance for the year (Note 46) | (957) | - | - |
| - Allowance written back (Note 46) | - | 658 | - |
| - Allowance written off | 86 | - | - |
| - Reclassification from trade receivables (Note 8) | - | - | (744) |
| - At end of year | (957) | (86) | (744) |
| Contract assets - net | 146,244 | 141,650 | 134,166 |

Contract assets relating to accrued revenue are amounts for which the Group has 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.

Management estimates the loss allowance on contract assets 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 contract assets at the end of the reporting period is past due.

There are no significant changes in contract assets balances during the reporting period.

15 CONTRACT COSTS

| | 31 May 2020 | 31 May 2019 | 1 June 2018 |
|---|---|---|---|
| | $'000 | $'000 (Restated) | $'000 |
| **Group** | | | |
| Costs to obtain contracts | - | - | 3,515 |

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. Contract costs of $1,240,000 as at 31 May 2019 was reclassified to disposal group classified as held-for-sale (Note 17).

15 CONTRACT COSTS (CONT'D)

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 $1,660,000 (2019: $3,801,000) was recognised as part of the cost of sales recognised from discontinued operations (Note 46). There was no impairment loss in relation to the costs capitalised.

16 DEVELOPMENT PROPERTIES / COMPLETED PROPERTIES AND LAND FOR SALE

| | 31 May 2020 | 31 May 2019 | 1 June 2018 |
|---|---|---|---|
| | $'000 | $'000 (Restated) | $'000 (Restated) |
| **Group** | | | |
| Development properties | - | - | 197,437 |
| Completed properties and land for sale | - | - | 48,274 |
| Total | - | - | 245,711 |

| | 31 May 2020 | 31 May 2019 | 1 June 2018 |
|---|---|---|---|
| | $'000 | $'000 (Restated) | $'000 (Restated) |
| **Group** | | | |
| Land and land related costs | - | - | 169,002 |
| Development costs | - | - | 28,435 |
| | - | - | 197,437 |

Development properties of $175,838,000 and completed properties and land for sale of $42,974,000 as at 31 May 2019 were reclassified to disposal group classified as held-for-sale (Note 17).

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 $25,400,000 (2019 - $44,522,000) during the year was included in loss from discontinued operations.

Movements in allowance for diminution in value for completed properties and land for sale are as follows:

| | 31 May 2020 | 31 May 2019 |
|---|---|---|
| | $'000 | $'000 (Restated) |
| **Group** | | |
| At beginning of the year | - | 6,275 |
| Charge to profit or loss | - | 542 |
| Write off | - | (2,765) |
| Reclassification to disposal group | - | (4,052) |
| At end of the year | - | - |

16 DEVELOPMENT PROPERTIES / COMPLETED PROPERTIES AND LAND FOR SALE (CONT'D)

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 of these properties.

Details of the Group's development properties as at 31 May 2019 under disposal group classified as held-for-sale were 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 |
|---|---|---|---|---|---|---|---|
| Properties in the course of development: | | | | | | | |
| Rezi 35<br>Geylang Lorong 35,<br>Singapore | 44 units of residential apartments | Freehold | 94% | May 2020 | 1,115 | 3,121 | -* |
| Lattice One<br>1 Seraya Crescent,<br>Singapore | 48 units of residential apartments | Freehold | 15% | 2022 | 2,477 | 3,468 | -* |
| 35 Gilstead<br>35 Gilstead Road,<br>Singapore | 70 units of residential apartments | Freehold | 12% | 2022 | 3,538 | 4,953 | -* |

Details of the Group's completed properties and land for sale as at 31 May 2019 under disposal group classified as held-for-sale were as follows:

| Name of Property/location | Description | Tenure | Gross floor area/ land area (sq m) | Group's interest in Property |
|---|---|---|---|---|
| The Peak @ Cairnhill I,<br>51 Cairnhill Circle,<br>Singapore | 1 unit of residential apartment | Freehold | 86 | -* |
| 183 Longhaus,<br>183 Upper Thomson Road<br>Singapore | 10 commercial units | Freehold | 1,049 | -* |
| Third Avenue,<br>Jalan Teknokrat 3, Cyberjaya,<br>Selangor, Malaysia | 4 units residential units and 3 commercial units and 1 office block | Freehold | 20,725 | -* |
| Peach Garden,<br>Phu Huu Residential<br>District 9, Ho Minh City,<br>Vietnam | 23 plots of lands | Freehold | 3,945 | -* |

* Disposed in 2020. Information about the Group's disposal of TEE Land is disclosed in Note 51.

Development properties were pledged to banks to secure the bank loans and long-term borrowings granted to the Group as disclosed in Notes 17.

Finance costs capitalised as cost of development properties as at 31 May 2019 amounted to $108,000 at interest rates of 11.5% per annum.

17 NON-CURRENT ASSETS HELD-FOR-SALE

| | 31 May 2020 | 31 May 2019 | 1 June 2018 |
|---|---|---|---|
| | $'000 | $'000 (Restated) | $'000 |
| **Group** | | | |
| Assets of disposal group classified as held-for-sale | | | |
| - Arrow Waste Management Pte Ltd (i) | 17,041 | - | - |
| - TEE Land Limited (ii) | - | 366,746 | - |
| Non-current assets held-for-sale (iii) | - | - | 47,617 |
| | 17,041 | 366,746 | 47,617 |
| Liabilities associated with disposal group classified as held-for-sale | | | |
| - Arrow Waste Management (i) | 19,840 | - | - |
| - TEE Land Limited (ii) | - | 266,109 | - |
| | 19,840 | 266,109 | - |

(i) Arrow Waste Management Pte Ltd ("AWM")

Following the approval of the Group's Board during the year to dispose of the entire issued share capital of AWM to Sustainable Waste Management Holdings Pte Ltd, the assets and liabilities related to the disposal group have been presented separately in the consolidation statement of financial position as a disposal group held-for-sale.

The expected completion date of the disposal group was on 29 May 2020. However, subsequently the Company and its subsidiary, TEE Infrastructure Private Limited ("TEE Infra"), received termination notices of the proposed disposal from the purchaser. TEE Infra and the purchaser have commenced Without Prejudice negotiations. As the Company and its subsidiaries intend to cease operations of the disposal group should the disposal did not materialise, the Group has accounted the disposal group as discontinued operations. The discontinued operations of AWM recorded a loss of $4,525,000 (2019 - $772,000) mainly due to provision of liquidated damages and other costs of approximately $1,593,000 (2019 - $Nil) for intended pre-termination of contract with Jurong Town Corporation ("JTC") in respect of the lease of land.

The assets and liabilities of the disposal group classified as held-for-sale are as follows:

| | 31 May 2020 |
|---|---|
| | $'000 |
| **Assets** | |
| Property, plant and equipment[(a)] | 16,950 |
| Other receivables | 57 |
| Cash at bank | 34 |
| Assets of the disposal group | 17,041 |
| **Liabilities** | |
| Other payables | 2,308 |
| Lease liabilities | 17,532 |
| Liabilities of the disposal group | 19,840 |

(a) There are right-of-use assets in respect of the lease of 4 plots of land from JTC which AWM intends to pre-terminate the contract and return the land to JTC. AWM is currently in negotiation with JTC to waive the liquidated damages.

17 NON-CURRENT ASSETS HELD-FOR-SALE (CONT'D)

(ii) TEE Land Limited ("TEE Land")

Following the approval of the Group's Board and shareholders during the year 2019 to dispose of the entire share capital of TEE Land, the assets and liabilities related to TEE Land had been presented separately in the consolidation statement of financial position as non-current assets classified as held-for-sale and results from TEE Land was presented separately on the statement of profit or loss and other comprehensive income as "Discontinued Operations" in year 2019.

The disposal group which represents the Group's real estate segment is now presented as "Discontinued Operations" (Note 50).

Following the classification of TEE Land as disposal group held-for-sale, an impairment loss of $26,000,000 was recognised in the statement of profit or loss (Note 47) to reduce the carrying amount of the net assets of TEE Land to its fair value less cost to sale. The impairment loss had been applied to carrying amount of property, plant and equipment and investment in associates within the disposal group of $23,853,000 and $2,147,000, respectively.

The proposed sale was completed on 3 February 2020.

The assets and liabilities of the disposal group classified as held-for-sale are as follows:

| | 31 May 2019 $'000 (Restated) |
|---|---|
| **Assets** | |
| Property, plant and equipment | 36,121 |
| Investment properties | 9,442 |
| Development properties | 175,838 |
| Completed properties and land for sale | 42,974 |
| Investment in associates | 3,252 |
| Deferred tax assets | 3,860 |
| Trade receivables | 15,531 |
| Other receivables | 7,898 |
| Loan receivables | 10,839 |
| Inventories | 47 |
| Contract assets | 34,683 |
| Contract costs | 1,240 |
| Cash at bank | 25,021 |
| Assets of the disposal group | 366,746 |
| **Liabilities** | |
| Bank loans and overdrafts | 1,994 |
| Trade payables | 16,542 |
| Other payables | 22,927 |
| Contract liabilities | 6,345 |
| Finance leases | 26 |
| Long-term borrowings | 217,636 |
| Financial guarantee liabilities | 216 |
| Provision for income tax | 37 |
| Deferred tax liabilities | 386 |
| Liabilities of the disposal group | 266,109 |

17 NON-CURRENT ASSETS HELD-FOR-SALE (CONT'D)

(ii) TEE Land Limited ("TEE Land") (Cont'd)

The cumulative income recognised in other comprehensive income relating to disposal group classified as held-for-sale are as follows:

| | 31 May 2019 |
|---|---|
| | $'000 |
| Currency translation reserve | (229) |

(iii) Non-Current Assets Held-for-Sale

In the prior years, following the approval of the Group's Board on 26 July 2016 to dispose of the two hotels in Australia, the freehold land and building on freehold land were classified as "non-current assets held-for-sale" in the consolidated statement of financial position.

One of the hotels was sold in the year 2017, but the sale of Larmont Hotel did not materialise. Since the Larmont Hotel 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 Hotel from non-current asset held-for-sale back to the property, plant and equipment (Note 22) in the prior years. A remeasurement adjustment of $1,568,000 (Note 22) for depreciation that would have recognised if the assets had not been classified as held-for-sale have been included in the "administrative expenses" in the Group's profit or loss for the previous year 2019.

| | 31 May 2019 |
|---|---|
| | $'000 (Restated) |
| **Group** | |
| At beginning of the year | 47,617 |
| Reclassified to property, plant and equipment | (47,617) |
| At end of the year | - |

| | 31 May 2020 | 31 May 2019 | 1 June 2018 |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **Company** | | | |
| Details of assets in non-current assets classified as held-for-sale were as follows: | | | |
| Investment in subsidiary (Note 19) | - | 48,928 | - |
| | - | 48,928 | - |

## 18 INVESTMENT IN ASSOCIATES AND JOINT VENTURE

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31 May 2020 | 31 May 2019 | 1 June 2018 | 31 May 2020 | 31 May 2019 | 1 June 2018 |
| | $'000 (Revised) | $'000 (Restated) | $'000 | $'000 | $'000 | $'000 |
| **Associates** | | | | | | |
| Unquoted equity shares, at cost | 9,555 | 11,280 | 11,280 | 300 | 300 | 300 |
| Deemed cost of investment | - | 4,756 | 4,756 | - | - | - |
| Share of post-acquisition reserves, net of dividend received | 336 | 1,710 | 4,018 | - | - | - |
| Reclassification to disposal group | - | (9,270) | - | - | - | - |
| | 9,891 | 8,476 | 20,054 | 300 | 300 | 300 |
| Less: Impairment: | | | | | | |
| - At beginning of year | (220) | (491) | - | (300) | (300) | - |
| - Recognised in profit or loss | - | (3,600) | (7,788) | - | - | (300) |
| - Currency alignment | (25) | - | - | - | - | - |
| - Disposal of associate | - | - | 7,297 | - | - | - |
| - Reclassification to disposal group | - | 3,871 | - | - | - | - |
| - At end of year | (245) | (220) | (491) | (300) | (300) | (300) |
| Associates - Net | 9,646 | 8,256 | 19,563 | - | - | - |
| **Joint venture** | | | | | | |
| Unquoted equity shares, at cost | 9 | 9 | 9 | - | - | - |
| Share of post-acquisition reserves, net of dividend received | 121 | 120 | 261 | - | - | - |
| Total | 130 | 129 | 270 | - | - | - |

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 $Nil (2019 - $3,600,000) is recognised during the year based on the fair value less cost to sell.

The Group's wholly-owned subsidiary, TEE Infra, 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 45% stake of 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 $20,000,000. The acquisition was completed on 1 September 2018.

On 28 February 2019, TEE Infra 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 (Note 42) has been included in the line item "other operating income" in prior year profit or loss.

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 | | |
|---|---|---|---|---|
| | | 31 May 2020 | 31 May 2019 | 1 June 2018 |
| | | % | % | % |
| **Associates** | | | | |
| Unique Development Pte. Ltd. ("UDPL") Singapore (2) (6) | Development of real estate | -* | 12.66 | 12.66 |
| Unique Realty Pte. Ltd. ("UREL") Singapore (2) (6) | Development of real estate | -* | 12.66 | 12.66 |
| Residenza Pte. Ltd. ("RPL") Singapore (2) (6) | Development of real estate | -* | 20.02 | 20.02 |
| Unique Consortium Pte. Ltd. ("UCPL") Singapore (2) (6) | Investment holding company | -* | 12.66 | 12.66 |
| Unique Commercial Pte. Ltd. ("UCom") Singapore (4) (6) | Development of real estate | -* | 22.15 | 22.15 |
| Wealth Development Pte. Ltd. ("WDV") Singapore(2) (6) | Development of real estate | -* | 18.98 | 18.98 |
| Development 26 Pte. Ltd. ("D26") Singapore (2) (6) | Development of real estate | -* | 28.48 | 28.48 |
| PowerSource Philippines Distributed Power Holdings, Inc. ("PWS") Philippines(5) | Construction, operation and maintenance of power plants | 21.05 | 21.05 | 21.05 |
| Global Environmental Technology Co., Ltd. ("GETCO") Thailand (1) | Wastewater treatment | 49.00 | 49.00 | 49.00 |
| **Joint venture** | | | | |
| TEE-HC Engineering Company Limited Macao (3) (7) | Provision of mechanical and electrical engineering | 55.00 | 55.00 | 55.00 |

* Disposed in 2020. Information about the Group's disposal of TEE Land is disclosed in Note 51. As at 31 May 2019, these associates were included in disposal group classified as held-for-sale.

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 equity accounting purpose for Group consolidation.

(5) Audited by another firm of auditors, KPMG, Philippines for equity accounting purposes for Group consolidation.

(6) Held by a subsidiary, TEE Land (Note 51) and disposed on 3 February 2020.

(7) In 2020, TEE-HC Engineering Company Limited is in midst of deregistration.

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.

Summarised financial information in respect of the Group's associates and joint venture is set out below:

| | 31 May 2020 | 31 May 2019 | 1 June 2018 |
|---|---|---|---|
| | $'000 | $'000 (Restated) | $'000 |
| **Group** | | | |
| Total assets | 90,710 | 89,937 | 252,674 |
| Total liabilities | (57,896) | (62,026) | (197,847) |
| Net assets | 32,814 | 27,911 | 54,827 |
| Group's share of associates' and joint venture's net assets | 9,776 | 8,385 | 19,833 |

| | 2020 | 2019 |
|---|---|---|
| | $'000 | $'000 (Restated) |
| Revenue | 22,960 | 19,777 |
| Profit for the year | 2,916 | 665 |
| Group's share of associates' and joint venture's results for the year | | |
| - continuing operations | 746 | 568 |
| discontinued operations (Note 47) | - | (794) |
| | 746 | (226) |
| Dividends received from associates and joint venture during the year | - | 213 |

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 SFRS(I) 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**

| | Associates | | | Joint Venture | |
|---|---|---|---|---|---|
| 31 May 2020 | PWS $'000 | GETCO $'000 | Individually immaterial associates $'000 | TEE-HC Engineering $'000 | Total $'000 |
| Proportion of the Group's ownership interest | 21.05% | 49.00% | 50.00% | 55.00% | |
| Current assets | 17,603 | 5,056 | 4 | 241 | 22,904 |
| Non-current assets | 59,893 | 7,913 | - | - | 67,806 |
| Current liabilities | (8,850) | (1,932) | (54) | (6) | (10,842) |
| Non-current liabilities | (46,047) | (1,007) | - | - | (47,054) |
| Net assets | 22,599 | 10,030 | (50) | 235 | 32,814 |
| Group's share of net assets | 4,757 | 4,914 | (25) | 130 | 9,776 |
| Carrying amount of the Group's interest in associate and joint venture | 4,757 | 4,914 | (25) | 130 | 9,776 |

**Summarised statement of profit or loss and comprehensive income**

| | Associates | | | Joint Venture | |
|---|---|---|---|---|---|
| 2020 | PWS $'000 | GETCO $'000 | Individually immaterial associates $'000 | TEE-HC Engineering $'000 | Total $'000 |
| Revenue | 15,445 | 7,515 | - | - | 22,960 |
| Profit/(Loss) for the year | 2,372 | 551 | - | (7) | 2,916 |
| Dividends received from associates and joint venture during the year | - | - | - | - | - |

18 INVESTMENT IN ASSOCIATES AND JOINT VENTURE (CONT'D)

**Summarised statement of financial position**

| | Associates | | | Joint Venture | |
|---|---|---|---|---|---|
| 31 May 2019 | PWS $'000 | GETCO $'000 | Individually immaterial associates $'000 | TEE-HC Engineering $'000 | Total $'000 |
| Proportion of the Group's ownership interest | 21.05% | 49.00% | 50.00% | 55.00% | |
| Current assets | 18,283 | 3,189 | 55 | 296 | 21,823 |
| Non-current assets | 59,436 | 8,678 | - | - | 68,114 |
| Current liabilities | (13,724) | (1,966) | (10) | (62) | (15,762) |
| Non-current liabilities | (45,016) | (1,248) | - | - | (46,264) |
| Net assets | 18,979 | 8,653 | 45 | 234 | 27,911 |
| Group's share of net assets | 3,995 | 4,240 | 21 | 129 | 8,385 |
| Carrying amount of the Group's interest in associate and joint venture | 3,995 | 4,240 | 21 | 129 | 8,385 |

**Summarised statement of profit or loss and comprehensive income**

| | Associates | | | Joint Venture | |
|---|---|---|---|---|---|
| 2019 | PWS $'000 | GETCO $'000 | Individually immaterial associates $'000 | TEE-HC Engineering $'000 | Total $'000 |
| Revenue | 11,469 | 7,959 | - | 349 | 19,777 |
| (Loss)/Profit for the year | (31) | 572 | - | 124 | 665 |
| Dividends received from associates and joint venture during the year | - | - | - | 213 | 213 |

18 INVESTMENT IN ASSOCIATES AND JOINT VENTURE (CONT'D)

**Summarised statement of financial position**

| | Associates | | | | | | | | | | Joint Venture | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 June 2018 | 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% | 22% | 19% | 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 |

19 INVESTMENT IN SUBSIDIARIES

| | 31 May 2020 | 31 May 2019 | 1 June 2018 |
|---|---|---|---|
| | $'000 | $'000 (Restated) | $'000 |
| **Company** | | | |
| Quoted equity shares, at cost | - | 70,671 | 70,671 |
| Unquoted equity shares, at cost | 49,713 | 49,713 | 38,514 |
| Deemed cost of investment | - | 2,257 | 2,256 |
| Impairment loss | (5,787) | (29,787) | (1,511) |
| Reclassified to non-current assets classified as held-for-sale (Note 17) | - | (48,928) | - |
| Net | 43,926 | 43,926 | 109,930 |

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 additional 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 | | |
|---|---|---|---|---|
| | | 31 May 2020 | 31 May 2019 | 1 June 2018 |
| | | % | % | % |
| Trans Equatorial Engineering Pte. Ltd. Singapore [1] | Provision of mechanical and electrical engineering services | 100.00 | 100.00 | 100.00 |
| PBT Engineering Pte. Ltd. Singapore [1] | Provision of addition, alteration and upgrading of existing buildings, mechanical and electrical engineering services | 100.00 | 100.00 | 100.00 |
| TEE Land Limited ("TEE Land") Singapore [2][4] | Development of real estate and investment holding | - | 63.28 | 63.28 |
| TEE E&C (Malaysia) Sdn. Bhd. Malaysia [3] | Provision of mechanical and electrical engineering services | 100.00 | 100.00 | 100.00 |
| Oscar Estate Management Co., Ltd [5] Thailand | Residential real estate management | 73.99 | 73.99 | 73.99 |
| G3 Environmental Private Limited Singapore [1] | Commercial and industrial real estate management | 50.10 | 50.10 | 50.10 |

19 INVESTMENT IN SUBSIDIARIES (CONT'D)

(1) Audited by Foo Kon Tan LLP (2019 and 2018: Deloitte & Touche LLP, Singapore)

(2) Listed on Singapore Exchange Securities Trading Limited. Audited by another firm of auditors, Baker Tilly TFW LLP, Singapore

(3) Audited by another firm of auditors, HLB Ler Lum PLT (2019 and 2018: Deloitte PLT, Malaysia)

(4) Reclassified to disposal group classified as held-for-sale during 2019 (Note 17). Disposed in 2020. Information about the Group's disposal of TEE Land is disclosed in Note 51.

(5) Audited by another firm of auditors, Expert Audit Office Limited.

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 was pledged to a bank to secure facilities granted to the Group (Note 25). The bank facility was fully redeemed and the security pledge has been discharged pursuant to the disposal of TEE Land.

All the shares in subsidiaries, TEE Water Pte Ltd and TEE Infra and certain shares in a subsidiary, TEE Land were pledged as security in connection with The Senior Secured Notes (Note 34). The Senior Secured Notes was fully redeemed and the security pledge has been discharged pursuant to the disposal of TEE Land.

All the shares in a subsidiary, TEE Resources, have been pledged as a security in connection with a loan from a director which was fully paid in prior year (Note 5). The pledge has been discharged during the 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 | | |
|---|---|---|---|---|---|---|---|
| | | 31 May 2020 | 31 May 2019 | 1 June 2018 | 31 May 2020 | 31 May 2019 | 1 June 2018 |
| Mechanical and electrical engineering services | Singapore, Malaysia, Hong Kong, Brunei | 12 | 12 | 11 | - | - | - |
| Development of real estates | Singapore, Malaysia, New Zealand, Australia | - | - | - | -* | 25* | 25 |
| Infrastructure and wastewater treatment | Singapore, Thailand, Philippines, Cambodia | 5 | 5 | 4 | 8 | 8 | 7 |

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 | | | Total comprehensive loss | | (Loss)/Profit allocated to non-controlling Interests | | Accumulated non-controlling interests | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 31 May 2020 | 31 May 2019 | 1 June 2018 | 2020 | 2019 | 2020 | 2019 | 31 May 2020 | 31 May 2019 | 1 June 2018 |
| | | % | % | % | $'000 | $'000 (Restated) | $'000 | $'000 (Restated) | $'000 | $'000 | $'000 (Restated) |
| TEE Land Limited and its subsidiaries | Singapore | -* | 36.72* | 36.72 | (3,137) | (11,754) | (2,689) | (11,172) | - | 52,489 | 64,511 |
| G3 Environmental Private Limited and its subsidiaries | Singapore | 49.90 | 49.90 | 49.90 | (1,635) | (1,513) | (1,635) | (1,513) | (2,451) | (816) | 697 |
| Individually immaterial subsidiaries with non-controlling interest | | | | | 118 | 90 | 128 | 160 | (1,067) | (1,206) | (1,318) |
| | | | | | (4,654) | (13,177) | (4,196) | (12,525) | (3,518) | 50,467 | 63,890 |

* Reclassified to disposal group classified as held-for-sale during 2019 (Note 17).
Disposed in 2020. Information about the Group's disposal of TEE Land is disclosed in Note 51.

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:

| | 31 May 2020 | 31 May 2019 | 1 June 2018 |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **Group** | | | |
| Current assets | 10,492 | 11,829 | 11,966 |
| Non-current assets | 7,976 | 13,626 | 11,750 |
| Current liabilities | 21,547 | 23,129 | 20,881 |
| Non-current liabilities | 1,832 | 3,960 | 1,437 |
| Equity attributable to owners of the company | (4,911) | (1,634) | 1,398 |

| | 2020 | 2019 |
|---|---|---|
| | $'000 | $'000 |
| **Group** | | |
| Revenue for the year | 32,590 | 41,368 |
| Expenses | (35,665) | (44,400) |
| Loss for the year | (3,075) | (3,032) |
| Net cash from/(used in) operating activities | 7,474 | (3,707) |
| Net cash from/(used in) investing activities | 161 | (1,122) |
| Net cash (used in)/from financing activities | (4,956) | 2,794 |
| Net cash inflow/(outflow) | 2,679 | (2,035) |

20 CLUB MEMBERSHIP

| | 31 May 2020 | 31 May 2019 | 1 June 2018 |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **Group and Company** | | | |
| Club membership, at cost | 5 | 5 | 45 |
| Addition | - | - | 5 |
| Disposals | - | - | (45) |
| Amount written off | (5) | - | - |
| | - | 5 | 5 |

21 INTANGIBLE ASSET

| | 31 May 2020 $'000 | 31 May 2019 $'000 |
|---|---|---|
| **Group** | | |
| Customer contracts | | |
| Cost: | | |
| At the beginning and end of the year | 2,233 | 2,233 |
| Accumulated amortisation: | | |
| At the beginning of the year | (1,179) | (434) |
| Amortisation for the year (Note 43 ) | (744) | (745) |
| At the end of the year | (1,923) | (1,179) |
| Net carrying amount: | | |
| At 31 May | 310 | 1,054 |
| At 1 June 2018 | | 1,799 |

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 profit or loss.

## 22 PROPERTY, PLANT AND EQUIPMENT

| | Freehold land | Buildings on freehold land | Leasehold land and building | Leasehold improvements | Leased premises | Computers | Renovation | Motor vehicles | Machinery and tools | Office equipment | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | | | | | | | | |
| Cost: | | | | | | | | | | | |
| At 1 June 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 asset held-for-sale (Note 17) | 4,545 | 36,227 | - | - | - | - | - | - | - | 8,413 | 49,185 |
| Reclassified to non-current asset held-for-sale (Note 17) | (4,277) | (33,824) | (22,361) | (40) | - | (116) | (1,130) | (110) | (22) | (8,620) | (70,500) |
| At 31 May 2019, as restated | - | - | 264 | 234 | - | 1,920 | 611 | 6,424 | 5,257 | 974 | 15,684 |
| Adoption of SFRS(I) 16 (Note 53) | - | - | 18,038 | - | 1,212 | - | - | 297 | - | 178 | 19,725 |
| At 1 June 2019, as adjusted | - | - | 18,302 | 234 | 1,212 | 1,920 | 611 | 6,721 | 5,257 | 1,152 | 35,409 |
| Foreign currency exchange adjustment | - | - | - | 5 | - | 1 | 2 | 4 | 4 | 2 | 18 |
| Additions | - | - | 782 | - | - | 149 | 4 | 45 | 292 | 33 | 1,305 |
| Additions - ROU | - | - | - | - | 951 | - | - | 81 | - | - | 1,032 |
| Disposals | - | - | - | - | - | - | - | (715) | (481) | (7) | (1,203) |
| Write-offs | - | - | - | - | - | (413) | (103) | (118) | (525) | (42) | (1,201) |
| Reclassification | - | - | - | - | - | - | - | (371) | 371 | - | - |
| Reclassified to non-current assets held-for-sale | - | - | (18,934) | - | - | - | - | - | - | - | (18,934) |
| Reclassification to other receivable | - | - | - | - | - | - | - | - | - | (203) | (203) |
| At 31 May 2020 | - | - | 150 | 239 | 2,163 | 1,657 | 514 | 5,647 | 4,918 | 935 | 16,223 |

## 22 PROPERTY, PLANT AND EQUIPMENT

| | Freehold land | Building on freehold land | Leasehold land and building | Leasehold improvements | Leased premises | Computers | Renovation | Motor vehicles | Machinery and tools | Office equipment | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | | | | | | | | |
| Accumulated depreciation and impairment: | | | | | | | | | | | |
| At 1 June 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-sale (Note 17) | - | 871 | - | - | - | - | - | - | - | 697 | 1,568 |
| Reclassified to non-current asset held-for-sale (Note 17) | - | (3,253) | (2,570) | (42) | - | (76) | (1,255) | (106) | (15) | (3,209) | (10,526) |
| At 31 May 2019, as restated | - | - | 38 | 232 | - | 1,479 | 271 | 1,520 | 617 | 434 | 4,591 |
| Foreign currency exchange adjustment | - | - | - | 6 | 2 | 1 | - | 3 | 4 | 2 | 18 |
| Depreciation | - | - | 25 | 1 | - | 224 | 131 | 890 | 538 | 146 | 1,955 |
| Depreciation - ROU | - | - | 1,088 | - | 999 | - | - | 212 | 161 | 42 | 2,502 |
| Disposals | - | - | - | - | - | - | - | (484) | (270) | (1) | (755) |
| Write-offs | - | - | - | - | - | (379) | (26) | (116) | (414) | (39) | (974) |
| Reclassification | - | - | - | - | - | - | - | (91) | 91 | - | - |
| Reclassification to other receivable | - | - | - | - | - | - | - | - | - | (3) | (3) |
| Impairment | - | - | 896 | - | - | 95 | 14 | - | 1,423 | 56 | 2,484 |
| Reclassified to non-current assets held-for-sale - impairment | - | - | (1,984) | - | - | - | - | - | - | - | (1,984) |
| At 31 May 2020 | - | - | 63 | 239 | 1,001 | 1,420 | 390 | 1,934 | 2,150 | 637 | 7,834 |
| Carrying amount: | | | | | | | | | | | |
| At 31 May 2020 | - | - | 87 | - | 1,162 | 237 | 124 | 3,713 | 2,768 | 298 | 8,389 |
| At 31 May 2019 | - | - | 226 | 2 | - | 441 | 340 | 4,904 | 4,640 | 540 | 11,093 |
| At 1 June 2018 | 40 | - | 20,570 | - | - | 533 | 240 | 5,964 | 3,306 | 600 | 31,253 |

Carrying amount of ROU assets classified within property, plant and equipment as at 31 May 2020 amounted to $2,471,000 (Note 49).

22 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) Right-of-use assets ("ROU") acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 49.

(b) Details 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[1]<br>25 Bukit Batok Street 22<br>Singapore 659591 | Leasehold | From 1 May 1992 to 30 April 2052 | 32 years | Industrial and office space for providing rental |
| Larmont Hotel Sydney[1]<br>2-14 Kings Cross Road,<br>Potts Point, NSW 111,<br>Australia | Freehold | - | - | Hotel operations |
| 4 plots of land[2]<br>L8201407013,<br>L8201407014,<br>L8201702018 and<br>L8201407012<br>Tuas South Street 11 &13,<br>Singapore | Leasehold | From 1 November 2018 to 30 December 2035 | 15 years and 7 months | Development of integrated hazardous waste management and treatment hub |

(1) Reclassified to disposal group classified as held-for-sale in 2019 (Note 17). Disposed in 2020. Information about the Group's disposal of TEE Land is disclosed in Note 51.

(2) The 4 plots of land related to the disposal group is disclosed in Note 17.

(c) The carrying amount of the Group's motor vehicles as at 31 May 2019 includes an amount of $1,507,000 which are held under finance leases (Note 30). From 1 June 2019, these motor vehicles are part of the ROU assets as disclosed in Note 49.

(d) Depreciation expenses has been included in the line item "cost of sales" and "administrative expenses" in profit or loss.

(e) The Group's freehold land, buildings on freehold land, leasehold building and certain motor vehicles are pledged to bank to secure facilities granted to the Group (Note 32).

22 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | Computers | Renovation | Office equipment | Total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Company** | | | | |
| Cost: | | | | |
| At 1 June 2018 | 591 | 8 | 142 | 741 |
| Additions | 1 | 26 | - | 27 |
| At 31 May 2019 | 592 | 34 | 142 | 768 |
| Additions | 10 | - | 1 | 11 |
| Write-offs | (26) | - | - | (26) |
| At 31 May 2020 | 576 | 34 | 143 | 753 |
| Accumulated depreciation: | | | | |
| At 1 June 2018 | 518 | 2 | 83 | 603 |
| Depreciation | 42 | 2 | 28 | 72 |
| At 31 May 2019 | 560 | 4 | 111 | 675 |
| Depreciation | 32 | 3 | 28 | 63 |
| Write-offs | (26) | - | - | (26) |
| At 31 May 2020 | 566 | 7 | 139 | 712 |
| Carrying amount: | | | | |
| At 31 May 2020 | 10 | 27 | 4 | 41 |
| At 31 May 2019 | 32 | 30 | 31 | 93 |
| At 1 June 2018 | 73 | 6 | 59 | 138 |

23 INVESTMENT PROPERTIES

| | Group | | Company | |
|---|---|---|---|---|
| | 31 May 2020 | 31 May 2019 | 31 May 2020 | 31 May 2019 |
| | $'000 | $'000 (Restated) | $'000 | $'000 |
| At fair value: | | | | |
| At beginning of the year | 22,000 | 32,405 | 22,000 | 22,000 |
| Adoption of *SFRS(I) 16* | 2,562 | - | 2,562 | - |
| Additions | 11,553 | 45 | - | - |
| Changes in fair value included in profit or loss (Note 43) | (1,189) | (691) | (653) | - |
| Foreign currency exchange adjustments | - | (317) | - | - |
| Reclassification to disposal group (Note 17) | - | (9,442) | - | - |
| Net carrying amount: | | | | |
| At 31 May | 34,926 | 22,000 | 23,909 | 22,000 |
| At 1 June 2018 | | 32,405 | | 22,000 |

As at 31 May 2020 and 2019 and 1 June 2018, the Group 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.

23 INVESTMENT PROPERTIES (CONT'D)

The investment properties were pledged to a bank to secure long-term borrowings granted to the Group and the Company (Note 32).

The property rental income from the Group and Company's investment properties, which are leased out under operating leases, amounted to $5,254,000 (2019 - $3,133,000) and $1,935,000 (2019 - $1,935,000) respectively. The direct operating expenses (including repairs and maintenance) arising from the Group and Company's rental-generating investment properties, amounted to $292,000 (2019 - $484,000) and $232,000 (2019 - $297,000) 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 31 May 2020, 31 May 2019 and 1 June 2018, the fair value measurements of the Group's investment properties are classified within Level 3 of the fair value hierarchy.

The investment properties held by the Group are as follows:

| 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[1]<br>19 Main South Road Upper Riccarton, Christchurch | New Zealand | 104 units and 4 houses for providing rental accommodation | Freehold |
| Thistle Guesthouse[1]<br>21 Main North Road<br>Upper Riccarton, Christchurch | New Zealand | 10 rooms and 1 ground floor apartment and an attached sleep-out for providing rental accommodation | Freehold |
| Chewathai Ratchaprarop[1]<br>Condominium, No.11<br>Ratchaprarop Road Makkasan Sub-district,<br>Ratchathewi District, Bangkok | Thailand | 3 condominium apartment units for providing rental accommodation | Freehold |
| Lat Krabang Housing Phase 4 Part 1 | Thailand | 5-storey residential flats with 11 buildings for providing rental accommodation | 9 years from 2019 |

[1] Reclassified to disposal group classified as held-for-sale in 2019 (Note 17). Disposed in 2020. Information about the Group's disposal of TEE Land is disclosed in Note 51.

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 | | |
|---|---|---|---|---|---|---|---|---|
| | 31 May 2020 $'000 | 31 May 2019 $'000 | 1 June 2018 $'000 | | | 31 May 2020 | 31 May 2019 | 1 June 2018 |
| Singapore | 23,909 | 22,000 | 22,000 | Direct comparison method | Price per square meter of gross floor area[1] | $1,960 to $2,630 | $1,600 to $3,000 | $1,600 to $3,000 |
| New Zealand | - | 7,188 | 8,197 | Discounted cash flow method | Discount rate [2] [3] | - | 10.00% | 8.00% |
| | | | | Direct comparison method | Price per square meter of gross floor area[1] [3] | - | $250 to $500 | $311 to $480 |
| Thailand | 11,017 | - | - | Income capitalisation method | Occupancy turnover[1] | 79.0% to 83.0% | - | - |
| Thailand | - | 2,254 | 2,208 | Direct comparison method | Price per square meter of gross floor area[1] [3] | - | $3,600 to $8,000 | $3,900 to $7,100 |
| | | | | Income capitalisation method | Occupancy turnover[1] [3] | - | 97.00% | 97.00% |
| | | | | | Turnover[1] [3] | - | $2,700/Week | $2,700/Week |
| | | | | | Operating income[1] [3] | - | $2,500/Week | $2,600/Week |
| | | | | | Net operating income margin[1] [3] | - | 91.00% | 91.00% |
| | | | | | Capitalisation rate[2] [3] | - | 6.00% | 6.00% |
| | 34,926 | 31,442 | 32,405 | | | | | |
| Reclassified to disposal group classified as held-for-sale (Note 17) | - | (9,442) | - | | | | | |
| | 34,926 | 22,000 | 32,405 | | | | | |

23 INVESTMENT PROPERTIES (CONT'D)

(1) Any significant isolated increase/(decrease) in these inputs would result in a significantly higher/(lower) fair value measurement.

(2) Any significant isolated decrease/(increase) in this input would result in a significantly higher/ (lower) fair value measurement.

(3) Reclassified to disposal group classified as held-for-sale in 2019 (Note 17).
Disposed in 2020. Information about the Group's disposal of TEE Land is disclosed in Note 51.

24 DEFERRED TAX

The following are the major deferred tax assets and liabilities recognised by the Group, and movements thereon during the year:

**Deferred tax assets**

| **Group** | Provisions/ Others $'000 (Restated) | Tax losses $'000 (Restated) | Total $'000 (Restated) |
|---|---|---|---|
| At 1 June 2018 | 168 | 4,279 | 4,447 |
| Credit/(Charge) to profit or loss for the year | 15 | (400) | (385) |
| Reclassification to disposal group | (31) | (3,829) | (3,860) |
| Foreign currency exchange adjustment | - | (65) | (65) |
| At 31 May 2019 | 152 | (15) | 137 |
| Credit/(Charge) to profit or loss for the year | (45) | 526 | 481 |
| At 31 May 2020 | 107 | 511 | 618 |

**Deferred tax liabilities**

| **Group** | Recognition of profits from properties under development $'000 (Restated) | Accelerated tax depreciation $'000 (Restated) | Total $'000 (Restated) |
|---|---|---|---|
| At 1 June 2018 | 1,053 | 898 | 1,951 |
| Credit to profit or loss for the year | (620) | (537) | (1,157) |
| Reclassification to disposal group | (414) | 28 | (386) |
| Foreign currency exchange adjustment | (19) | - | (19) |
| At 31 May 2019 | - | 389 | 389 |
| Credit to profit or loss for the year | - | (211) | (211) |
| At 31 May 2020 | - | 178 | 178 |

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.

## 25 BANK LOANS AND OVERDRAFTS

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31 May 2020 | 31 May 2019 | 1 June 2018 | 31 May 2020 | 31 May 2019 | 1 June 2018 |
| | $'000 | $'000 (Restated) | $'000 | $'000 | $'000 | $'000 |
| Secured: | | | | | | |
| - Bank loans | 12,003 | 16,494 | 9,281 | - | 4,300 | 4,481 |
| - Bills payable | 42,672 | 7,988 | 11,612 | - | - | - |
| | 54,675 | 24,482 | 20,893 | - | 4,300 | 4,481 |
| Unsecured: | | | | | | |
| - Bank loans | - | 6,244 | 14,833 | - | - | - |
| - Bills payable | 2,627 | 12,491 | 10,913 | - | - | - |
| - Bank overdrafts (Note 6) | 194 | 3,321 | 4,611 | - | - | - |
| | 2,821 | 22,056 | 30,357 | - | - | - |
| Total | 57,496 | 46,538 | 51,250 | - | 4,300 | 4,481 |

The following outstanding balances are secured with the following:

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31 May 2020 | 31 May 2019 | 1 June 2018 | 31 May 2020 | 31 May 2019 | 1 June 2018 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Secured with: | | | | | | |
| Shares of a subsidiary | - | 4,300 | 4,481 | - | 4,300 | 4,481 |
| Trade receivables | 54,675 | 20,182 | 16,211 | - | - | - |
| Joint and several former directors' guarantee | - | - | 201 | - | - | - |
| Total | 54,675 | 24,482 | 20,893 | - | 4,300 | 4,481 |

The outstanding balances are repayable within 12 months. The effective interest rate on the outstanding balances ranges from 2.02% to 3.98% (31 May 2019 - 3.42% to 6.25% ; 1 June 2018 - 2.76% to 6.25%) per annum.

See Note 32 for bank covenants.

## 26 TRADE PAYABLES

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31 May 2020 | 31 May 2019 | 1 June 2018 | 31 May 2020 | 31 May 2019 | 1 June 2018 |
| | $'000 | $'000 (Restated) | $'000 | $'000 | $'000 | $'000 |
| Contract trade payables | 119,449 | 121,591 | 74,824 | 3,613 | - | - |
| Retention payables | 25,929 | 19,075 | 23,796 | - | - | - |
| Third parties | 1,015 | 2,762 | 1,026 | - | - | - |
| GST payable | 835 | 1,601 | 496 | - | 13 | 54 |
| Others | 400 | - | - | - | - | - |
| Total | 147,628 | 145,029 | 100,142 | 3,613 | 13 | 54 |

26 TRADE PAYABLES (CONT'D)

The credit period granted by suppliers ranged from 30 to 90 days (31 May 2019 - 30 to 90 days ; 1 June 2018 - 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 | | |
|---|---|---|---|---|---|---|
| | 31 May 2020 | 31 May 2019 | 1 June 2018 | 31 May 2020 | 31 May 2019 | 1 June 2018 |
| | $'000 | $'000 (Restated) | $'000 | $'000 | $'000 | $'000 |
| Subsidiaries | - | - | - | 55,215 | 50,719 | 63,872 |
| Associates | 31 | - | 5,325 | - | - | - |
| Non-controlling interest | - | - | 2,218 | - | - | - |
| Loan from non-controlling interest | 8,184 | 8,283 | 16,539 | - | - | - |
| Accrued expenses | 5,077 | 4,526 | 6,639 | 760 | 794 | 882 |
| Accrued interest expense | 1,112 | 954 | 2,199 | 25 | 177 | 162 |
| Amount due to a director (Note 5) | - | - | 10,000 | - | - | - |
| Rental and security deposits | 2,559 | 1,645 | 1,216 | 576 | 576 | 77 |
| Dividend payable | - | - | 410 | - | - | - |
| Other payables | 5,650 | 1,683 | 2,606 | 2,979 | 275 | 615 |
| | 22,613 | 17,091 | 47,152 | 59,555 | 52,541 | 65,608 |
| Less: | | | | | | |
| Amounts payable within 12 months (shown under current liabilities) | (22,573) | (17,061) | (39,078) | (59,555) | (52,541) | (65,608) |
| Amounts payable after 12 months | 40 | 30 | 8,074 | - | - | - |

The amounts due to subsidiaries, associates, and non-controlling shareholder are unsecured, interest-free and repayable on demand.

Loan from non-controlling interest of $8,184,000 (31 May 2019 - $8,283,000; 1 June 2018 - $8,483,000) are for working capital loans for respective subsidiaries and are unsecured, interest-free and repayable on demand. Loan of $8,056,000 as at 1 June 2018 was for development properties "Rezi 35" and "35 Gilstead", bore interest at 5% per annum and repayable after 12 months from the end of the reporting period.

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

| | 31 May 2020 | 31 May 2019 | 1 June 2018 |
|---|---|---|---|
| | $'000 | $'000 (Restated) | $'000 |
| **Group** | | | |
| Advance receipts from customers | 661 | 316 | 9,263 |

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 are no significant changes in contract liabilities in 2020. The decrease in advance receipts from customers in 2019 was due to liabilities of TEE Land being included in liabilities associated with disposal group classified as held-for-sale (Note 17).

There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in prior year.

29 PROVISION FOR MAINTENANCE COSTS

| | 31 May 2020 | 31 May 2019 |
|---|---|---|
| | $'000 | $'000 |
| **Group** | | |
| At beginning of the year | 992 | 1,034 |
| Charge to profit or loss for the year | 462 | 1,620 |
| Utilised | (1,219) | (1,662) |
| Net carrying amount: | | |
| At 31 May | 235 | 992 |
| At 1 June 2018 | | 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.

30 OBLIGATIONS UNDER FINANCE LEASES

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | 31 May 2019 | 1 June 2018 | 31 May 2019 | 1 June 2018 |
| | $'000 | $'000 | $'000 | $'000 |
| **Group** | (Restated) | | (Restated) | |
| Amounts payable under finance leases: | | | | |
| Within one year | 364 | 636 | 333 | 607 |
| In the second to fifth years inclusive | 1,234 | 347 | 1,130 | 330 |
| After five years | - | - | - | - |
| | 1,598 | 983 | 1,463 | 937 |
| Less: Future finance charges | (135) | (46) | - | - |
| Present value of lease obligations | 1,463 | 937 | 1,463 | 937 |
| Less: Amounts due for settlement within 12 months (shown under current liabilities) | | | (333) | (607) |
| Amounts due for settlement after 12 months | | | 1,130 | 330 |

The Group leased certain of its motor vehicles, plant and equipment under finance leases. The average lease term was 7 years (1 June 2018 – 4 years). The average effective borrowing rate was 3.64% (1 June 2018 – 3.60%) per annum. Interest rates were fixed at the contract date, and thus exposed the Group to fair value interest rate risk. All leases were on a fixed repayment basis and no arrangements had been entered into contingent rental payments.

Finance lease obligations were reclassified to lease liabilities (Note 31) on 1 June 2019 upon adoption of SFRS(I) 16. The impact of adoption is disclosed in Note 53.

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 LEASE LIABILITIES

| | Group | Company |
|---|---|---|
| | 31 May 2020 | 31 May 2020 |
| | $'000 | $'000 |
| Undiscounted lease payments due: | | |
| - Year 1 | 2,691 | 190 |
| - Year 2 | 2,218 | 190 |
| - Year 3 | 2,267 | 190 |
| - Year 4 | 2,245 | 190 |
| - Year 5 | 1,868 | 190 |
| - Year 6 and onwards | 8,198 | 2,032 |
| | 19,487 | 2,982 |
| Less: Unearned interest cost | (2,914) | (545) |
| Lease liabilities | 16,573 | 2,437 |
| Amount shown under current liabilities | 2,119 | 128 |
| Amount shown under non-current liabilities | 14,454 | 2,309 |
| | 16,573 | 2,437 |

The Group enters into leases for lease of building, leased premises, motor vehicles and office equipment from non-related parties under non-cancellable lease agreements. There are no restrictions placed upon the Group by entering into these contracts.

Interest expense on lease liabilities of $1,136,000 is recognized within "finance costs" in profit or loss.

Lease expenses not capitalised in lease liabilities but recognised within "operating expenses" in profit or loss are set out below:

| | 31 May 2020 |
|---|---|
| | $'000 |
| **Group** | |
| Short-term lease | 1,599 |
| Leases of low-value asset | 58 |
| | 1,657 |

The cash outflows for all leases in the year amount to $5,055,000.

As at 31 May 2019, the Group and the Company's short-term lease commitments at the reporting date are not substantially dissimilar to those giving rise to the Group and the Company's short-term lease expense for the year.

The Group and the Company's lease liabilities are secured by the lessors' title to the leased assets.

Information about the Group's leasing activities are disclosed in Note 49.

Further information about the financial risk management are disclosed in Note 4.

## 32 LONG-TERM BORROWINGS

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31 May 2020 | 31 May 2019 | 1 Jun 2018 | 31 May 2020 | 31 May 2019 | 1 Jun 2018 |
| | $'000 | $'000 (Restated) | $'000 | $'000 | $'000 | $'000 |
| Borrowings | 19,564 | 20,060 | 234,687 | 13,914 | 14,969 | 14,682 |
| Less: Current portion due within 12 months | (2,809) | (6,234) | (91,857) | (2,510) | (1,268) | (1,920) |
| Amounts due for settlement after 12 months | 16,755 | 13,826 | 142,830 | 11,404 | 13,701 | 12,762 |
| Secured | 14,564 | 19,415 | 231,648 | 13,914 | 14,969 | 14,266 |
| Unsecured | 5,000 | 645 | 3,039 | - | - | 416 |
| Total | 19,564 | 20,060 | 234,687 | 13,914 | 14,969 | 14,682 |

The following outstanding balances are secured with the following:

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31 May 2020 | 31 May 2019 | 1 Jun 2018 | 31 May 2020 | 31 May 2019 | 1 Jun 2018 |
| | $'000 | $'000 (Restated) | $'000 | $'000 | $'000 | $'000 |
| Secured with: | | | | | | |
| Development properties | - | - | 150,550 | - | - | - |
| Completed properties and land for sale | - | - | 18,867 | - | - | - |
| Investment properties | 13,914 | 14,968 | 18,998 | 13,914 | 14,969 | 14,266 |
| Leasehold building | - | - | 16,987 | - | - | - |
| Motor vehicles | 525 | - | - | - | - | - |
| Joint and several former directors' guarantee | 125 | 425 | 725 | - | - | - |
| Corporate guarantee by the Company and a subsidiary | - | 4,022 | - | - | - | - |
| Non-current assets classified as held-for-sale | - | - | 25,521 | - | - | - |
| Total | 14,564 | 19,415 | 231,648 | 13,914 | 14,969 | 14,266 |

The Group and Company's long-term borrowings bear interest at rates ranging from 2.38% to 3.32% (2019 - 2.38% to 6.50% ; 2018 - 2.28% to 6.50%) per annum. The directors estimate the fair value of the Group 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.

32 LONG-TERM BORROWINGS (CONT'D)

In prior financial year, a financial covenant relating to secured borrowings amounting to $2,456,000 of a subsidiary was not met. The Group obtained a waiver of the breach of the loan covenants from the relevant lender during the year 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 as at prior year end.

The Group's bank facility agreements include financial covenants. Some of these covenants require the Group to meet certain key financial ratios. During the year, the Group did not fulfil the minimum threshold required for consolidated net worth and the debt-to-equity ratio for bank borrowings amounting to $57,496,000 drawn down by two subsidiaries. These borrowings are presented as current liabilities as at financial year end. Due to the breaches, the banks are contractually entitled to request for immediate repayments of the outstanding loans.

Before the financial year end, the Group had obtained waivers from two banks which granted waivers to September 2020 and 30 November 2020, respectively. Current ongoing discussions are being held with two banks to waive the breach of covenants, and other waivers will be sought when required.

The banks had not requested early repayment of the loans as of the date when the financial statements were approved by the Board of Directors. Management is in the process of renegotiating the terms of the loans with the banks.

32 LONG-TERM BORROWINGS (CONT'D)

**Reconciliation of liabilities arising from financing activities**

| | | | Non-cash changes | | | | |
|---|---|---|---|---|---|---|---|
| | 1 June 2018 | Financing cash flow (i) | Reclassification to disposal group TEE Land | New Finance Lease | Foreign exchange movement | Other changes (ii) | 31 May 2019 |
| | $'000 | $'000 | $'000 (Restated) | $'000 | $'000 | $'000 | $'000 (Restated) |
| Bank loans, excluding bank overdrafts (Note 25) | 46,639 | (1,428) | (1,994) | - | - | - | 43,217 |
| Loan from non-controlling interest (Note 27) | 16,539 | 1,480 | (9,736) | - | - | - | 8,283 |
| Amount due to a director (Note 27) | 10,000 | (10,000) | - | - | - | - | - |
| Finance leases (Note 30) | 937 | (600) | (26) | 1,152 | - | - | 1,463 |
| Long-term borrowings (Note 32) | 234,687 | 4,708 | (217,636) | - | (1,699) | - | 20,060 |
| Notes payable (Note 34) | 21,089 | (1,766) | - | - | 606 | 1,071 | 21,000 |
| Accrued interest expense (Note 27) | 2,199 | (12,714) | (1,429) | - | 697 | 12,201 | 954 |

(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 interest on finance leases.

32 LONG-TERM BORROWINGS (CONT'D)

**Reconciliation of liabilities arising from financing activities (Cont'd)**

| | | | | Non-cash changes | | | | |
|---|---|---|---|---|---|---|---|---|
| | 1 June 2019 | Adoption of SFRS(I) 16 | Financing cash flow (i) | Disposal group Held-for-sale | Foreign exchange movement | New leases | Other Changes (ii) | 31 May 2020 |
| | $'000 (Restated) | $'000 | $'000 | $'000 (Restated) | $'000 | $'000 | $'000 | $'000 |
| Bank loans, excluding bank overdrafts (Note 25) | 43,217 | - | 13,256 | 829 | - | - | - | 57,302 |
| Loan from non-controlling interest (Note 27) | 8,283 | - | (3,004) | 2,905 | - | - | - | 8,184 |
| Finance leases (Note 30) | 1,463 | (1,463) | - | - | - | - | - | - |
| Lease liabilities (Note 31) | - | 23,750 | (3,398) | (17,532) | 33 | 12,584 | 1,136 | 16,573 |
| Long-term borrowings (Note 32) | 20,060 | - | (27,086) | 27,344 | (754) | - | - | 19,564 |
| Notes payable (Note 34) | 21,000 | - | (24,557) | - | (493) | - | 4,050 | - |
| Accrued interest expense (Note 27) | 954 | - | (8,837) | 1,429 | - | - | 7,566 | 1,112 |

(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, interest on lease liabilities/ finance leases.

## 33 FINANCIAL GUARANTEE LIABILITIES

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31 May 2020 | 31 May 2019 | 1 June 2018 | 31 May 2020 | 31 May 2019 | 1 June 2018 |
| | $'000 | $'000 (Restated) | $'000 | $'000 | $'000 | $'000 |
| Financial guarantee liabilities | 75 | 149 | 452 | 75 | 149 | 226 |
| Less: Amounts shown under current liabilities | (75) | (75) | (67) | (75) | (75) | (76) |
| Amounts shown under non-current liabilities | - | 74 | 385 | - | 74 | 150 |

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 | | |
|---|---|---|---|---|---|---|
| | 31 May 2020 | 31 May 2019 | 1 June 2018 | 31 May 2020 | 31 May 2019 | 1 June 2018 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Notes payable | - | 21,000 | 21,089 | - | 21,128 | 21,267 |

The Senior Secured Notes of US$15.0 million issued on 19 December 2017 with an original maturity date on 18 December 2020, have an option to extend for an additional 2 years, and bore effective interest rate of 20.70% (31 May 2019 - 15.78% ; 1 June 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.

In February 2020, the Company has fully redeemed the Senior Secured Notes.

## 35 LONG-TERM DEPOSIT

| | 31 May 2020 | 31 May 2019 | 1 June 2018 |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **Group and Company** | | | |
| Long-term deposit | 306 | 306 | 306 |

Long-term deposit is for the lease of premises located at 33 Changi North Crescent, Singapore (Note 23) with tenure and renewal option till 2035.

## 36 SHARE CAPITAL

| | 31 May 2020 | 31 May 2019 | 1 June 2018 | 31 May 2020 | 31 May 2019 | 1 June 2018 |
|---|---|---|---|---|---|---|
| | Number of ordinary shares | | | $'000 | $'000 | $'000 |
| **Group and Company** | | | | | | |
| Issued and paid up: | | | | | | |
| At beginning of the year | 648,152,876 | 503,223,039 | 503,223,039 | 73,194 | 58,701 | 58,701 |
| Share issuance | - | 144,929,837 | - | - | 14,493 | - |
| At end of the year | 648,152,876 | 648,152,876 | 503,223,039 | 73,194 | 73,194 | 58,701 |

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends.

On 14 February 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 Issue"). The Company raised net proceeds of approximately $14.5 million from the Rights Issue.

On 30 April 2018, there were bonus warrants issued on the basis of 1 warranty 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 $0.215 per warrant.

On 15 February 2019, being the market day following the closing date of Rights Issue. The exercise price of the existing bonus warrants has been adjusted from $0.215 to $0.189 per warrant on 15 February 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 30 October 2020.

## 37 TREASURY SHARES

| | 31 May 2020 | 31 May 2019 | 1 June 2018 | 31 May 2020 | 31 May 2019 | 1 June 2018 |
|---|---|---|---|---|---|---|
| | Number of ordinary shares | | | $'000 | $'000 | $'000 |
| **Group and Company** | | | | | | |
| Balance at beginning and at end of the year | 1,270,400 | 1,270,400 | 1,270,400 | 269 | 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 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 | | |
|---|---|---|---|---|---|---|
| | 31 May 2020 | 31 May 2019 | 1 June 2018 | 31 May 2020 | 31 May 2019 | 1 June 2018 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| At beginning of the year | 18,561 | 18,741 | 18,793 | (274) | (94) | (42) |
| Effects on disposal of TEE Land | (18,561) | - | - | - | - | - |
| Rights issuance expenses | - | (180) | - | - | (180) | - |
| Expenses incurred on issue of bonus warrants | - | - | (52) | - | - | (52) |
| At end of the year | - | 18,561 | 18,741 | (274) | (274) | (94) |

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 $Nil (31 May 2019 - $11,471,000 ; 1 June 2018 - $11,454,000) of loan due to non-controlling interests which has been classified as equity as the loan is repayable at the discretion of the subsidiary.

## 41 REVENUE

| | Continuing operations | | Discontinued operations | | Total | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 (Restated) | $'000 | $'000 (Restated) |
| **Group** | | | | | | |
| Corporate and others: | | | | | | |
| Rental income | 1,935 | 1,935 | - | - | 1,935 | 1,935 |
| Engineering: | | | | | | |
| Construction engineering contracts | 292,423 | 203,182 | - | - | 292,423 | 203,182 |
| Infrastructure: | | | | | | |
| Rental and related services income | 3,004 | 2,851 | - | - | 3,004 | 2,851 |
| Sale of goods | 1,807 | 7,396 | - | - | 1,807 | 7,396 |
| Waste and recycling management services | 30,776 | 33,974 | - | - | 30,776 | 33,974 |
| Real Estate: | | | | | | |
| Hotel operations | - | - | 4,656 | 7,310 | 4,656 | 7,310 |
| Rental income | - | - | 769 | 1,198 | 769 | 1,198 |
| Sales of development properties | - | - | 42,452 | 90,808 | 42,452 | 90,808 |
| Total | 329,945 | 249,338 | 47,877 | 99,316 | 377,822 | 348,654 |

41 REVENUE (CONT'D)

| | Continuing operations | | Discontinued operations | | Total | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 (Restated) | $'000 | $'000 (Restated) |
| **Group** | | | | | | |
| Timing of revenue recognition from contract with customers, excluding rental income | | | | | | |
| At a point in time: | | | | | | |
| Sale of goods | 1,807 | 7,396 | - | - | 1,807 | 7,396 |
| Short-term construction engineering services | 5,501 | 12,466 | - | - | 5,501 | 12,466 |
| Sale of completed development properties | - | - | - | 436 | - | 436 |
| Sale of land | - | - | 419 | - | 419 | - |
| Hotel operations – foods and beverages | - | - | 122 | 331 | 122 | 331 |
| Over time: | | | | | | |
| Construction engineering contracts | 286,922 | 190,716 | - | - | 286,922 | 190,716 |
| Waste and recycling management services | 30,776 | 33,974 | - | - | 30,776 | 33,974 |
| Sales of development properties under construction | - | - | 42,033 | 90,372 | 42,033 | 90,372 |
| Hotel operations | - | - | 4,534 | 6,979 | 4,534 | 6,979 |
| Services income | 454 | 417 | - | - | 454 | 417 |
| Total | 325,460 | 244,969 | 47,108 | 98,118 | 372,568 | 343,087 |

## 42 OTHER OPERATING INCOME

| | Continuing operations | | Discontinued operations | | Total | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | (Restated) | | (Restated) | |
| Interest income arising from: | | | | | | |
| Fixed deposits | 1 | 35 | 132 | 246 | 133 | 281 |
| Others | 45 | 14 | 51 | 103 | 96 | 117 |
| Ancillary fees collected from development properties | - | - | 200 | 256 | 200 | 256 |
| Amortisation of financial guarantee liabilities | 75 | 77 | 111 | 186 | 186 | 263 |
| Deposit forfeited for an aborted sale of completed property | - | - | 522 | 316 | 522 | 316 |
| Foreign currency exchange adjustment gain | 296 | - | 181 | - | 477 | - |
| Gain on disposal of an associate | - | 139 | - | - | - | 139 |
| Gain on disposal of subsidiary (Note 51) | - | - | 4,287 | - | 4,287 | - |
| Government grant | 2,422 | 415 | 6 | 10 | 2,428 | 425 |
| Management fees income | 319 | 345 | 25 | 87 | 344 | 432 |
| Service fees income | 110 | 90 | - | - | 110 | 90 |
| Rental income | - | - | - | 100 | - | 100 |
| Rebate from purchaser | - | - | 296 | - | 296 | - |
| Others | 355 | 126 | - | 19 | 355 | 145 |
| Total | 3,623 | 1,241 | 5,811 | 1,323 | 9,434 | 2,564 |

## 43 OTHER OPERATING EXPENSES

| | Continuing operations | | Discontinued operations | | Total | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 (Restated) | $'000 (Restated) | $'000 (Restated) | $'000 (Restated) |
| **Group** | | | | | | |
| Additional buyer stamp duties | - | - | 4,680 | 728 | 4,680 | 728 |
| Allowance for diminution in value on completed properties and land for sale | - | - | - | 542 | - | 542 |
| Amortisation of intangible asset (Note 21) | 744 | 745 | - | - | 744 | 745 |
| Change in fair value of investment properties (Note 23) | 1,189 | - | - | 691 | 1,189 | 691 |
| Change in fair value of financial asset at FVTPL (Note 12) | 82 | 536 | - | - | 82 | 536 |
| Impairment loss on property, plant and equipment (Note 22) | 1,588 | - | 896 | - | 2,484 | - |
| Impairment loss on investment in associates | - | - | - | 3,600 | - | 3,600 |
| Impairment recognised based on net estimated fair value of disposal group classified as held-for-sale | - | - | - | 26,000 | - | 26,000 |
| Loss/(gain) on disposal of property, plant and equipment | 6 | 55 | - | (31) | 6 | 24 |
| Net foreign currency exchange adjustment loss | - | 649 | - | 1,026 | - | 1,675 |
| Property, plant and equipment written off | 225 | 261 | 9 | - | 234 | 261 |
| Trade receivables written off | 978 | 117 | - | - | 978 | 117 |
| Other receivables written off | 12 | 154 | - | - | 12 | 154 |
| Option fee forfeited for aborted purchase of land | - | - | - | 420 | - | 420 |
| Others | 20 | - | - | - | 20 | - |
| Total | 4,844 | 2,517 | 5,585 | 32,976 | 10,429 | 35,493 |

## 44 FINANCE COSTS

| | Continuing operations | | Discontinued operations | | Total | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | | | |
| Interest on borrowings and bank overdrafts | 2,882 | 2,842 | 4,684 | 8,102 | 7,566 | 10,944 |
| Interest on lease liabilities/finance lease obligation | 384 | 32 | 752 | 2 | 1,136 | 34 |
| Notes payable interests | 3,768 | 2,294 | - | - | 3,768 | 2,294 |
| Net | 7,034 | 5,168 | 5,436 | 8,104 | 12,470 | 13,272 |

45 INCOME TAX EXPENSE

| | Continuing operations | | Discontinued operations | | Total | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 (Restated) | $'000 | $'000 (Restated) |
| **Group** | | | | | | |
| Current: | | | | | | |
| Current tax expense | 245 | 1,390 | 511 | 109 | 756 | 1,499 |
| Adjustment in respect of prior years | 3,863 | 714 | (79) | (268) | 3,784 | 446 |
| Withholding tax expenses | - | - | 83 | 30 | 83 | 30 |
| Deferred: | | | | | | |
| Credit for the year | (692) | (570) | (524) | (202) | (1,216) | (772) |
| | 3,416 | 1,534 | (9) | (331) | 3,407 | 1,203 |

Domestic income tax is calculated at 17% (2019 - 17%) of the estimated assessable loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total charge for the year can be reconciled to the accounting loss as follows:

| | 2020 | 2019 |
|---|---|---|
| | $'000 | $'000 |
| **Group** | | |
| Loss before tax | (25,784) | (3,550) |
| Less: | | |
| Share of results of associates and joint venture (Note 18) | (746) | (568) |
| | (26,530) | (4,118) |
| Tax at the domestic income tax rate of 17% (2019 - 17%) | (4,510) | (700) |
| Non-deductible expenses/(Non-taxable income) | 1,465 | (736) |
| Deferred tax benefits not recognised | 3,558 | 2,430 |
| Deferred tax benefits previously not recognised now utilised | (91) | (65) |
| Under provision of income tax in prior years | 3,863 | 714 |
| Effect of different tax rates of overseas operations | (721) | (191) |
| Exempt income and tax rebate | (118) | (35) |
| Others | (30) | 117 |
| | 3,416 | 1,534 |

Subject to the agreement by the tax authorities, the Group has unutilised tax losses of $13.6 million (2019 - $82.0 million) and other temporary differences of $3.3 million (2019 - $9.7 million) available for offset against future profits. Deferred tax assets have been recognised in respect of $3.0 million (2019 - $22.4 million) of these unutilised tax losses and $0.6 million (2019 - $1.1 million) of these temporary differences. No deferred tax asset has been recognised in respect of the remaining $10.6 million (2019 - $59.6 million) of tax losses and $2.7 million (2019 - $8.6 million) of temporary differences due to the unpredictability of future profit streams. The tax losses and temporary differences may be carried forward indefinitely subject to the conditions imposed by law including the retention of majority shareholders as defined.

## 46 LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

| | Continuing operations | | Discontinued operations | | Total | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | | | |
| Directors' remuneration: | | | | | | |
| Directors of the Company | 895 | 1,732 | 396 | 7 | 1,291 | 1,739 |
| Directors of the subsidiaries | 1,489 | 905 | - | 701 | 1,489 | 1,606 |
| Employee benefits expense (including directors' remuneration) | 15,970 | 32,487 | 1,572 | 4,699 | 17,542 | 37,186 |
| Costs of defined contribution plans included in employee benefits expense | 961 | 1,909 | 70 | 165 | 1,031 | 2,074 |
| Audit fees: | | | | | | |
| Auditors of the Company: | | | | | | |
| - current year | 329 | 352 | 5 | 5 | 334 | 357 |
| Other auditors: | | | | | | |
| - current year | 36 | 59 | 142 | 195 | 178 | 254 |
| - adjustment in respect of prior year | 3 | 5 | - | (5) | 3 | - |
| Non-audit fees: | | | | | | |
| Auditors of the Company: | | | | | | |
| - current year | - | 38 | - | - | - | 38 |
| - adjustment in respect of prior year | - | 3 | - | - | - | 3 |
| Other auditors: | | | | | | |
| - current year | 50 | 23 | 32 | 92 | 82 | 115 |
| - adjustment in respect of prior year | 57 | 1 | 2 | (4) | 59 | (3) |
| Amortisation of deferred commission expenses * | 73 | 73 | 1,660 | 3,801 | 1,733 | 3,874 |
| Amortisation of deferred show flat costs ** | - | - | 1,150 | 433 | 1,150 | 433 |
| Amortisation of issuance costs on notes payable *** | 282 | 210 | - | - | 282 | 210 |
| Depreciation of property, plant and equipment, including ROU assets | 3,368 | 2,272 | 1,089 | 5,618 | 4,457 | 7,890 |
| Impairment loss on financial assets and contract assets | | | | | | |
| - Trade receivables (Note 8) | 53 | - | - | 663 | 53 | 663 |
| - Other receivables (Note 9) | 169 | - | - | 181 | 169 | 181 |
| - Loans receivables (Note 10) | - | - | - | 665 | - | 665 |
| - Contract assets (Note 14) | 957 | - | - | - | 957 | - |
| | 1,179 | - | - | 1,509 | 1,179 | 1,509 |
| Impairment loss on financial assets and contract assets written back | | | | | | |
| - Trade receivables (Note 8) | - | (485) | - | - | - | (485) |
| - Other receivables (Note 9) | - | (15) | - | - | - | (15) |
| - Contract assets (Note 14) | - | - | - | (658) | - | (658) |
| | - | (500) | - | (658) | - | (1,158) |

46 LOSS FOR THE YEAR (CONT'D)

* Included in cost of sales in the consolidated statement of profit or loss and selling and distribution expenses in the Note 47.

** Included in selling and distribution expenses in the Note 47.

*** Included in administrative expenses in the consolidated statement of profit or loss.

Retirement Benefit Obligations

The employees of the Company 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 31 May 2020, contributions of $39,000 (2019 - $269,000) due in respect of current year had not been paid over to the plans.

47 LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS

(i) On 3 February 2020, the Group disposed of its entire 63.28% stake in subsidiary, TEE Land Limited in its Real Estate segment in order to realise valuable cash proceeds which may be applied to expand the engineering and infrastructure businesses of the Group and reduce the indebtedness of the Group.

The results of the discontinued operations and re-measurement of the respective disposal group is as follows:

| | TEE Land | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 (Restated) | $'000 (Restated) |
| Revenue | 47,877 | 99,316 |
| Cost of sales | (39,253) | (90,869) |
| Gross profit | 8,624 | 8,447 |
| Other operating income | 5,515 | 1,323 |
| Selling and distribution expenses | (3,777) | (6,903) |
| Administrative expenses | (4,992) | (13,186) |
| Other operating expenses | (4,689) | (32,976) |
| Impairment loss on financial assets | - | (1,509) |
| Impairment loss on contract assets written back | - | 658 |
| Share of results of associates | - | (794) |
| Finance costs | (4,715) | (8,104) |
| Loss before tax | (4,034) | (53,044) |
| Income tax expense | 9 | 331 |
| Loss for the period | (4,025) | (52,713) |

47 LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS (CONT'D)

TEE Land's discontinued operations financial results are for eight months ended 31 January 2020, being effective date of disposal for accounting purpose.

The cashflows attributable to TEE Land are set out below:

| | 2020 | 2019 |
|---|---|---|
| | $'000 | $'000 |
| Net cash from operating activities | 33,304 | 10,198 |
| Net cash from investing activities | 242 | 5,470 |
| Net cash used in financing activities | (35,122) | (19,763) |
| Net cash outflows | (1,576) | (4,095) |

The fair value of identifiable assets and liabilities of TEE Land at date of disposal are disclosed in Note 51.

(ii) As disclosed in Note 17, the Group has accounted for AWM as discontinued operations and the loss for the year from AWM is analysed as follows:

| | 2020 | 2019 |
|---|---|---|
| | $'000 | $'000 |
| Other operating income | 296 | - |
| Administrative expenses | (3,204) | (772) |
| Other operating expense | (896) | - |
| Finance costs | (721) | - |
| Loss before taxation | (4,525) | (772) |
| Income tax expense | - | - |
| Loss for the year | (4,525) | (772) |

The cashflows attributable to AWM is set out below:

| | 2020 | 2019 |
|---|---|---|
| | $'000 | $'000 |
| Net cash from/(used in) operating activities | 358 | (724) |
| Net cash used in investing activities | (782) | (214) |
| Net cash from financing activities | 457 | 923 |
| Net cash inflows/(outflows) | 33 | (15) |

## 48 LOSS PER SHARE

The calculation of basic earnings per ordinary share is based on Group's loss attributable to owners of the Company of $33,554,000 (2019 - $46,044,000) divided by the weighted average number of ordinary shares (excluding treasury shares) of 646,882,476 (2019 - 554,077,058) in issue during the year.

Fully diluted loss per ordinary share is calculated based on 646,882,476 (2019 - 554,077,058) ordinary shares.

**From continuing and discontinued operations**

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Basic | Diluted | Basic | Diluted |
| | $'000 | $'000 | $'000 | $'000 |
| **Group** | (Restated) | (Restated) | (Restated) | (Restated) |
| Loss attributable to owners of the Company | (33,554) | (33,554) | (46,044) | (46,044) |
| Weighted average number of ordinary shares (excluding treasury shares) for the purposes of basic/ diluted earnings per share | 646,882,476 | 646,882,476 | 554,077,058 | 554,077,058 |
| Loss per share (cents) | (5.19) | (5.19) | (8.31) | (8.31) |

**From continuing operations**

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Basic | Diluted | Basic | Diluted |
| | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | |
| Loss attributable to owners of the Company | (27,694) | (27,694) | (3,732) | (3,732) |
| Weighted average number of ordinary shares (excluding treasury shares) for the purposes of basic/ diluted earnings per share | 646,882,476 | 646,882,476 | 554,077,058 | 554,077,058 |
| Loss per share (cents) | (4.28) | (4.28) | (0.67) | (0.67) |

## 49 LEASES

The Group leases leasehold land and premises, motor vehicles and office equipment from non-related parties under non-cancellable lease agreements. There are no restrictions placed on the Group by entering into these contracts.

The leases for certain leased premises contain extension periods for which the related lease payments has been included in lease liabilities as the Group is reasonably certain to exercise these extension options. The leases for certain leased premises also include termination options. The Group negotiates extension options to provide flexibility in managing the leased assets and align with the Group's business needs.

49 LEASES (CONT'D)

The Group as lessee

(a) Carrying amounts

ROU assets classified within property, plant and equipment

| | 31 May 2020 | 1 June 2019 |
|---|---|---|
| | $'000 | $'000 |
| **Group** | | (Restated) |
| Leasehold land | - | 18,038 |
| Leased premises | 1,162 | 1,212 |
| Motor vehicles | 1,021 | 1,804 |
| Machinery and tools | 152 | - |
| Office equipment | 136 | 178 |
| | 2,471 | 21,232 |

ROU assets classified within investment properties

The right-of-use assets relating to the leasehold land and building presented under Investment properties are stated at fair value and have carrying amounts at the statement of financial position date of $13,425,000 for the Group and $2,409,000 for the Company.

(a) Depreciation charge during the year

| | 2020 |
|---|---|
| | $'000 |
| **Group** | |
| Leasehold land | 1,088 |
| Leased premises | 999 |
| Motor vehicles | 212 |
| Machinery and tools | 161 |
| Office equipment | 42 |
| | 2,502 |

(b) Addition of ROU assets during the financial year was $1,032,000.

(c) At the end of prior reporting period, the Group and the Company had outstanding commitments under non-cancellable operating leases, which fall due as follows:

| | Group | Company |
|---|---|---|
| | 31 May 2019 | 31 May 2019 |
| | $'000 | $'000 |
| Within one year | 3,267 | 347 |
| In the second to fifth year inclusive | 6,225 | 759 |
| After fifth year | 22,340 | 2,223 |
| Total | 31,832 | 3,329 |

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.

49 LEASES (CONT'D)

The Group as lessee (cont'd)

(d) As disclosed in Note 53, the Group has adopted SFRS(I) 16 on 1 June 2019. These lease payments have been recognised as ROU assets and lease liabilities on the statements of financial position as at 1 June 2019, except for short-term and low value assets.

Minimum lease payments under operating leases recognised as expense in prior year amounted to $1,657,000.

(e) Information regarding the Group and the Company's lease liabilities are disclosed in Note 31.

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 $5,254,000 (2019 - $3,133,000) and $1,935,000 (2019 - $1,935,000) respectively.

The future minimum rental receivables under non-cancellable operating leases contracted for at the reporting date are as follows:

| | Group | Company |
|---|---|---|
| | 31 May 2020 | 31 May 2020 |
| | $'000 | $'000 |
| Undiscounted lease payments to be received: | | |
| - Year 1 | 5,456 | 2,118 |
| - Year 2 | 5,456 | 2,148 |
| - Year 3 | 4,027 | 2,148 |
| - Year 4 | 2,026 | 2,148 |
| - Year 5 | 2,026 | 2,148 |
| - Year 6 and onwards | 1,519 | 1,611 |
| | 20,510 | 12,321 |

At the end of prior reporting period, the Group and Company had contracted with tenants for at the following future minimum lease payments:

| | Group | Company |
|---|---|---|
| | 31 May 2019 | 31 May 2019 |
| | $'000 | $'000 |
| Within one year | 2,185 | 1,935 |
| In the second to fifth year inclusive | 8,410 | 7,740 |
| After fifth year | 3,386 | 3,386 |
| Total | 13,981 | 13,061 |

## 50 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.

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, contract assets, inventories, development properties, available-for-sale investment, investment in associates, investment in joint venture, club membership, completed properties and land 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.

50 SEGMENT INFORMATION (CONT'D)

| | Corporate & Others | | Engineering | | Infrastructure | | Discontinued operations | | Elimination | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Segment revenue** | | | | | | | | | | | | |
| External sales | 1,935 | 1,935 | 292,423 | 203,182 | 35,587 | 44,221 | 47,877 | 99,316 | - | - | 377,822 | 348,654 |
| Inter-segment sales | 3,613 | 439 | 507 | 14,062 | 12 | 8 | 813 | 1,204 | (4,945) | (15,713) | - | - |
| Total revenue | 5,548 | 2,374 | 292,930 | 217,244 | 35,599 | 44,229 | 48,690 | 100,520 | (4,945) | (15,713) | 377,822 | 348,654 |
| **Segment results** | | | | | | | | | | | | |
| Segment results | (12,288) | (5,770) | (12,208) | 6,676 | (4,293) | (6,384) | (4,677) | (47,332) | 10,847 | 8,942 | (22,619) | (43,868) |
| Share of results of associates and joint venture | - | - | (4) | 69 | 750 | 499 | - | (794) | - | - | 746 | (226) |
| Finance costs | (4,333) | (2,984) | (2,296) | (2,033) | (1,437) | (1,204) | (5,435) | (8,037) | 1,031 | 986 | (12,470) | (13,272) |
| (Loss) Profit before tax | (16,621) | (8,754) | (14,508) | 4,712 | (4,980) | (7,089) | (10,112) | (56,163) | 11,878 | 9,928 | (34,343) | (57,366) |
| Income tax expense | (1,354) | (467) | (2,466) | (1,537) | 350 | 470 | 9 | 331 | 54 | - | (3,407) | (1,203) |
| (Loss) Profit for the year | (17,975) | (9,221) | (16,974) | 3,175 | (4,630) | (6,619) | (10,103) | (55,832) | 11,932 | 9,928 | (37,750) | (58,569) |
| **Segment assets** | | | | | | | | | | | | |
| Segment assets | 37,876 | 24,406 | 211,448 | 204,264 | 31,398 | 23,250 | 17,041 | 359,634 | - | - | 297,763 | 611,554 |
| Investment in associates and joint venture | - | - | 130 | 129 | 9,646 | 8,256 | - | 3,252 | - | - | 9,776 | 11,637 |
| Deferred tax assets | - | - | 560 | 137 | 58 | - | - | 3,860 | - | - | 618 | 3,997 |
| Total assets | 37,876 | 24,406 | 212,138 | 204,530 | 41,102 | 31,506 | 17,041 | 366,746 | - | - | 308,157 | 627,188 |
| **Segment liabilities** | | | | | | | | | | | | |
| Segment liabilities | 4,750 | 2,310 | 152,710 | 147,260 | 14,058 | 14,313 | 2,308 | 46,030 | - | - | 173,826 | 209,913 |
| Loans, borrowings and lease liabilities | 16,347 | 40,268 | 62,917 | 42,987 | 14,369 | 5,806 | 17,532 | 219,656 | - | - | 111,165 | 308,717 |
| Income tax payable | 842 | - | 3,488 | 2,326 | 9 | 82 | - | 37 | - | - | 4,339 | 2,445 |
| Deferred tax liabilities | - | - | - | - | 178 | 389 | - | 386 | - | - | 178 | 775 |
| Total liabilities | 21,939 | 42,578 | 219,115 | 192,573 | 28,614 | 20,590 | 19,840 | 266,109 | - | - | 289,508 | 521,850 |

50 SEGMENT INFORMATION (CONT'D)

| | Corporate & Others | | Engineering | | Infrastructure | | Discontinued operations | | Elimination | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Other information** | | | | | | | | | | | | |
| Depreciation | 76 | 73 | 475 | 209 | 2,817 | 1,990 | 1,089 | 5,618 | - | - | 4,457 | 7,890 |
| Allowance for diminution in value of completed properties and land for sale | - | - | - | - | - | - | - | 542 | - | - | - | 542 |
| Change in fair value of investment properties | 653 | - | - | - | 536 | - | - | 691 | - | - | 1,189 | 691 |
| Allowance for doubtful trade receivables | - | - | 53 | - | - | - | - | 663 | - | - | 53 | 663 |
| Allowance for doubtful trade receivables written back | - | - | - | (399) | - | (86) | - | - | - | - | - | (485) |
| Loss allowance on contract assets | - | - | 957 | - | - | - | - | - | - | - | 957 | - |
| Write back of loss allowance for contract assets | - | - | - | - | - | - | - | (658) | - | - | - | (658) |
| Allowance for doubtful other receivables | 9 | - | - | - | 160 | - | - | 181 | - | - | 169 | 181 |
| Allowance for doubtful other receivables written back | - | - | - | (15) | - | - | - | - | - | - | - | (15) |
| Impairment loss on investment in associates | - | - | - | - | - | - | - | 3,600 | - | - | - | 3,600 |
| Loss/(Gain) on disposal of property, plant and equipment | - | - | 71 | 17 | (65) | 38 | - | (31) | - | - | 6 | 24 |

50 SEGMENT INFORMATION (CONT'D)

| | Corporate & Others | | Engineering | | Infrastructure | | Discontinued operations | | Elimination | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Other information** | | | | | | | | | | | | |
| Gain on disposal of subsidiary | - | - | - | - | - | (4,287) | - | - | - | - | - | (4,287) |
| Gain on disposal of an associate | - | - | - | - | - | (139) | - | - | - | - | - | (139) |
| Property, plant and equipment written off | - | - | - | 9 | 225 | 252 | 9 | - | - | - | 234 | 261 |
| Amortisation of intangible asset | - | - | - | - | 744 | 745 | - | - | - | - | 744 | 745 |
| Change in fair value of financial assets at FVTPL | 82 | 536 | - | - | - | - | - | - | - | - | 82 | 536 |
| Purchase of property, plant and equipment | 11 | 28 | 220 | 259 | 1,325 | 3,177 | 814 | 371 | - | - | 2,370 | 3,835 |
| Amortisation of deferred commission expenses | 73 | 73 | - | - | - | - | 1,660 | 3,801 | - | - | 1,733 | 3,874 |
| Amortisation of deferred show flat costs | - | - | - | - | - | - | 1,150 | 433 | - | - | 1,150 | 433 |
| Allowance for doubtful loan receivable | - | - | - | - | - | - | - | 665 | - | - | - | 665 |
| Impairment loss on property, plant and equipment | 97 | - | - | - | 1,491 | - | 896 | - | - | - | 2,484 | - |
| Impairment recognised based on net fair value of disposed group classified as held-for-sale | - | - | - | - | - | - | - | 26,000 | - | - | - | 26,000 |

50 SEGMENT INFORMATION (CONT'D)

| | Corporate & Other | Engineering | Real Estate | Infrastructure | Elimination | Group |
|---|---|---|---|---|---|---|
| | 1 June 2018 | 1 June 2018 | 1 June 2018 | 1 June 2018 | 1 June 2018 | 1 June 2018 |
| | $'000 | $'000 | $'000 (Restated) | $'000 | $'000 | $'000 |
| **Segment assets** | | | | | | |
| Segment assets | 25,111 | 114,717 | 442,514 | 15,161 | - | 597,503 |
| Investment in associates and joint venture | - | 270 | 11,932 | 7,631 | - | 19,833 |
| Deferred tax assets | - | 105 | 4,342 | - | - | 4,447 |
| Total assets | 25,111 | 115,092 | 458,788 | 22,792 | - | 621,783 |
| **Segment liabilities** | | | | | | |
| Segment liabilities | 2,245 | 76,631 | 66,934 | 12,539 | - | 158,349 |
| Loans and borrowings | 40,252 | 42,877 | 223,196 | 1,638 | - | 307,963 |
| Income tax payable | - | 1,810 | 541 | 73 | - | 2,424 |
| Deferred tax liabilities | - | - | 1,025 | 926 | - | 1,951 |
| Total liabilities | 42,497 | 121,318 | 291,696 | 15,176 | - | 470,687 |

50 SEGMENT INFORMATION (CONT'D)

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 other receivables, bank balances pledged and deferred tax assets) are analysed based on the location of those assets.

| | Revenue | | Non-current assets | | |
|---|---|---|---|---|---|
| | | | 31 May | 31 May | 1 June |
| | 2020 | 2019 | 2020 | 2019 | 2018 |
| | $'000 | $'000 (Restated) | $'000 | $'000 (Restated) | $'000 |
| Singapore | 366,205 | 315,463 | 42,241 | 42,380 | 76,492 |
| Malaysia | 473 | 12,691 | - | 10 | 215 |
| Brunei | - | - | - | 15 | 55 |
| Thailand | 2,987 | 2,851 | 11,016 | - | - |
| Vietnam | 419 | 436 | - | - | - |
| Hong Kong | 2,303 | 8,705 | 144 | 132 | 274 |
| Australia/New Zealand | 5,435 | 8,508 | - | - | 8,259 |
| Total | 377,822 | 348,654 | 53,401 | 42,537 | 85,295 |

## 51 DISPOSAL OF SUBSIDIARY

As disclosed in Note 47, the Group disposed of its entire 63.28% stake in TEE Land Limited. The fair value of identifiable assets and liabilities disposed of were as follows:

| | As at 31 Jan 2020 $'000 |
|---|---|
| Effects on disposal | |
| Cash and bank balances | 23,442 |
| Trade receivables and other receivables | 14,763 |
| Contract assets and contract costs | 39,240 |
| Loans receivables | 10,632 |
| Inventories | 45 |
| Development properties | 132,798 |
| Completed properties and land for sale | 60,843 |
| Investment in associates | 3,309 |
| Property, plant and equipment | 34,513 |
| Right-of-use assets | 2,049 |
| Investment properties | 9,318 |
| Deferred tax assets | 4,426 |
| Bank loans and overdraft | (1,165) |
| Trade payables and other payables | (38,517) |
| Contract liabilities | (9,205) |
| Long-term borrowings | (190,292) |
| Financial guarantee liabilities | (140) |
| Income tax payable | (409) |
| Lease liabilities | (2,042) |
| Deferred tax liabilities | (417) |
| Net assets in a subsidiary | 93,191 |
| Less: Non-controlling interest in disposal group | (49,351) |
| Add: Foreign currency translation in disposal group | 389 |
| Net | 44,229 |
| Gain on disposal of TEE Land Limited (Note 42) | 4,287 |
| Consideration, net of transaction costs (Note A) | 48,516 |
| Cash and short-term deposits disposed of | (23,442) |
| Net cash inflow from the disposal of a subsidiary | 25,074 |
| | |
| Note A | |
| Consideration | 50,617 |
| Transaction costs | (2,101) |
| Net consideration | 48,516 |

## 52 BASIS FOR REVISION

Revising and re-filing of financial statements for the financial year ended 31 May 2020

As announced by the Company on SGXNet on 11 November 2021, pursuant to ACRA's Financial Reporting Surveillance Programme, ACRA had issued a letter dated 28 September 2021 ("ACRA's Letter") under Section 202A of the Act and the Companies (Revision of Defective Financial Statements, or Consolidated Financial Statements or Balance-Sheet) Regulations 2018 in relation to the Group's financial statements for the financial year ended 31 May 2019 ("FY2019 FS").

The original directors who authorised the FY2019 FS comprised the following:
Mr. Bertie Cheng Shao Shiong (Resigned on 29.11.2019)
Mr. Gn Hiang Meng (Resigned on 21.01.2021)
Mr. Aric Loh Siang Khee (Resigned on 21.01.2021)
Mr. Lai Hock Meng (Resigned on 14.01.2020)
Mr. Wu Geng (Resigned on 14.01.2020)
Mr. Phua Chian Kin (Resigned on 05.03.2020)
Mr. Phua Boon Kin (Resigned on 20.12.2021)
Ms. Saw Chin Choo (Resigned on 14.10.2021)

ACRA's Letter indicated that in its view, the FY2019 FS had not complied with the following:

(i) Paragraph 16(d) of SFRS(I) 1-7 Statement of Cash Flows as the Group had incorrectly presented the portion of the sale proceeds amounting to $9,067,000 from the disposal of 239,119,300 ordinary shares of an associate, Chewathai Public Company Limited, as cash flows from operating activities instead of investing activities.

(ii) Paragraph 16(e) of SFRS(I) 1-7 Statement of Cash Flows as the Group had incorrectly presented advance made to other parties of $3,000,000 as cash flows from operating activities instead of investing activities.

(iii) Paragraph 35(c) of SFRS(I) 15 Revenue from Contracts with Customers because the Group had incorrectly recognised revenue at a point in time instead of over time for the commercial units in its Third Avenue mixed-use development project in Malaysia.

(iv) Paragraph 7 of SFRS(I) 5 Non-current Assets Held-for-Sale and Discontinued Operations, because the Group did not present its 63.3% equity interest in TEE Land as disposal group held-for-sale as at 31 May 2019 despite the conditions under paragraph 7 and 8 of SFRS(I) 5 were met.

As a result, ACRA requested that the Company to revise FY2019 FS to remediate the findings of ACRA pursuant to Section 202A of the Act and the Companies (Revision of Defective Financial Statements, or Consolidated Financial Statements or Balance-Sheet) Regulations 2018 (the "Regulations").

After taking into consideration the significant challenges faced by the Company in revising the FY2019 FS, ACRA has agreed that the Company may revise the original financial statements for year ended 31 May 2020 ("FY2020 FS"), with the necessary revisions reflected in respect of the FY2019 comparative figures set out in the FY2020 FS.

In view of the Regulations, the current directors have voluntarily revised the FY2020 FS in accordance with Section 202A of the Act. On this basis, the revised financial statements have been remediated pursuant to ACRA's findings from the review of the FY2019 FS.

52 BASIS FOR REVISION (CONT'D)

Effects of revisions
The effects of the revisions are summarised below.

Group

(A) Impact on the Statement of Financial Position as at 1 June 2018

| | As previously reported | Restatements in respect of: (i) | (ii) | (iii) | (iv) | As restated |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Assets** | | | | | | |
| **Current assets** | | | | | | |
| Other receivables | 18,665 | - | - | (690) | - | 17,975 |
| Development properties | 194,492 | - | - | 2,945 | - | 197,437 |
| Completed properties and land for sale | 46,502 | - | - | 1,772 | - | 48,274 |
| **Non-current assets** | | | | | | |
| Deferred tax assets | 5,590 | - | - | (1,143) | - | 4,447 |
| **Liabilities and equity** | | | | | | |
| **Current liabilities** | | | | | | |
| Income tax payable | 2,537 | - | - | (113) | - | 2,424 |
| **Capital, reserves and Non-controlling interests** | | | | | | |
| Currency translation reserve | 321 | - | - | 38 | - | 359 |
| Accumulated profits | 7,803 | | - | 1,871 | - | 9,674 |
| Non-controlling interests | 62,802 | - | - | 1,088 | - | 63,890 |

(B) Impact on the Statement of Financial Position as at 31 May 2019

| | As previously reported | Restatements in respect of: (i) | (ii) | (iii) | (iv) | As restated |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Assets** | | | | | | |
| **Current assets** | | | | | | |
| Cash and cash equivalents | 60,875 | - | - | - | (25,021) | 35,854 |
| Trade receivables | 44,436 | - | - | - | (15,531) | 28,905 |
| Other receivables | 14,287 | - | - | - | (7,898) | 6,389 |
| Loans receivables | 10,839 | - | - | - | (10,839) | - |
| Inventories | 203 | - | - | - | (47) | 156 |
| Contract assets | 176,333 | - | - | - | (34,683) | 141,650 |
| Contract costs | 1,240 | - | - | - | (1,240) | - |
| Development properties | 175,838 | - | - | - | (175,838) | - |
| Completed properties and land for sale | 42,974 | - | - | - | (42,974) | - |
| Non-current assets held-for-sale | - | - | - | - | 366,746 | 366,746 |
| **Non-current assets** | | | | | | |
| Investment in associates | 13,655 | - | - | - | (5,399) | 8,256 |
| Property, plant and equipment | 71,067 | - | - | - | (59,974) | 11,093 |
| Investment properties | 31,442 | - | - | - | (9,442) | 22,000 |
| Deferred tax assets | 3,997 | - | - | - | (3,860) | 137 |

52 BASIS FOR REVISION (CONT'D)

Group (Cont'd)

(B) Impact on the Statement of Financial Position as at 31 May 2019 (Cont'd)

| | As previously reported | Restatements in respect of: (i) | (ii) | (iii) | (iv) | As restated |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Liabilities and equity** | | | | | | |
| **Current liabilities** | | | | | | |
| Bank loans and overdrafts | 48,532 | - | - | - | (1,994) | 46,538 |
| Trade payables | 161,571 | - | - | - | (16,542) | 145,029 |
| Other payables | 30,251 | - | - | - | (13,190) | 17,061 |
| Contract liabilities | 6,661 | - | - | - | (6,345) | 316 |
| Current portion of finance leases | 346 | - | - | - | (13) | 333 |
| Current portion of long-term borrowings | 93,670 | - | - | - | (87,436) | 6,234 |
| Current portion of financial guarantee liabilities | 185 | - | - | - | (110) | 75 |
| Income tax payable | 2,445 | - | - | - | (37) | 2,408 |
| Liabilities directly associated with non-current assets held-for-sale | - | - | - | - | 266,109 | 266,109 |
| **Non-current liabilities** | | | | | | |
| Finance leases | 1,143 | - | - | - | (13) | 1,130 |
| Long-term borrowings | 144,026 | - | - | - | (130,200) | 13,826 |
| Financial guarantee liabilities | 180 | - | - | - | (106) | 74 |
| Other payables | 9,767 | - | - | - | (9,737) | 30 |
| Deferred tax liabilities | 775 | - | - | - | (386) | 389 |
| **Capital, reserves and Non-controlling interests** | | | | | | |
| Accumulated losses | (10,370) | - | - | - | (26,000) | (36,370) |

52 BASIS FOR REVISION (CONT'D)

Group (Cont'd)

(C) Impact on the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 May 2019

| | As previously reported | Restatements in respect of: (i) | (ii) | (iii) | (iv) | As restated |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Revenue** | 249,338 | - | - | - | - | 249,338 |
| **Cost of sales** | (231,658) | - | - | - | - | (231,658) |
| **Gross profit** | 17,680 | - | - | - | - | 17,680 |
| Other operating income | 1,241 | - | - | - | - | 1,241 |
| Administrative expenses | (15,854) | - | - | - | - | (15,854) |
| Other operating expenses | (2,517) | - | - | - | - | (2,517) |
| Share of results of associates and joint venture | 568 | - | - | - | - | 568 |
| Finance costs | (5,168) | - | - | - | - | (5,168) |
| Impairment loss on financial assets written back | 500 | - | - | - | - | 500 |
| **Loss before tax** | (3,550) | - | - | - | - | (3,550) |
| Income tax expense | (1,534) | - | - | - | - | (1,534) |
| **Loss for the year from continuing operations** | (5,084) | - | - | - | - | (5,084) |
| **Loss for the year from discontinued operations, net of tax** | (24,526) | - | - | (2,959) | (26,000) | (53,485) |
| **Loss for the year** | (29,610) | - | - | (2,959) | (26,000) | (58,569) |
| **Other comprehensive loss** | | | | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | | | | |
| Currency translation differences, representing other comprehensive loss for the year | (1,218) | - | - | (38) | - | (1,256) |
| **Total comprehensive loss for the year** | (30,828) | - | - | (2,997) | (26,000) | (59,825) |

52 BASIS FOR REVISION (CONT'D)

Group (Cont'd)

(C) Impact on the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 May 2019 (Cont'd)

| | As previously reported | Restatements in respect of: (i) | (ii) | (iii) | (iv) | As Restated |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Loss attributable to:** | | | | | | |
| Owners of the Company | | | | | | |
| Loss from continuing operations, net of tax | (3,732) | - | - | - | - | (3,732) |
| Loss from discontinued operations, net of tax | (14,441) | - | - | (1,871) | (26,000) | (42,312) |
| | (18,173) | - | - | (1,871) | (26,000) | (46,044) |
| Non-controlling interests | | | | | | |
| Loss from continuing operations, net of tax | (1,352) | - | - | - | - | (1,352) |
| Loss from discontinued operations, net of tax | (10,085) | - | - | (1,088) | - | (11,173) |
| | (11,437) | - | - | (1,088) | - | (12,525) |
| **Loss for the year** | (29,610) | - | - | (2,959) | (26,000) | (58,569) |
| **Total comprehensive loss attributable to:** | | | | | | |
| Owners of the Company | (18,739) | - | - | (1,909) | (26,000) | (46,648) |
| Non-controlling interests | (12,089) | - | - | (1,088) | - | (13,177) |
| | (30,828) | - | - | (2,997) | (26,000) | (59,825) |
| **Loss per share** | | | | | | |
| From continuing and discontinued operations | | | | | | |
| - Basic (cents) | (3.28) | - | - | (0.34) | (4.69) | (8.31) |
| - Diluted (cents) | (3.28) | - | - | (0.34) | (4.69) | (8.31) |
| From continuing operations | | | | | | |
| - Basic (cents) | (0.67) | - | - | - | - | (0.67) |
| - Diluted (cents) | (0.67) | - | - | - | - | (0.67) |

52 BASIS FOR REVISION (CONT'D)

Group (Cont'd)

(D) Impact on Consolidated Statement of Cash Flows for the year ended 31 May 2019.

| | As previously reported | Restatements in respect of: (i) | (ii) | (iii) | (iv) | As restated |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Operating activities** | | | | | | |
| Loss before tax from discontinued operations | (23,808) | - | - | (4,008) | (26,000) | (53,816) |
| Impairment recognised based net estimated fair value of disposal group classified as held-for-sale | - | - | - | - | 26,000 | 26,000 |
| Amortisation of deferred commission expenses | 4,554 | - | - | (680) | - | 3,874 |
| Unrealised currency translation loss | 1,376 | - | - | (19) | - | 1,357 |
| **Operating cash flows before movements in working capital** | 8,444 | - | - | (4,707) | - | 3,737 |
| Other receivables | 2,531 | (9,067) | 3,000 | (10) | - | (3,546) |
| Development properties | (5,591) | - | - | 2,945 | - | (2,646) |
| Completed property and land for sale | 25,868 | - | - | 1,772 | - | 27,640 |
| **Cash generated from operations** | 33,638 | (9,067) | 3,000 | - | - | 27,571 |
| **Net cash generated from operating activities** | 26,829 | (9,067) | 3,000 | - | - | 20,762 |
| **Investing activities** | | | | | | |
| Proceeds on disposal of an associate | 5,000 | 9,067 | - | - | - | 14,067 |
| Loan to a related party | - | - | (3,000) | - | - | (3,000) |
| **Net cash generated from investing activities** | 5,099 | 9,067 | (3,000) | - | - | 11,166 |

Company

(E) Impact on the Statement of Financial Position as at 31 May 2019

| | As previously Reported | Restatements in respect of: (i) | (ii) | (iii) | (iv) | As restated |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Assets** | | | | | | |
| **Current assets** | | | | | | |
| Non-current assets held-for-sale | - | - | - | - | 48,928 | 48,928 |
| **Non-current assets** | | | | | | |
| Investment in subsidiaries | 116,854 | - | - | - | (72,928) | 43,926 |
| **Equity** | | | | | | |
| Accumulated losses | (15,001) | - | - | - | (24,000) | (39,001) |

## 53 ADOPTION OF NEW AND REVISED STANDARDS

On 1 June 2019, the Group and the Company adopted all the new and revised SFRS(I) pronouncements that are relevant to its operations. The adoption of these new/revised SFRS(I) pronouncements does not result in changes to the Group and the Company's accounting policies and has no material effect on the amounts reported for current or prior years except as discussed as below:

The Group applied SFRS(I) 16 using the modified retrospective approach which requires the Group to recognise the cumulative effect of initially applying SFRS(I) 16 as an adjustment to the opening balance of retained earnings at the date of initial application, without restatement of comparatives under SFRS(I) 1-17.

The Group previously determined at contract inception whether an arrangement was or contained a lease under SFRS(I) INT 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in SFRS(I) 16.

The Group has elected to apply the practical expedient available on transition to SFRS(I) 16 not to reassess whether a contract is, or contains, a lease. Accordingly, the superseded definition of a lease under SFRS(I) 1-17 continues to be applied to those leases entered into, or modified, before 1 June 2019, and the Group applies the new definition of a lease and related guidance set out in SFRS(I) 16 only to those lease contracts entered into, or modified, on or after 1 June 2019. After the transition to SFRS(I) 16, the Group shall reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

For lessee accounting, SFRS(I) 16 introduces significant changes by removing the distinction between operating and finance lease and requiring the recognition of a ROU asset and a lease liability at commencement for all leases.

The Group used a number of practical expedients when applying SFRS(I) 16 to leases previously classified as operating leases under SFRS(I) 1-17. In particular, the Group:

- did not recognise ROU assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from the measurement of the ROU asset at the date of initial application;
- used hindsight when determining the lease term when the contract contains options to extend or terminate the lease; and
- adjust the right-of-use asset at the date of initial application by the amount of provision of onerous leases recognised under SFRS(I) 1-37 Provisions, contingent liabilities and contingent assets in the statements of financial position immediately before the date of initial application, as an alternative to performing an impairment review under SFRS(I) 1-36.

53 ADOPTION OF NEW AND REVISED STANDARDS (CONT'D)

As a lessee

The Group's leased assets include properties, motor vehicles and office equipment. The Group previously classified these leases as operating or finance leases based on its assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Group. Under SFRS(I) 16, the Group recognises ROU assets representing its right to use the underlying assets and lease liabilities representing its obligations to make lease payments.

The Group has elected, as a practical expedient of SFRS(I) 16, not to separate non-lease components from lease components for all classes of underlying assets and instead account for each lease component and any associated non-lease components as a single lease component.

Leases previously classified as operating leases under SFRS(I) 1-17

The Group previously classified property and office equipment leases as operating leases under SFRS(I) 1-17. On transition, the lease liabilities of these leases were measured at the present value of the remaining lease payments, discounted at the Group's IBR applicable to the leases as at 1 June 2019. ROU assets are measured at an amount equal to the lease liabilities.

For short-term leases and lease of low value assets, the Group has elected for exemption under SFRS(I) 16 from recognising ROU assets and lease liabilities, and to report their lease expenses in profit or loss on a straight-line basis.

The Group has tested its ROU assets for impairment on the date of transition and has concluded that there is no indication that the ROU assets are impaired.

The Group previously classified motor vehicle leases as finance leases under SFRS(I) 1-17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 June 2019 were determined at the carrying amount of the lease asset and lease liability under SFRS(I) 1-17 immediately before that date.

Financial impact of initial adoption of SFRS(I) 16

The effects of adoption of SFRS(I) 16 as at 1 June 2019 are as follows:

| | Group | Company |
|---|---|---|
| | Increase / (Decrease) | Increase / (Decrease) |
| | $'000 | $'000 |
| Investment properties | 2,562 | 2,562 |
| Property, plant and equipment | 19,725 | - |
| Finance lease obligation | (1,463) | - |
| Lease liabilities | 23,750 | 2,562 |

On 1 June 2019, there is no material impact on tax circumstances which give rise to temporary differences on initial recognition of both the ROU assets and lease liabilities.

The Group and the Company's weighted average IBR applied to measure the Group and the Company's lease liabilities recognised in the statements of financial position on 1 June 2019 was 1.80% to 5.00% per annum for the Group and 2.52% per annum for the Company.

53 ADOPTION OF NEW AND REVISED STANDARDS (CONT'D)

Financial impact of initial adoption of SFRS(I) 16 (CONT'D)

A reconciliation of the differences between the Group and the Company's operating lease commitments previously disclosed in the financial statements as at 31 May 2019 and the Group and the Company's lease liabilities recognised in the statement of financial position on 1 June 2019 is as follows:

| | Group | Company |
|---|---|---|
| | $'000 (Restated) | $'000 |
| Operating lease commitments as at 1 June 2019 | 32,598 | 3,329 |
| Less: Leases with lease term ending within 12 months from date of initial application | (1,258) | (157) |
| Less: Variable lease payment not recognised | (666) | - |
| Less: Low value assets not recognised | (11) | - |
| Less: Discounting effect using weighted average IBR | (8,376) | (610) |
| Add : Finance lease recognized as at 1 June 2019 | 1,463 | - |
| Lease liabilities recognised as at 1 June 2019 | 23,750 | 2,562 |

The Group as lessor

The Group leases out its investment properties and has classified these leases as operating leases.

The Group is not required to make any adjustments on transaction to SFRS(I) 16 for leases in which the Group acts as lessor.

54 STANDARDS ISSUED BUT NOT EFFECTIVE

At the date of authorisation of these financial statements, the following SFRS(I) pronouncements relevant to the Group and the Company were issued but not effective.

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| Amendments to References to the Conceptual Framework in SFRS(I) | 1 January 2020 |
| Amendments to SFRS(I) 3: Definition of a Business | 1 January 2020 |
| Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material | 1 January 2020 |
| Amendments to SFRS(I) 16: Covid-19 Related Rent Concessions | 1 June 2020 |
| Amendment to SFRS(I) 3: Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to SFRS(I) 1-16: Property, plant and equipment – Proceeds before intended use | 1 January 2022 |
| Amendments to SFRS(I) 1-37: Onerous Contracts – Cost of Fulfilling a Contract | 1 January 2022 |
| Amendments to SFRS(I) 1-1 Classification of Liabilities as Current or Non-Current | 1 January 2023 |
| Annual Improvements to SFRS(I) Standards 2018 - 2020 | 1 January 2022 |

Management anticipates that the adoption of the standards above will not have a material impact on the financial statements of the Group in the period of their initial adoption.

55 CONTINGENT LIABILITIES

Arbitration Proceedings

The Company released an announcement on 19 September 2020 that a Malaysian client ("Claimant") has on 6 March 2020 commenced two sets of arbitration proceedings, as follows: (a) Arbitration proceedings against TEE E&C (Malaysia) Sdn Bhd ("TEE E&C (M)"), a wholly-owned subsidiary of the Company in Malaysia (the "Malaysia Arbitration"); and (b) Arbitration proceedings against the Company in Singapore (the "Singapore Arbitration"), (collectively, the "Arbitration Proceedings"). The Arbitration Proceedings are in respect of disputes between the Claimant and TEE E&C (M) arising out of and/or in connection with a construction contract dated 30 June 2014. The Company is the Corporate Guarantor of TEE E&C (M) under the construction contract.

The Claimant is claiming for a total of RM55.99 million ($18.45 million) comprising of the following items: (a) liquidated damages; (b) costs of rectification of alleged defects; (c) loss of profits due to delay; (d) additional costs and expenses; and (e) direct payments to TEE E&C (M)'s sub-contractors.

In view of the Adjudication Application as described below, the Company has filed an application to stay the Singapore Arbitration pending the resolution of the Malaysia Arbitration, supported by the Company's undertaking be bound by the outcome of the Malaysia Arbitration.

Adjudication Application

Prior to the initiation of the above Arbitration Proceedings by the Claimant, TEE E&C (M) filed an Adjudication Application in Malaysia on 26 September 2019 against the Claimant under the Construction Industry Payment and Adjudication Act 2012 Malaysia for outstanding payments. On 16 March 2020, the Adjudication Determination for the Adjudication Application was issued to both parties.

Under the Adjudication Application, the Claimant claimed a total of RM34.58 million ($11.39 million) for (a) liquidated damages; (b) costs of rectification of alleged defects; and (c) direct payments to TEE E&C (M)'s sub-contractors, while TEE E&C (M) claimed for RM5.50 million ($1.81 million) for value of work done but unpaid.

Under the Adjudication Determination, the Adjudicator (a) rejected the Claimant's claims on liquidated damages; (b) awarded RM3.76 million ($1.24 million) to the Claimant for rectification of alleged defects out of the Claimant's claim of RM24.77 million ($8.16 million); (c) awarded RM2.97 million ($0.98 million) to the Claimant for direct payments to TEE E&C (M)'s sub-contractors; and awarded fully RM5.50 million ($1.81 million) to TEE E&C (M) for unpaid work. The above Adjudication Determination result in a net payable of RM1.23 million ($0.41 million) to the Claimant. These costs and billings awarded by the Adjudicator has been recognised in the financial statements for the current financial year.

Thereafter, TEE E&C (M) proposed a settlement with the Claimant based on the conditions set out in the Adjudication Determination. The Claimant, however, rejected TEE E&C (M)'s proposed settlement.

Management's assessment

The Executive Directors have evaluated these claims and are of the view that the amount claimed by the Claimant are excessive and without merit. Accordingly, no provision for claim items (a), (c) and (d) under the Arbitration proceedings have been made in the financial statements for the current financial year ended 31 May 2020. In respect of item (b) and (e) under the Arbitration proceedings, the costs and the billings awarded by the Adjudicator have been recognised in the financial statements for the current financial year ended 31 May 2020.

The Group has sought further legal advice and intends to vigorously pursue its defence against the Claimant.